2016

ANNUAL REPORT

AT 31 DECEMBER 2016

MANUTENCOOP

2016

ANNUAL REPORT

AT 31 DECEMBER 2016

INDEX

GENERAL INFORMATION

REGISTERED OFFICE

Via U. Poli, 4
Zola Predosa (Bo)

BOARD OF DIRECTORS

Appointed by the Shareholders' Meeting of 30.11.2016

CHAIRMAN
Marco Canale

VICE CHAIRMAN
Giuliano Di Bernardo

CEO
Aldo Chiarini

MEMBERS OF THE BOARD OF DIRECTORS
Marco Bulgarelli
Rossella Fornasari
Carlo Frau
Folco Goggioli
Paolo Leonardelli
Marco Monis
Franco Carlo Papa
Pier Paolo Quaranta
Matteo Tamburini
Pietro Testoni

BOARD OF STATUTORY AUDITORS

Appointed by the Shareholders' Meeting of 30.11.2016

STANDING AUDITORS
Germano Camellini
Monica Mastropaolo
Vieri Chimenti

ALTERNATE AUDITORS
Antonella Musiani
Augusto Bagnoli

INDEPENDENT AUDITORS

Ernst & Young S.p.A.

MANUTENCOOP

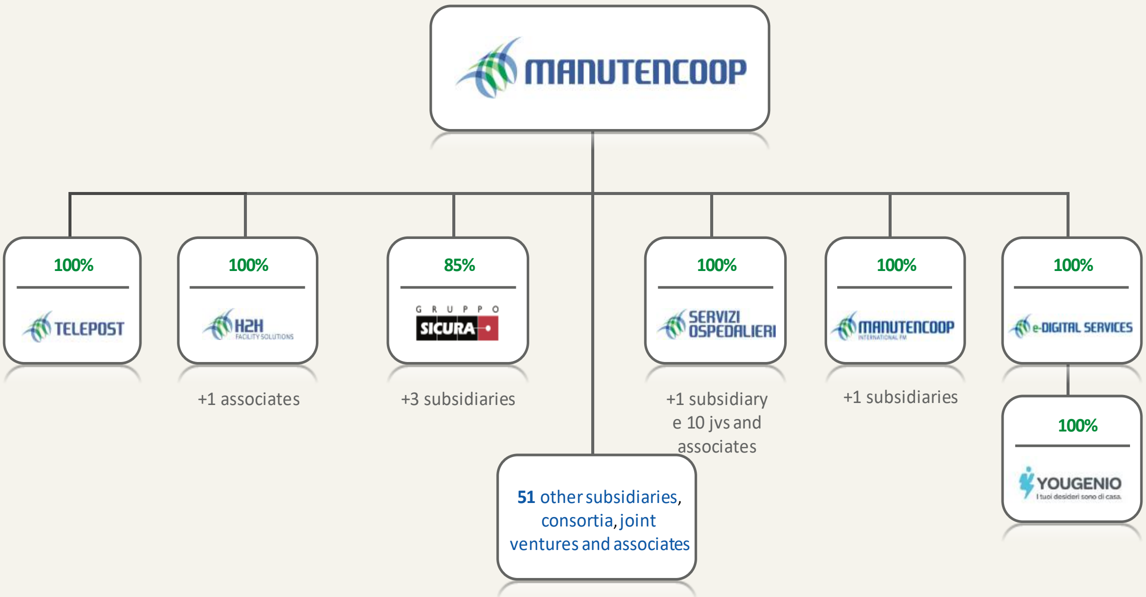
2016
ANNUAL REPORT

AT 31 DECEMBER 2016

REPORT ON OPERATIONS

PREAMBLE

The Report on Operations for Manutencoop Facility Management S.p.A. ("MFM") was drafted in accordance with art. 2428 of the Italian Civil Code and, as provided for under art. 40 of Legislative Decree 127/1991, is presented in a single document. Where appropriate, priority is given to issues considered important to the companies included in the scope of consolidation as a whole.
At 31 December 2016 the Group controlled by Manutencoop Facility Management S.p.A. ("MFM Group" and "MFM S.p.A." or "the Parent Company" respectively) was made up as follows:



As early as in the 2015 financial year, the Group outlined its objective of strategic growth in international markets, devoting resources specifically devoted to searching for new areas of activity in Europe and outside, which were concentrated into the sub-holding Manutencoop International FM S.r.l.. Again during 2015, e-Digital Services S.r.l. was also established, which was also wholly owned by MFM S.p.A., with the objective of embarking on a path to growth in B2B services markets, which was followed by the launch of a project in B2C market through the start-up company Yougenio S.r.l. during 2016.
Finally, by a deed dated 16 December 2015, there was the merger by incorporation of subsidiaries MACO S.p.A. and SMAIL S.p.A., which produced its accounting, statutory and tax effects starting from 1 January 2016.

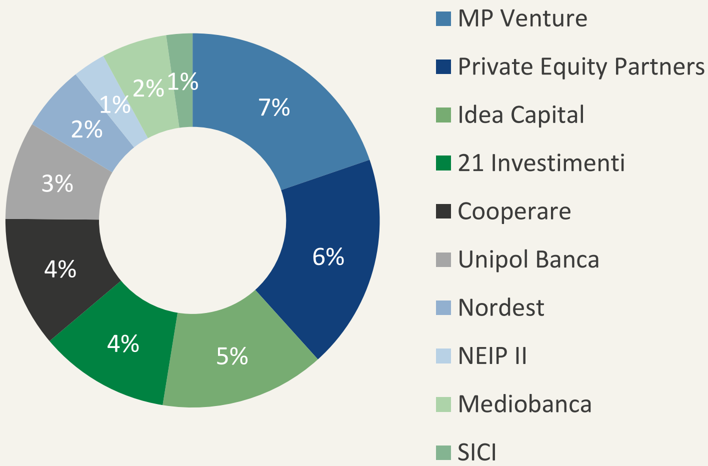
Shareholding structure

Ordinary shares issued by the MFM Group and fully paid up at 31 December 2016 amounted to 109,149,600, with a par value of Euro 1 each.
There are no other share classes. The Parent Company does not hold own shares.
At 31 December 2016, Manutencoop Società Cooperativa held a controlling interest of 71.889% in MFM S.p.A. and the remaining stake was held by a pool of Private Equity investors. On 1 July 2013 Manutencoop

Società Cooperativa also acquired an additional stake of 7.028% with retention of title (“riserva di proprietà”), pursuant to and for the purposes of article 1523 of the Italian Civil Code, for which the financial and administrative rights attached pertain to the buyer.

On 19 July 2016 the majority shareholder Manutencoop Società Cooperativa and the Investors signed a new investment agreement and new shareholders’ agreements. The new agreements will supersede those that were entered into in 2013 and provide for Manutencoop Società Cooperativa to transfer an additional stake of 12.13% to the minority Shareholders: as a result, it will hold an overall stake of 66.793% in MFM S.p.A.. The new agreements do not provide for additional put options in favour of the Investors in consideration of a number of actions to be taken over subsequent periods of time, aimed at ensuring their exit from the ownership structure of MFM S.p.A. through the sale or listing of the latter’s shares, while providing for a compensation obligation on Manutencoop Società Cooperativa in the case of a final sentence relating to the “Consip Scuole” tender proceedings before the Competition Authority. Furthermore, there is a provision for postponing the date of Manutencoop Società Cooperativa’s payment obligations set at 1 July 2016 under the Vendor Note in relation to the quotas acquired in 2013 subject to a conditional sale, the extension being set at the earlier of the date of exit of the Investors and 30 June 2019, without prejudice to the Investors’ right to further extend the latter time limit. Finally, the new agreements lay down new governance rules that have led to the appointment of a new Chairman and a new Chief Executive Officer, as well as a new composition of the Governing and Control Bodies.
The effectiveness of the agreements reached by the Shareholders was confirmed by the Extraordinary Shareholders’ Meeting held on 7 October 2016, which approved the related amendments to the articles of association.

As at the date of approval of the Consolidated Financial Statements at 31 December 2016, the minority shareholders held the following stakes in the share capital of MFM S.p.A.:


7%
6%
5%
4%
4%
3%
2%
1%
2%
1%
MP Venture
Private Equity Partners
Idea Capital
21 Investimenti
Cooperare
Unipol Banca
Nordest
NEIP II
Mediobanca
SICI

MACROECONOMIC AND MARKET SCENARIO

There was an improvement in the global economy in the second half of 2016 which, according to the main forecasts, should continue to strengthen even if at a slower rate than before the crisis. Growth in the United States disappointed expectations, 2016 closing at 1.6% (2.6% in 2015), in spite of the support given to the economy by accommodating policies and the substantial reduction in unemployment; the uncertainties regarding the country's growth prospects and the world economy became more acute after the Presidential elections. Chinese economic growth faltered at 6.7% (6.9% in 2015), but in any case growth for 2017 is estimated at 6.5%. The Japanese rate of expansion is expected to be moderate while the medium-term prospect for the United Kingdom is that growth will be probably pulled back by the greater uncertainty regarding the country's future relations with the EU. Oil prices rose after the OPEC agreement on 30 November and the effects of the previous falls on overall global inflation ceased to be felt.

GDP rose by 1.7% in the Eurozone as a whole: the rise was higher than in the United States for the first time since the crisis broke out in 2008. Against this scenario, in 2016 the Italian economy recorded an average increase of 0.9% gross in GDP and of 1% after the figure was corrected for the two working days fewer than in 2015. Domestic demand contributed 0.4%, divided among 0.2% gross fixed investments, 0.1% public authority expenditure and nil from household spending. Stocks subtracted 0.2% while net foreign demand contributed nothing to growth. In spite of the recovery in the last two years, Italian GDP in 2016 was still more than 7% lower than the peak at the beginning of 2008 and only passed that of 2000 in 2016. Recovery is almost complete in Spain, while France and Germany, which had already recovered pre-crisis levels in 2011, record progress of over 4% and nearly 8% respectively.

The latest forecast for growth in GDP is 0.9% in 2017 and 1.1% both in 2018 and in 2019. In 2019 GDP, however, would still be about 4% lower than in 2007 if these growth estimates are confirmed. Economic activity is still expected to be driven by domestic demand but also by a gradual strengthening of foreign demand already in 2017. Investments are forecast to rise faster than products even if they do not entirely make up for the pronounced drop during the long phase of recession. The accumulation of capital will on one hand be affected by greater global uncertainty, but on the other hand will benefit not only from better prospects of domestic recovery and easy financial terms but also from incentive measures. These will encourage anticipation of expenditure followed by a temporary lull in investments until the end of the forecast horizon. Compared with GDP, investments in productive capital in 2019 will climb back to about the average levels recorded in the pre-crisis decade while spending on construction will be over 3% lower. The rate of consumption growth is estimated to be in line with that of manufacturing, sustained by a rise in employment and disposable income. The increase in employment is forecast to be stimulated mainly by continuing growth; in spite of the end of contributions concessions to spur employers to engage workers on indefinite-term contracts, employment, measured in standard labour units, is to rise cumulatively by about 2% during the three years from 2017 to 2019 (about 2.5% in the private sector). Although there was an increase in the number of people in work, the retirement age rose so that the unemployment rate might only fall gradually, thus possibly coming to 10.8% in 2019 (from 11.9% in 2015). Average inflation was slightly negative in 2016 but is expected to rise slowly (up to 0.9% in 2017, 1.2% in 2018 and 1.5% in 2019) and it should be sustained by higher prices of imported energy products. Price trends, on the other hand, are expected to be restrained by moderate labour cost movements: salaries will only pick up during the last part of the forecast horizon.

The Facility Management market in Italy between 2014 and 2015 reported an increase of about 1%. The total market value was about € 66/67 billion, of which about € 26 billion (39%) relate to outsourced services. These figures may seem “modest” compared with the values in the UK market, but high compared with Eastern Europe and the Balkans. Owing to the macroeconomic situation in Europe, the Facility Management market, both in Italy and in the rest of Europe, may grow because it is driven by the outsourcing of services. Forecasts for the Italian market speak of a rising increase in outsourcing expenditure, which is expected to be equal to about € 28.3 billion (41% of total market) in 2019. In terms of market segments, Healthcare, Government, Business and Commercial account for about 55% of outsourcing expenditure (about € 15 billion) and are also the sectors which will lead the rise in this type of expenditure during the next three years.

NON-GAAP FINANCIAL MEASURES

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

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

	Definition
EBITDA	EBITDA represents the Operating Income before allocations to the accrual of provisions for risks and amortization/depreciation, write-downs and write-backs of assets. EBITDA is a measure used by the Company's management to monitor and assess its operating performance and it is not identified as an accounting measure under IFRS. Therefore, it must not be considered an alternative measurement for evaluating the trend in the Group's profit/loss. Given that the breakdown of EBITDA is not regulated by the accounting standards, the calculation criteria applied by the Group may not be comparable.
Adjusted EBIT or EBITDA	Adjusted EBITDA and Adjusted EBIT do not include non-recurring elements recorded in the consolidated Statement of Profit/Loss for the year, as described in paragraph "Non-recurring events and transactions in the period".
Gross Interest Bearing Financial Indebtedness (GIBFI)	Gross Interest Bearing Financial Indebtedness (GIBFI) is defined as the sum of: i) Current bank overdraft, advance payments and hot money; ii) Current portion of non-current bank debts; iii) Long-term bank debts; iv) Senior Secured Notes; v) Financial lease obligations.
LTM (Last Twelve Months)	LTM values relate to the economic values or financial flows identified in the last 12 months, or in the last 4 financial reporting years.
Net interest bearing financial indebtedness (NIBFI)	Net interest bearing financial indebtedness is defined as Gross Interest Bearing Financial Indebtedness net of Cash and cash equivalents.
NFP	Consolidated Net Financial Position represents the balance of Long-term debt, Derivatives, Bank borrowings (including current portion of long-term debt) and other financial liabilities, net of the amount of current financial assets and Cash and Cash equivalents.
Adjusted NFP or NWOC	Adjusted NWOC and Adjusted NFP include the balance of the trade receivables assigned in the framework of the previous years' assignment without recourse programmes (now abandoned), and not yet collected by the factoring companies.

ADJ EBITDA

in €/mln

101.2

vs 97.1 at 31/12/2015

EBITDA ADJ / REVENUES

10.9%

vs 10.2% at 31/12/2015

EBITDA

in €/mln

95.9

vs 93.1 at 31/12/2015

EBITDA / REVENUES

10.3%

vs 9.7% at 31/12/2015

REVENUES

in €/mln

929.1

vs 955.7 at 31/12/2015

DELTA % ON REVENUES

-2.8%

vs 31/12/2015

NFP / EBITDA

1.9x

vs 2.6x at 31/12/2015

NFP

in €/mln

(180.9)

vs (240.6) at 31/12/2015

ADJ NFP

in €/mln

(193.8)

vs (242.0) at 31/12/2015

ADJ NFP / ADJ EBITDA

1.9x

vs 2.5x at 31/12/2015

EBIT
in €/mln
73.3
vs 9.0 at 31/12/2015

EBIT / REVENUES
7.9%
vs 0.9% at 31/12/2015

ADJ EBIT
in €/mln
66.6
vs 61.5 at 31/12/2015

ADJ EBIT / REVENUES
7.2%
vs 6.4% at 31/12/2015

NET RESULT
in €/mln
33.6
vs (45.4) at 31/12/2015

NET RESULT/REVENUES
3.6%
ND at 31/12/2015

NWOC
in €/mln
114.2
vs 143.7 at 31/12/2015

NWOC / REVENUES
12.3%
vs 15.0% at 31/12/2015

ADJ NWOC
in €/mln
127.1
vs 145.1 at 31/12/2015

ADJ NWOC/REVENUES
13.7%
vs 15.2% at 31/12/2015

1. SUMMARY OF RESULTS AND MAIN EVENTS IN 2016

CONSOLIDATED RESULTS FOR THE 2016 FINANCIAL YEAR (1)

	For the year ended 31 December			
	2016	2015	Change	%
Revenues	929,098	955,729	(26,631)	- 2.8%
Adjusted EBITDA	101,220	97,062	4,158	+ 4.3%
Adjusted EBITDA % of Revenues	*10.9%*	*10.2%*		
Adjusted EBIT	66,640	61,518	5,122	+ 8.3%
Adjusted EBIT % of Revenues	*7.2%*	*6.4%*		
Consolidated Net Profit (Loss)	33,533	(45,369)	78,902	

In 2016, the Group recorded ***Revenues*** of € 929.1 million, with a € 26.6 million reduction (-2.8%) compared to 2015 (€ 955.7 million). The main reason for the fall is that in 2016 there could not be the same substantial gains from plant upgrades in 2015 under some Healthcare facility management contracts; additionally, a large private contract was renewed but for smaller volumes of work. Again during 2015, the Consip Sanità agreement also came to an end, while a number of new agreements are still being awarded. The reduced revenues from facility management was partially offset by volumes developed by start-up operations, specifically as regards those carried out by e-Digital Services. There was also an impact deriving from portfolios renewed for smaller volumes of work in the *Laundering &Sterilisation* SBU owing to a further phase in healthcare cost cutting and the consequent reduction in the number of beds of some hospital trusts.
Finally, revenues from the Other SBU (- € 2.2 million compared to the previous year) came to zero, with the final completion of construction activities carried out by subsidiary MACO S.p.A., which was subsequently merged by incorporation into MFM S.p.A., with accounting, statutory and tax effect from 1 January 2016.

The commercial **backlog** is more or less unchanged (€ 2,845 million compared with € 2,847 million as of 31 December 2015).

On the other hand, **Adjusted EBITDA** showed a considerable increase (+ € 4.2 million, equal to +4.3%), with a positive change also in terms of margins (**Adjusted EBITDA/Revenues**), which passed from 10.2% in 2015 to 10.9% in 2016. The evidence in the results shows the effects of a substantial process of rationalisation of production costs and overheads which the Group started as early as in previous financial years in order to offset the ongoing trend of reduction in volumes. This figure should also be seen in the light of the fact that the Group is paying the start-up costs of the new projects (B2C and international development), which are a total charge to the 2016 budget, against reduced initial volumes of operations, with an overall negative impact of € 4.1 million. On the other hand, during 2015 some contracts concerning energy services were affected by a considerable amount of costs relating to "*Oneri di Sistema*" for a total of € 3.2 million (in addition to further € 3.1 million relating to 2014). During 2016 the estimates of these costs for some sites which had previously not been considered eligible for concessions were reviewed, and this was accompanied by a change in the regulations governing the matter laid down in the "*Milleproroghe* (Thousand Extensions) Decree", as amended and converted by Law of 24 February 2017. Therefore no additional charges on the energy contracts involved were recognised in 2016.

Adjusted EBIT came to € 66.6 million (7.2% of Revenues for the year), up by € 5.1 million compared to € 61.5 million (6.4% of related Revenues) in the previous year. The trend, in line with the information already reported for EBITDA, was mainly attributable to lower amortisation and depreciation of € 0.8 million (mainly due to the actions taken to streamline the linen management in the Laundering&Sterilization SBU), against higher write-downs of trade receivables of € 0.1 million and lower provisions for risks, net of related releases, for € 0.6 million (of which € 0.1 million relating to the long-term bonus system reserved for management, which remained in place until 2015).

The **Consolidated Net Profit** for the year posted a value of € 33.5 million, against a Consolidated Net Loss of € 45.4 million for the financial year ended 31 December 2015.
The income performance of both financial years was significantly affected by the provision for risks of € 48.5 million set aside by the parent company MFM S.p.A. during the 2015 financial year, following an order for sanctions issued by the Competition Authority (*Autorità Garante della Concorrenza e del Mercato*, hereinafter referred to as "AGCM") on 20 January 2016. At 31 December 2016 the amount of the provision for risks was recalculated after the Lazio Regional Administrative Court's partial acceptance of the appeal filed by MFM S.p.A., which substantially reduced the fine to € 14.7 million, in spite of claims for damages submitted by Consip S.p.A., with a net reversal of € 16.3 million. In this regard, see the information reported in the paragraph on "2016 significant events" below.
Compared to the previous year, the Group recorded lower net financial costs by € 5.8 million, mainly due to the acquisition of portions of the Senior Secured Notes through a Tender Offer launched in June 2015 (€ 80 million), which ensured net savings of € 2.9 million, in terms of financial costs on six-monthly coupons, compared to the previous year. Finally, in 2015 higher financial costs were recorded in relation to the fees due to financial intermediaries on the repurchase of the Notes and to the accounting effects of this transaction (concerning the write-off of the related "amortised cost" required by the accounting standards IAS/IFRS), equal to an additional amount of €3.0 million; of these, € 1.9 million related to the proportional amount of financial costs accounted for according to the amortised cost method pursuant to IAS 39 on the Notes repurchased. On the other hand, during 2016 credit facilities were used for factoring without recourse and with recourse, which entailed higher financial costs for € 0.8 million and € 0.3 million, respectively.

Finally, the consolidated net profit for the year includes a positive result from discontinued operations of € 1.1 million, including the related tax effect (€ 0.3 million). It mainly related to an extra price (Earn-out) that MFM S.p.A. (the company into which SMAIL S.p.A. was merged with effect from 1 January 2016) obtained from the disposal of the business unit, which was carried out by the merged company in November 2015, as required by the contract of sale (€ 1.2 million, accompanied by a tax effect of € 0.3 million). On the contrary, 2015 saw a negative result from discontinued operations of € 2.9 million, relating to a negative net result from operations of subsidiary SMAIL S.p.A., which the same used for the maintenance of public lighting systems, involved in the disposal that was completed during the financial year itself (€ 2.4 million, to which must be added a tax income of € 0.8 million). Furthermore, total costs were recognised, which had accrued during the year and which were estimated at € 1.3 million, relating to the continuation of formalities set out as per contract and arising from the disposal of the investment held in MIA S.p.A., which took place in December 2014.

	31 December 2016	31 December 2015	Change
Adjusted Net Operating Working Capital (NWOC)	127,052	145,142	(18,089)
Adjusted Net Financial Position (NFP)	(193,825)	(242,001)	48,175

From an equity and financial point of view, the data relating to the Adjusted Net Working Operating Capital (**NWOC**) recorded a decrease of € 18.1 million, with lower trade receivables for € 51.6 million compared to an Adjusted Net Financial Position (**NFP**) that recorded an increase in the financial year, equal to € 48.2 million. DSO at 31 December 2016 was 170 day (176 day on 30 September 2016 and 185 day at 31 December 2015), thus confirming an improving trend in collection times. DPO, on the other hand, was 226 day (205 day on 30 September 2016 and 234 day at 31 December 2015).

During the year, change in Adjusted Net Working Operating Capital generated a cash flow of € 13.2 million (€ 55.6 million in 2015) which is added to a € 64.8 million cash flow generated from current operations (€ 55.7 million in 2015), while net industrial investments were made for € 29.7 million (€ 23.1 million in 2015), against net financial disinvestments of € 4.5 million (compared to net disinvestments of € 5.7 million in 2015). Finally, during the year, there was a € 10.2 million cash flows for utilizations of provisions for future risks and charges and for employee termination indemnity (€ 14.0 million in 2015), in addition to a positive flow of € 5.6 million for changes in other operating assets and liabilities (€ 29.7 million in 2015). The variations in this item in particular arise from movements in the VAT stock (which recorded, at consolidated level, a net receivable of € 8.0 million at 31 December 2016, against a net receivable of € 3.4 million at 31 December 2015). This stock has become a permanent credit item after the introduction of the new rules governing "Split payment" (which require Public Administrations to pay the VAT charged by their suppliers directly to the Tax Office instead of the suppliers themselves settling the VAT they have charged their customers) and "Reverse charge" (which have reduced VAT on procurement and, to a lesser extent, on sales invoices), introduced by the 2015 Stability Law. Furthermore, a cash flow of € 11.7 million was generated during the year, which arose from the assignment of tax receivables without recourse linked to the application of Decree Law 201 of 6 December 2011, as amended and converted by Law 214 of 22 December 2011, which had allowed various Group companies to submit, during 2012, a request for IRES (Corporate Income) tax refund as a result of the non-deduction of IRAP (Local Production Activity) tax in an overall amount of € 12.4 million, of which € 10.0 million under the tax consolidation regime in place with the parent company Manutencoop Società Cooperativativa. Finally, the account receivable that had been recognised in 2013 in exercising a right of recourse pursuant to Article 18, paragraph 1, of Presidential Decree 633/1972, was collected after a tax inspection which alleged that MFM S.p.A. had not applied some concessionary VAT rate rules to a particular contract. The Company was paid this debt by the customer to which it had been charged after an arbitration award handed down in August 2016, even it had to pay the counterparty € 1.7 million on account of damages, which were recognised under Other operating costs at 31 December 2016.

Non-recurring events and transactions

In 2016 the Group recognized in the Statement of profit or loss some "non-recurring" financial items which impacted on the normal dynamics of the consolidated results. Pursuant to Consob Communication DEM/6064293 of 28 July 2006, "*significant non-recurring events and transactions*" mean events or transactions whose occurrence is non-recurring or those transactions or events that are not repeated frequently as part of normal operations and have a significant impact on the financial position, economic result and cash flows of Group companies.

In detail, the following non-recurring elements are recorded in the Consolidated Statement of Profit/Loss for the year:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Advice on agreements for assignments of trade receivables without recourse	620	
Compensation for damage for arbitration award	1,915	
Structural reorganisation consulting fees	2,111	583
Legal advice on pending administrative disputes	676	198
Tender offer consulting fees		142
"*Oneri di Sistema*" relating to previous years (2)		3,074
Non-recurring operating costs impacting on EBITDA	**5,323**	**3,997**
Provisions for corporate reorganisation	1,400	
Impairment of fixed assets	614	
Provisions for contractual liability to associates	2,323	
Provisions (Reversals) for risks from administrative disputes	(16,310)	48,510
Non-recurring Expenses (income) impacting on EBIT	**(6,650)**	**48,510**

(in thousands of Euro)	For the year ended 31 December	
	2016	**2015**
Write-off of upfront fees related to the Notes bought back		1,902
Financial fees		1,069
Non-recurring financial costs	**0**	**2,971**
TOTAL NON-RECURRING ITEMS	**(6,650)**	**55,478**

Consolidated Adjusted EBITDA and EBIT are thus represented as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	**2015**
EBITDA	**95,897**	**93,065**
Non-recurring operating items impacting on EBITDA	5,323	3,997
Adjusted EBITDA	**101,220**	**97,062**
Adjusted EBITDA % Revenues	**10.9%**	**10.2%**
EBIT	**73,290**	**9,011**
Non-recurring operating items impacting on EBIT	(6,650)	52,507
Adjusted EBIT	**66,640**	**61,518**
Adjusted EBIT % Revenues	**7.2%**	**6.4%**

2016 SIGNIFICANT EVENTS

Antitrust Authority's order for sanctions on the Consip Tender of 2012

On 20 January 2016 the Competition Authority ("AGCM") considered that it had found a breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012 and levied a fine of € 48.5 million against the Parent Company MFM S.p.A., the amount of which was fully allocated to a specific provision for future risks and charges set aside in the Consolidated Financial Statements at 31 December 2015.

MFM S.p.A., which rejects the arguments on which the charge was based, lodged an appeal against the Authority's order with the Lazio Regional Administrative Court (*Tribunale Amministrativo Regionale*, TAR). On 14 October 2016, the latter court ruled by partially granting the appeal filed by MFM S.p.A. and referring the papers to the Authority for a new calculation of the fine, with the recommendation to reduce both the related taxable base (thus limiting it to the contracted tender amount) and the percentage to be applied to the abovementioned amount (from 15% to 5%).

In any case, while claiming its full non-involvement in the violations being contested, MFM S.p.A. challenged the trial judgment before the Council of State within the time limits prescribed by law; however, the Council made its decision on 28 February 2017, thus confirming the ruling handed down by the Lazio Regional Administrative Court. In any case, MFM S.p.A. will also challenge the Council of State's judgment by filing an appeal with the Supreme Court.
On 23 December 2016 the Authority, based on the ruling handed down by the Lazio Regional Administrative Court, published a new order, with a new calculation of the fine, set at € 14.7 million, which was also challenged by MFM S.p.A. before the Lazio Regional Administrative Court.

As a result of the Competition Authority fine ruling, on 4 February 2016 Consip S.p.A. also initiated a procedure to terminate the Agreements entered into within the tender in question, also informing the Company that it would consider the possibility of excluding it from future tenders for "work of the same type" (pursuant to article 38, paragraph 1, letter f) of Legislative Decree 163/06).
On 23 November 2016 Consip S.p.A. gave MFM S.p.A. notice of the final termination of the agreements, expressly stating that it would confiscate the part of the final guarantee deposit (performance bond) which remained after the deposit had been partially released considering the work done normally up to the termination date. The Company considers that the termination of the agreement will not entail the automatic termination of existing contracts with individual schools but that termination is a mere right on the schools' part.
Finally, on 2 December 2016 Consip S.p.A. formally notified the Italian Anti-Corruption Authority (Autorità Nazionale Anti-Corruzione, ANAC) of its accusations against MFM S.p.A. and notified the latter of its intention to make a report to the Public Prosecutor's Office. On 7 January 2017 the latter served a writ of summons on the entity, asking the Ordinary Court of Rome to establish the unlawfulness of the notice of termination of the agreements and order Consip S.p.A. to compensate for any damage suffered by the company.

When closing the Financial Statements at 31 December 2016, in the light, among other things, of the appeals lodged by the parties, on which the competent courts have already ruled, the Directors recalculated the risk of outflows related to the Competition Authority fine as a maximum amount of € 14.7 million, with the consequent reversal of the excess sum set aside in the Financial Statements at 31 December 2015 (€ 48.5 million). The tender performance bond (initially equal to € 24.5 million) might also be partially enforced if the Company loses the case against Consip S.p.A.. After the Regional Administrative Court's judgment of 14 October 2016, which was substantially confirmed by the Council of State's judgment of 1 March 2017 and which substantially reduced the fine that had previously been imposed while not accepting the Company's argument that it was completely extraneous to the accusations, the Directors made an adjustment of the provisions for future charges in the Financial Statements at 31 December 2016, also taking account of the risk of enforcement of the abovementioned performance bond. MFM S.p.A. could submit sound arguments against the enforcement of the bond in court, but in any case

the maximum estimated liability, which is the part of the bond which remains after its partial release owing to the work carried out normally until termination, is € 17.5 million. As a result, the release of the provision for legal disputes is equal to a total of € 16.3 million.
Detailed information on the pending legal proceedings and the further evaluations made by the Directors as at the reporting date of the Financial Statements is contained in the explanatory notes to the Financial Statements (note 17) and o the Consolidated Financial Statements (note 13), to which reference should be made.

Contract relationships with Telecom Italia
On 4 May 2016 Telecom Italia served a formal notice on MFM S.p.A. concerning its intention to not exercise the right of withdrawal from the contract in place (concerning hygiene services and other facility management services), as it had announced on 19 February 2016 in making use of a contractually agreed right in the event of any Company directors being committed for trial. Therefore, the contracts will remain effective until the date of their initial expiry.

Arbitration award concerning a dispute on a charge-back of VAT
During the 2013 financial year, within the scope of an audit carried out in relation to previous tax years, the Tax Authority raised objections against MFM S.p.A. concerning the misapplication of some rules governing VAT reduced rates and issued two PVCs (Processi Verbali di Constatazione, Reports on findings), ordering the payment of a higher VAT for € 4.0 million. Subsequently MFM S.p.A. filed formal notices of acceptance of the PVCs, which were followed by a voluntary tax correction (ravvedimento operoso) concerning the tax years after the audit, with an additional tax payment of € 1.6 million. The overall amount of the tax paid (€5.6 million) was finally charged to the customer on the basis of the right of recourse laid down under article 18, paragraph 1, of Presidential Decree no. 633/1972 and was entered under Other operating assets pending the payment. The subsequent dispute was settled by means of an arbitration award dated August 2016, in the application of the arbitration clause laid down in the contracts, which fully acknowledged the payment of the amounts required by way of recourse for VAT (€5.6 million) to MFM S.p.A., even in consideration of the payment of an amount of € 1.7 million to the customer by way of compensation, which was entered under Other operating costs as at 31 December 2016. The same decision also recognised MFM S.p.A.’s right to request interest for late payment, even in a venue other than that of an arbitration proceeding.

Renewal of Governing Bodies and adoption of a new Governance model
On 29 February 2016, Claudio Levorato resigned from his office as Chairman and Managing Director of the Management Board of MFM S.p.A.. This decision was taken because the Group wished to make a tangible change in Manutencoop Group ‘s management and prevent the current legal proceedings before the Court of Brindisi in which he is involved from adversely affecting its activities, even if no final and non-appealable judgments have been handed down.

The Vice Chairman of the Management Board and other two members resigned from their positions on the Management Board on the same date. Finally, on 1 March, other four board members also resigned from their positions with the resulting of the reset of the entire corporate body. Pursuant to the Articles of Association, the Company's Supervisory Board then called the Shareholders' Meeting on 6 April 2016 in order to appoint the new members of the new Management Board and at the Shareholders' Meeting held on 29 April 2016 it defined its composition. The same board then held a meeting in order to change the previous structure of delegated powers and authority, appointing from its members three top managers of the Company in order to grant them the delegated operational powers and authority relating to the respective company functions under their responsibility and appointing Guido Dealessi as the Chairman of the board.

The new Investment Agreement that the Majority shareholder Manutencoop Società Cooperativa and the Private Equity Investors entered into on 19 July 2016, together with new Shareholders' Agreements, provides for the renewal and change of the structure of corporate bodies (with a Management Board that increases the number of its members from 11 to 13), as well as the appointment of a new Chairman and CEO, based on shared time-phased steps. This process was completed on 7 October with the appointment of the new Management Board, which appointed Marco Canale as the Chairman of the board itself and Aldo Chiarini as the CEO. The new Chairman was granted the powers prescribed by law, the Articles of Association and the Shareholders' Agreements, while the new CEO was granted the main delegated powers and authority relating to the operational management of the Company.

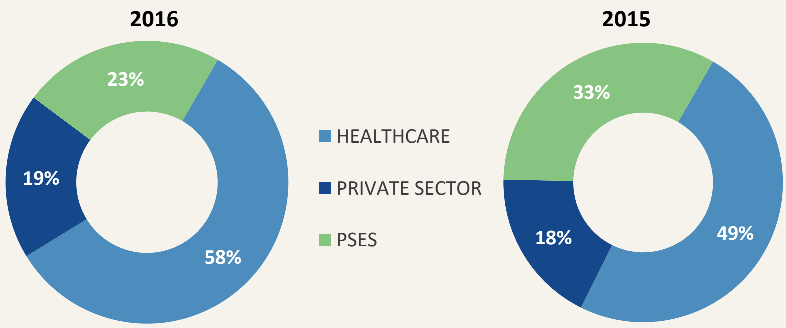
On the same date, again on the basis of the agreements signed in July, the Shareholders also completed the transfer of the existing shares of MFM S.p.A. from Manutencoop Società Cooperativa to the Investors, which then formally increased their stake from 21.083% to 33.207% of the Company's share capital.

On 30 November 2016 the extraordinary Shareholders' Meeting of MFM S.p.A. approved the new Articles of Association, whereby the ordinary management and control system was adopted pursuant to articles 2380 and ff. of the Italian Civil Code. The Shareholders deemed that this model, according to which there is a Board of Directors with management and strategy oversight functions and a Board of Statutory Auditors with control functions, is more in keeping with the objectives the Company intends to pursue, while allowing the Shareholders' Meeting to directly exercise its power to appoint Directors and approve the Financial Statements. All the members of the previous Management Board were confirmed as members of the newly formed Board of Directors, composed of 13 members; furthermore, Marco Canale was appointed as Chairman and Aldo Chiarini as CEO.

2. BUSINESS DEVELOPMENT

In 2016 the Group brought orders for an overall multi-year amount of € 651 million, within which extensions and renewals of contracts already included in its sales portfolio amount to € 316 million.
As in the past, these data regards only long-term contracts obtained in the context of services for "traditional" facility management, for linen rental and for laundry services as well as for the sterilization of surgical instruments, as well as of "B2B" technology services following the recent start-up of e-Digital Services S.r.l.. On the contrary, the figure does not include the commercial portfolio of the companies of the sub-Group owned by Sicura S.p.A., whose contracts have an average term of less than one year and, therefore, a future minor visibility. However, these companies have a not particularly significant impact on consolidated production volumes (equal to about 4% in 2016).
New contracts in the Healthcare sector still affected the total in a significant manner (an overall percentage of 58%, equal to € 375 million, with an increasing percentage compared to 2015), against orders gained for the Public and Private sectors equal to € 153 million and € 123 million, respectively.

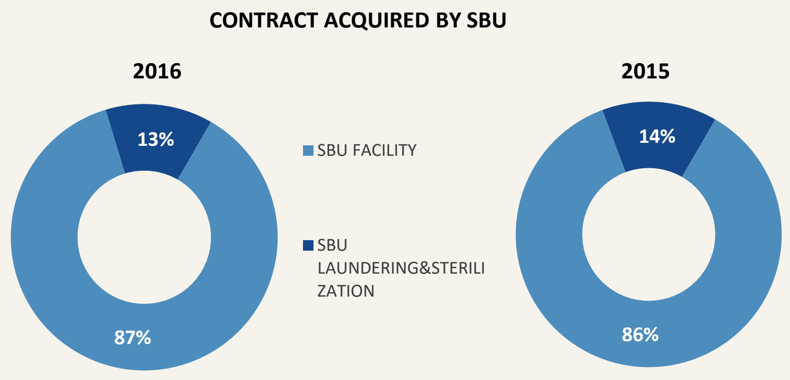
CONTRACTS ACQUIRED BY MARKET



In the Healthcare sector, a significant event occurred as early as in the first quarter, which resulted in MFM S.p.A. becoming the supplier of hygiene and cleaning services of the project company Ospedal Grando S.r.l., which holds the project finance concession for the "Cittadella Sanitaria" (Health District) project at the Treviso Hospital, for a contract term of 16 years. Furthermore, there was the 5-year renewal of the contract for maintenance services at the Gemelli Hospital of the Catholic University of Sacred Heart in Rome and at the Valduce Hospital in Como.
As regards the Private sector there was the renewal of the contracts for hygiene services within the stores in the large-scale retail trade network (GDO, *Grande Distribuzione Organizzata*) (specifically, at the hypermarkets of S.S.C. S.r.l. Carrefour and Coop and the contracts for the maintenance of the technology systems at the properties of the Telecom Italia Group, to be used as CED data processing/Data centers).

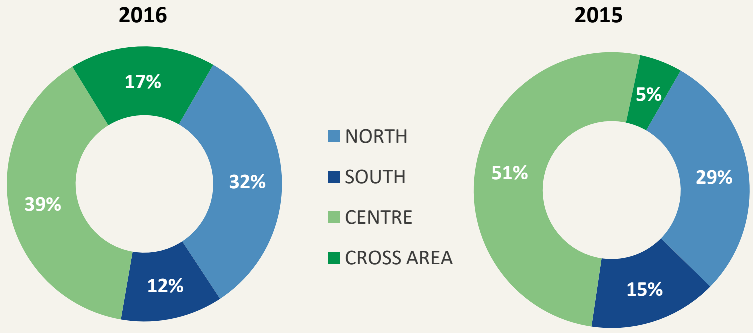
Furthermore, there were renewals of contracts with the UNIPOL Group for computerised document management and mailing, and with the network of UNIPOL FONSAI office network for hygiene services.
Finally, in the Public Sector market, some big contracts were acquired for on-board cleaning services on Trenitalia night trains throughout Italy for three years. Furthermore, note the award of the 3-year global service concerning the maintenance of the road network of the City of Bologna and the renewal of the Intercenter 4 agreement concerning hygiene services at public offices in Emilia Romagna. was renewed for an additional period of three years.

Regarding the orders gained in the year in terms of Strategic Business Unit (SBU), the Facility Management segment obtained contracts of € 567 million, while the *Laundering&Sterilization* obtained contracts of € 84 million. In the latter segment, note the renewal of the contract for linen rental and industrial laundering services at the Bologna ASL Local Health Unit at the Hospitals of Legnano and USSL12 Local Social and Health Unit in Venice-Mestre. Furthermore, a new contract was gained from the S. Antonio Abate Hospital in Gallarate (Province of Milan), as was a new contract for the sterilisation of surgical instruments from the ULSS n.3 Local Social and Health Unit in Bassano del Grappa.
In the Facility Management sector, note the contracts gained for energy services at the ASL 4 Local Health Unit of Turin and heat maintenance and management services at the ASP Provincial Health Unit of Palermo, as well as the renewal of hygiene services for the ASL Local Health Unit of Bologna. Finally, a contract was gained for cleaning services at the Bianchi Melacrino Morelli Hospital in Reggio Calabria. All the contracts described above fall within the scope of the contracts gained in the Healthcare market.



Furthermore, a geographical distribution of the commercial portfolio of new acquisitions in the year is provided below:

CONTRACTS ACQUIRED BY GEOGRAPHICAL AREA



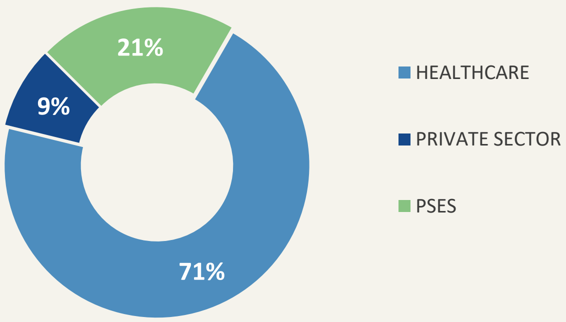
Finally, as at the date of Consolidated Financial Statements at 31 December 2016 the Group had already gained, in the *Laundering&Sterilization* SBU, a major services contract, both for linen rental and industrial laundering and sterilisation of surgical instruments, at the new private hospital of Mater Olbia in Sardinia.

Backlog

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

	2016	2015
Backlog	2,845	2,847

BACKLOG BY MARKET



3. THE GROUP'S PERFORMANCE OF OPERATIONS AND CONSOLIDATED FINANCIAL POSITION FOR THE 2016 FINANCIAL YEAR

3.1 Consolidated performance of operations for FY 2016

Below are reported the main income figures relating to 2016, compared to the figures of the previous years:

(in thousands of Euro)	For the year ended 31 December		Change	%
	2016	2015		
Total revenues	929,098	955,729	(26,631)	-2.8%
Total costs of production	(833,201)	(862,664)	29,463	-3.4%
EBITDA	**95,897**	**93,065**	**2,832**	**+3.0%**
EBITDA %	**10.3%**	**9.7%**		**+0.6%**
Amortization, depreciation, write-downs and write-backs of assets	(32,714)	(32,493)	(221)	
Accrual and reversal of provisions for risks and charges	10,107	(51,561)	61,668	
Operating Income (EBIT)	**73,290**	**9,011**	**64,279**	**+713.3%**
EBIT %	**7.9%**	**0.9%**		**+7.0%**
Share of net profit of associates	1,688	90	1,598	
Net financial charges	(27,759)	(33,551)	5,792	
Profit before taxes	**47,219**	**(24,450)**	**71,669**	
Profit before taxes %	**5.1%**	**ND**		
Income taxes	(14,738)	(18,032)	3,294	
Profit from continuing operations	**32,481**	**(42,482)**	**74,963**	
Profit (loss) from discontinued operations	**1,052**	**(2,887)**	**3,939**	
NET PROFIT (LOSS)	**33,533**	**(45,369)**	**78,902**	
NET PROFIT %	**3.6%**	**ND**		
Minority interests	116	(43)	159	
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**33,649**	**(45,412)**	**79,061**	
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT %	**3.6%**	**ND**		

REVENUES

In 2016 the Group achieved Revenues of € 929.1 million, down by € 26.6 million (-2.8%) compared to € 955.7 million in the previous year. The gradual trend of reduction in sales volumes, which had already occurred in recent years, was once again evident during the second half of 2016, mainly following a change in the portfolio mix. The main reason for the fall in business volumes is that there could not be the same substantial gains from plant upgrades in 2016 as there were in 2015, in addition to the fact that some contracts were renewed in 2016 for smaller volumes of work and at prices which tended to be lower. The processes for the award of some big Agreements in the Public sector were also seen to be persistently slow; it had been expected that these agreements would be closed within the year 2016.

The breakdown of the consolidated Revenues in 2016 is provided below, compared to the previous year, broken down by Market. Revenues from contracts in which the clients are or belong to public or private healthcare establishments in a single "Healthcare" item, which takes the place of the previous classification, according to which contracts with private healthcare establishments were included in the "Private" market and those with public healthcare establishments in the "Public Healthcare" market.

REVENUES BY MARKET

(in thousands of Euro)	For the year ended 31 December				Change
	2016	% of total Revenues	2015	% of total Revenues	
PSEs	253,744	27.3%	242,867	25.4%	10,877
Healthcare	441,499	47.5%	466,344	48.8%	(24,845)
Private sector	233,854	25.2%	246,518	25.8%	(12,664)
CONSOLIDATED REVENUES	**929,098**		**955,729**		**(26,631)**

The breakdown of turnover by market shows that in 2016 there was an increase in the proportion from PSEs, both in absolute values and as a percentage of total (+ € 10.9 million, equal to 27.3% of the consolidated Revenues against 25.4% in 2015). The effect was attributable to some new major orders acquired, including, among the most significant ones, those concerning the operation and maintenance of the municipal assets and the road network of the City of Bologna, against a turnover in the portfolio of Public entities managed through the Consip agreement which did not report any significant change.

The fourth quarter of 2016 saw the confirmation of a decline in sales volumes from the Healthcare segment, which had already been reported during the previous quarters, equal, for the year ended 31 December, to € 441.5 million (- € 24.8 million compared to the previous year), accompanied by a slight decline in terms of contribution compared to consolidated Revenues (47.5% against 48.8% during 2015). However, it should be noted that 2015 saw the termination of the Consip Sanità agreement, which has not been replaced for the time being by the acquisition of other agreements that are still being awarded, as well as the completion of energy improvement works in relation to two important hospitals, for total volumes equal to about 50% of the overall decrease in the specific market turnover. Therefore, the reduction in business volumes in the Healthcare sector in 2016 should not be seen as a current trend, also owing to the increase in Healthcare contracts acquired. Finally, zero amounts were posted, during the 2016 financial year, in the turnover from building construction activities, which MACO S.p.A. carried out under project finance contract at a hospital facility (- € 2.2 million).

Finally, Revenues from the Private market were affected, in absolute terms, by a decline compared to 2015, equal to € 12.7 million, while the impact on total Revenues, which passed from 25.8% at 31 December 2015 to 25.2% at 31 December 2016, remained substantially stable. This trend is apparently due to limited commercial growth combined with a gradual renewal of the contracts in the portfolio for smaller volumes of work and at lower prices on average.

Analysis of revenues by Segment

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

The business segments were identified on the basis of IFRS 8 and correspond to the following business areas: "*Facility Management*" and "*Laundering & Sterilization*". Furthermore, complementary activities (so-called "*Other*" activities) were identified until 31 December 2015, which related to building management operations that were fully disposed of starting from the 2016 financial year.

REVENUES BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				Change
	2016	% of total Revenues	2015	% of total Revenues	
Facility Management	797,237	85.8%	819,153	85.7%	(21,916)
Laundering & Sterilization	134,788	14.5%	138,568	14.5%	(3,781)
Other			2,205	0.2%	(2,205)
Intra-group elimination	(2,927)	-0.3%	(4,197)	-0.4%	1,270
CONSOLIDATED REVENUES	**929,098**		**955,729**		**(26,631)**

The breakdown of turnover by operating segments confirms that the relative weight remained substantially unchanged in relation to the sectors, equal to 85.8% for the Facility Management in 2016 financial year (85.7% in 2015) and to 14.5% for the Laundering&Sterilization (unchanged compared to 2015) in addition to the final zero amount of Revenues from the Other SBU.

At 31 December 2016, Revenues in the Facility Management sector amounted to € 797.2 million, marking a decrease of € 21.9 million (-2.7%) compared to 2015, mainly owing to the reduction in the number of upgrades to hospital plants owing to the natural expiry of the Consip Sanità agreement (this agreement has not yet been replaced by additional agreements being awarded), as well as to lower revenues from private market following renewals of contracts, mainly linked to the facility management activities.

At 31 December 2016 Laundering & Sterilization segment achieved Revenues of € 134.8 million, against € 138.6 million for year ended 31 December 2015. The fall in the Revenues from this sector is mainly due to the renewal of some contracts in the portfolio for smaller volumes of work because some hospital trusts have reduced the number of beds in order to cut costs. This applies in particular to the revenues from linen rental and industrial laundering services (- € 1.6 million) to which must be added the termination of surgical instrument sterilisation at some important customers, which was only partially offset by the start of operations for new supplies (for a negative differential equal to about € 2.0 million). However, the trend in turnover was affected by the recognition of higher settlements in both services for an overall differential amount of € 1.0 million compared to the previous year.

EBITDA

At 31 December 2016 EBITDA of the Group came to € 95.9 million, against € 93.1 million for the year ended 31 December 2015, showing an increase expressed both in absolute values (+3.0%) and in terms of margins, which passed from 9.7% in 2015 to 10.3% in 2016. The improvement of profit margins was evident and offset by a decreasing trend in Revenues as described above, while considering that EBITDA expensed total *non-recurring costs* of € 5.3 million during 2016 against *non-recurring costs* of € 4.0 million during 2015. Furthermore, note that, to this end, the Group is incurring start-up costs linked to new projects (B2C and international expansion), which fully affect the 2016 financial year against reduced initial volumes of operations, with the overall amount of € 4.1 million.

The overall improvement in profit margins is the most evident effect of the operating (production and overhead) cost efficiency improvement measures which the Group already put in hand at the end of 2014 financial year and which entered in full operation during 2015, to which must be added additional reorganisation actions, the effects of which were fully felt during 2016 and which will be completed during 2017.

Below is provided a comparison of EBITDA by business segment for the year ended 31 December 2016 and for the year ended 31 December 2015:

EBITDA BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				Change
	2016	% of segment Revenues	2015	% of segment Revenues	
Facility Management	59,330	7.4%	60,031	7.3%	(701)
Laundering&Sterilization	36,567	27.1%	33,560	24.2%	3,007
Other			(527)	-23.9%	527
CONSOLIDATED EBITDA	**95,897**	**10.3%**	**93,065**	**9.7%**	**2,832**

The profit margin of the *Facility Management* sector was clearly maintained as a percentage of Revenues (7.4% at 31 December 2016 against 7.3% at 31 December 2015), against segment Revenues that reported a more considerable decline (-2.7% compared to the previous year). The vast majority of the effects of the actions for improvement of efficiency and for cutting fixed costs (both indirect costs and overheads) in order to support the company's margins were felt just as regards the Facility Management SBU and more than offset, during 2016, the effect of volumes and the costs of the abovementioned start-up projects, which are currently included in the Facility Management SBU. It should also be borne in mind that most non-recurring costs described in paragraph 1 above impacted on the results of this SBU (€ 5.1 million at 31 December 2016 against € 4.0 million at 31 December 2015), further confirming that the profit margin has been maintained.
Furthermore, the SBU includes a considerable amount of energy service contracts for which charges relating to "*Oneri di Sistema*" had been set aside for a total of € 6.2 million (of which € 3.1 million relating to 2014) during 2015. During 2016 the estimates of these costs for some sites which had previously not been considered eligible for concessions were reviewed, and this was accompanied by a change in the regulations governing the matter laid down in the "*Milleproroghe* Decree", as amended and converted by Law of 24 February 2017. Therefore no additional charges on the energy contracts involved were recognised in 2016.

In the period ended 31 December 2016, EBITDA in the *Laundering&Sterilization* sector came to € 36.6 million, showing an increase of € 3.0 million in absolute terms compared to 2015, with a +2.9% in terms of profit margins (passing from 24.2% to 27.1% of related Revenues). Also as regards the Laundering&Sterilization SBU, the positive result mainly arose from the effect of the actions taken to improve cost efficiency (albeit subsequently compared to the Facility Management SBU). The income performance was also affected by the abovementioned positive differential balance of settlements of Revenues (+ € 1.0 million), as well as by a lower impact of labour cost and additional charges. Finally, the sector also recognised non-recurring costs of € 0.2 million (which were not present at 31 December 2015).

Finally, at 31 December 2015 the residual construction activities (*Other activities segment*), which are no longer developed since the management no longer considers as strategic, showed a negative EBITDA equal to € 0.5 million.

Costs of production

At 31 December 2016, *Costs of production*, which amounted to € 833.2 million, showed a decrease of € 29.5 million in absolute terms compared to € 862.7 million (-3.4%), posted at 31 December 2015.

(in thousands of Euro)	For the year ended 31 December				Change
	2016	**% % of total**	**2015**	**% % of total**	
Costs of raw materials and consumables	117,615	14,1%	133,155	15,4%	(15,540)
Change in inventories of finished and semi-finished products	55	0.0%			55
Costs for services and use of third-party assets	331,365	39.8%	336,114	39.0%	(4,749)
Personnel costs	376,266	45.2%	380,793	44.1%	(4,527)
Other operating costs	7,900	0.9%	12,602	1.5%	(4,702)
TOTAL COSTS OF PRODUCTION	**833,201**		**862,664**		**(29,463)**

In 2016 *Costs of raw materials and consumables* came to € 117.6 million, showing a decrease of € 15.5 million (-11.7%) compared to 2015, with their incidence on consolidated Revenues showing a reduction from 15.4% to 14.1%. In fact, there was a decrease in both fuel consumption (- € 12.4 million), and consumption of raw materials (- € 3.1 million), mainly due to a different mix of services rendered compared to the previous year, with slightly lower volumes of energy and heat management services. Furthermore, note the abovementioned completion of specific activities for the renovation of hospital facilities (including within the scope of project finance contracts) during 2015, which entailed the payment of a more considerable amount of costs for raw materials used in processing operations.

Costs for services and use of third-party assets showed, in the year ended 31 December 2016, a decrease of € 4.7 million (-1.4%) compared to the year ended 31 December 2015, with a slight increase of the impact on Revenues (39.8% against 39.0%). Specifically, this item includes costs of € 2.3 million for professional services and consulting, considered as a non-recurring item and related to the phase of reorganisation which the Group passed through during the year, as well as the legal fees paid for the action brought against the Competition Authority following the fine imposed in January 2016.

The reduction in costs for services was also accompanied by a reduction in absolute terms in *Personnel costs* (- € 4.5 million, equal to -1.2%), with an incidence on consolidated Revenues that recorded an increase, passing from 44.1% to 45.2%. The average number of employees in service during 2016 was equal to 16,315, while it was 16,179 in the previous year. However, the increase in the average number of human resources employed, due to a different composition of the mix of services rendered and of the consequent make-or-buy decisions, was accompanied by a reduction in the average cost per capita, as a result of the efficiency improvement actions that have been already described above in detail.

At 31 December 2016, finally, *Other operating costs* amounted to € 7.9 million compared with € 12.6 million at 31 December 2015. The item also recorded, during 2016, a non-recurring cost arising from the issue of an arbitration award concerning a dispute pending with a customer, from which MFM S.p.A. had claimed, in exercising a right of recourse as prescribed by law pursuant to article 18, paragraph 1, of

Presidential Decree 633/1972, an amount of € 5.6 million on account of VAT, following a PVC issued by the Revenue Agency in 2013 when it had found that said VAT had not yet been invoiced correctly. The arbitration award has acknowledged the payment of the amounts claimed on account of VAT to MFM S.p.A., albeit in consideration of the payment of an amount of € 1.7 million to the customer on account of compensation for damage.

Furthermore, during 2015 this item had recorded an amount of € 6.2 million relating to "*Oneri di sistema*", which were not recognised through profit or loss during 2016.

Operating Income (EBIT)

In 2016 Consolidated Operating Income (**EBIT**) stood at € 73.3 million, against € 9.0 million in the previous year. However, the operating income performance in 2015 was significantly affected by a provision for risks of € 48.5 million set aside by the parent company MFM S.p.A. following the issue by AGCM of its order for sanctions on 22 December 2015, which was served on 20 January 2016. At 31 December 2016 the amount of the provision for risks was recalculated after the Lazio Regional Administrative Court's partial acceptance of the appeal filed by MFM S.p.A., which substantially reduced, in spite of the abovementioned claims for damages submitted by Consip S.p.A., with a net reversal of € 16.3 million. On the other hand, during 2016, non-recurring provisions of € 2.3 million were recorded for future charges related to disputes involving an associate with which MFM S.p.A. has services agreements in being under which, in some respects, the supplier may have contractual liability, as were provisions for corporate reorganisation of € 1.4 million, again in relation to the parent company MFM S.p.A.. Furthermore, there were also impairment losses on plant and equipment in the form of sterilisation machinery for the Laundering&Sterilisation SBU for € 0.6 million, as a result of the reorganisation of the Teramo production site after the acquisition of the property from Manutencoop Immobiliare S.p.A. and after the bad weather which affected the area.

Net of these items (as well as of other non-recurring costs with effects on EBITDA), **Adjusted EBIT** came to € 66.6 million (€ 61.5 million at 31 December 2015), with a significant improvement in relative margins (Adjusted EBIT/Revenues) which passed from 6.4% to 7.2%.

EBIT was mainly affected by the abovementioned consolidated performance for the period in terms of EBITDA, from which must be deducted *amortization and depreciation* of € 32.7 million (€ 32.5 million at 31 December 2015), *accruals of provisions for risks and charges* of € 7.8 million (€ 55.6 million at 31 December 2015), including the abovementioned non-recurring provision for the AGCM sanction) against *reversals* of € 17.9 million, of which € 16.3 million relating, as mentioned, to the provision set aside for the AGCM ruling (€4.1 million at 31 December 2015).

The Group also reported *write-downs of receivables* of € 4.5 million, against € 4.4 million at 31 December 2016, following risk adjustments on some specific positions. At 31 December 2016 finally, *impairment of fixed assets* were recognized for € 1.0 million (€ 0.1 million at 31 December 2015), which includes the abovementioned amount of € 0.6 million relating to the plant and equipment of the Teramo sites.

Below is reported a comparison of Operating Income (EBIT) by segment in 2016 and 2015:

EBIT BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				Change
	2016	% of segment Revenues	2015	% of segment Revenues	
Facility Management	55,743	7.0%	(4,027)	ND	59,770
Laundering & Sterilization	17,547	13.0%	13,678	9.9%	3,869
Other			(640)	ND	640
CONSOLIDATED EBIT	**73,290**	**7.9%**	**9,011**	**0.9%**	**64,279**

The EBIT in the *Facility Management* segment came to € 55.7 million (7.0% of related segment Revenues) at 31 December 2016, against EBIT of -€ 4.0 million at 31 December 2015.
The comparison reflects the performance in terms of EBITDA (-€ 0.7 million) against higher amortisation and depreciation for € 1.1 million (specifically due to investments in hardware and software infrastructure). Furthermore, higher losses of value were recognised on other balance sheet assets for € 0.3 million, of which € 0.1 million against the write-downs of non-strategic equity investments. Finally, higher write-downs of trade receivables were recognised for € 0.6 million, for a risk assessment on some specific positions of MFM S.p.A., against higher net provisions for future risks and charges for € 2.4 million, fully attributable to non-recurring items.

Actually the *adjusted* values show a significant improvement in the sector's EBIT, which passed from € 44.5 million at 31 December 2015 (net of the provision for risks associated with the AGCM fine, equal to € 48.5 million) to € 48.2 million at 31 December 2016 (net of a reversal of € 16.3 million for the litigation concerning the AGCM fine and of non-recurring provisions of € 3.7 million of the parent company MFM S.p.A., of which € 1.4 million relating to the adjustment to the provision for future charges arising from the termination of employment contracts and € 2.3 million relating to future charges for contractual liability to an associate with which services agreements are in place).

The positive performance of EBITDA in the *Laundering&Sterilization* segment during 2016 (+ € 3.0 million compared to the previous year) fully impacted on the segment EBIT, which, compared to the previous year, showed an increase equal to € 3.9 million, in absolute terms (+ 2.9% in terms of profit margins of related Revenues). Furthermore, among other things, there was the recognition of lower amortisation and depreciation of € 1.3 million (mainly as a result of efficiency improvement measures adopted in the linen

rental and industrial laundering segment, and in particular in the linen management) and lower write-downs of receivables for € 0.4 million. Finally, higher net provisions were recognised compared to the previous year (+€ 0.9 million), taking account in any case of releases relating to the provision for future charges relating to the termination of employment contracts for € 0.8 million during 2015.
Finally, the segment reported losses of value on plant and equipment relating to the industrial laundering site in Teramo for € 0.6 million, which are regarded as non-recurring items, net of which the segment's Adjusted EBIT would be equal to € 18.4 million (no non-recurring variables had been recognised in the segment's EBIT during 2015).
Finally, there is a completely residual effect on EBIT in 2015 from the contribution of the segment of Other activities (€ 0.6 million), within which there were the residual construction activities of MACO S.p.A. only, which were completed during the same year.

Profit before taxes

To the consolidated EBIT must be added net income from companies valued at equity equal to € 1.7 million (€ 0.1 million at 31 December 2015), which reflected, among others, the Group's share of the result of associate Roma Multiservizi S.p.A. for € 1.6 million (negative for € 0.8 million at 31 December 2015, which was also affected by the recognition of non-recurring provision for risks relating to the order for sanctions issued by AGCM, within the same proceedings that involved the Parent Company MFM S.p.A.).
Furthermore, there was the recognition of net financial charges of € 27.8 million (€ 33.6 million in 2015), thus obtaining a Profit before taxes equal to € 47.2 million at 31 December 2016, against a loss before taxes of € 24.5 million at 31 December 2015.

Below is provided the breakdown by nature of net financial charges for the 2016 financial year and for the previous year:

(in thousands of Euro)	For the year ended 31 December		Change
	2016	2015	
Dividends, income (charges) from sale of equity investments	498	(459)	957
Financial income	1,964	984	980
Financial charges	(30,183)	(34,066)	3,883
Profit / (loss) on exchange rate	(38)	(10)	28
NET FINANCIAL CHARGES	**(27,759)**	**(33,551)**	**5,792**

During 2016 dividends were collected from other non-consolidated companies for € 0.5 million (€ 0.4 million at 31 December 2015). Furthermore, the 2015 financial year also saw the recognition of the negative result arising from the partial disposal of the equity investments in associate Progetto Nuovo S. Anna S.r.l., which is currently invested in for a remaining quota of 4%.

Financial income showed an increase for € 1.0 million compared to the previous financial year which was mainly attributable to higher default interest income for € 0.6 million (which arose at the time of the settlement of previous credit positions with some customers) in addition to higher interest income from loans granted to non-consolidated companies for € 0.2 million (mainly project finance companies).

In 2016 the impact of *financial charges* on the consolidated results of operations was equal to € 30.2 million, with a decrease of € 3.9 million compared to € 34.1 million in 2015.
First of all, the item recorded lower financial costs on the bond coupons for € 2.9 million. At 31 December 2015 this item still included, in fact, the financial charges relating to the amounts of Senior Secured Notes repurchased through the Tender Offer in June 2015 only (in an overall nominal value of € 80 million) while the net financial charge for 2016 was fully calculated in relation to a residual portion of the loan, equal to € 300 million. Furthermore, financial charges recorded during 2015 included one-off costs relating to the same Tender in an overall amount of € 3.0 million (of which € 1.9 million relating to the proportional amount of financial charges accounted for at amortised cost according to IAS 39 on the repurchased Notes).
Furthermore, higher financial charges from assignments of receivables with recourse are being recognised for € 0.3 million during 2016 (in relation to the contract in place with Unicredit Factoring), as are higher interest discount costs for € 0.8 million in relation to agreements for the assignment of receivables without recourse in place with Banca Farmafactoring. Finally, 2016 saw the recognition of additional interest discount charges for € 0.6 million in relation to an assignment of tax receivables without recourse linked to the application of Decree Law 201 of 6 December 2011, as amended and converted by Law 214 of 22 December 2011, which had allowed various Group companies to submit, during 2012, a request for IRES (Corporate Income) tax refund as a result of the non-deduction of IRAP (Local Production Activity) tax in an overall amount of € 12.4 million, of which € 10.0 million under the tax consolidation regime in place with the parent company Manutencoop Società Cooperativa.

Consolidated net result

From the Profit before taxes of the financial year (€ 47.2 million) must be deducted taxes of € 14.7 million, thus obtaining a Net Result from continuing operations of €32.5 million for the year ended 31 December 2016 (at 31 December 2015 a negative Net Result equal to € 42.5 million).
The 2016 financial year also saw the recognition of a positive *Profit (loss) from discontinued operations* equal to € 1.1 million, including the related tax effect (€ 0.3 million). It related to the additional price (Earn-out) that MFM S.p.A. (the company incorporating SMAIL S.p.A. with effect from 1 January 2016) obtained on the transfer of the business unit which was carried out by the merged company in November 2015, as provided for in the transfer agreement (€ 1.2 million, plus a tax effect of € 0.3 million). Furthermore, an income of € 0.2 million was recognised in relation to the release by MFM S.p.A. of escrowed sums, in the

performance of contract clauses connected with the disposal of MIA S.p.A., which was completed in December 2014.

On the contrary, the 2015 financial year saw a negative *Profit (loss) from discontinued operations* equal to € 2.9 million. In fact, this item included the net negative result for the year relating to the operations of subsidiary SMAIL S.p.A., which conducted the business of maintenance of public lighting systems, whose disposal was completed during the year (€ 2.4 million, to which must be added a tax income of € 0.8 million). This item also includes estimated total costs of € 1.3 million accrued in the year in relation to the continuation of the formalities envisaged as per contract and arising from the abovementioned disposal of the investment in MIA S.p.A..

The table below reports a breakdown of the consolidated tax rate:

(in thousands of Euro)	For the year ended 31 December	
	2016	**2015**
Profit before taxes	**47,219**	**(24,450)**
Provision for risks from the enforcement of Consip guarantee	17,500	
AGCM provision (Reversal)	(33,810)	48,510
Profit before taxes, excluding AGCM provision	**30,909**	**24,060**
Current and deferred IRES tax, including income and charges from Tax Consolidation	(10,315)	(12,607)
Current and deferred IRAP tax	(4,401)	(4,740)
Adjustments to current and deferred taxes related to previous financial years	(24)	(685)
Income taxes	**(14,740)**	**(18,032)**
Tax rate of continuing operations	**47.7%**	**74.9%**
Profit (loss) before taxes from discontinued operations	**1,385**	**(3,713)**
Taxes related to the profit (loss) from discontinued operations	(333)	826
Consolidated Net Profit, excluding AGCM provision	**17,221**	**3,141**
Global tax rate	**46.7%**	**84.6%**

As already described, the **Profit before taxes** includes a considerable reversal relating to the dispute that arose following the imposition of the administrative fine applied by AGCM in 2015 (€ 48.5 million) in relation to the Consip tenders in 2012. This non-recurring provision, which is not deductible for the purposes of calculating the tax burden for the year, also affected, in a significant manner, the Profit before taxes at 31 December 2015. At 31 December 2016 this provision was partially released, despite a new assessment of the overall risk against the alleged enforcement of the sureties on the part of Consip S.p.A.. The tax rate for the year is then analysed by excluding these non-recurring effects, net of which the Profit before taxes at 31 December 2016 and at 31 December 2015 would be equal to € 30.9 million and € 24.1

million, respectively, with an increase of € 6.8 million, against a decrease in the overall tax burden equal to € 3.3 million.

At 31 December 2016 the tax rate of continuing operations came to 47.7% against 74.9% of the previous year, due to the substantial invariance of some tax components (IRAP tax and non-deductible IRES tax charges), the impact of which is reduced when the Profit before taxes increases. Despite a sharp increase in the Profit before taxes, as defined above, the Group recognised lower current and deferred IRES tax on the Result from continuing operations for € 2.3 million, while current and deferred IRAP taxes remained unchanged compared to the previous year (-€ 0.3 million). The change was mainly attributable to the recognition, at 31 December 2016, of deferred tax assets on temporarily non-deductible financial charges and to the substantial invariance of non-deductible charges against an increase in the Profit before taxes.

Furthermore, there was the recognition of lower adjustments to taxes from previous years for € 0.7 million.

Finally, the Group recorded a positive *Profit (loss) from discontinued operations*, equal to € 1.4 million (excluding the related tax effect), mainly due, as mentioned, to the additional price (Earn-out) that MFM S.p.A. obtained from the disposal of the business unit that was carried out by the merged company SMAIL S.p.A. during 2015. Finally, in 2015 the Group recorded a Profit before taxes from discontinued operations of € 3.7 million, including the negative result for the year of the discontinued operations of SMAIL S.p.A. for € 2.4 million, against an income from tax consolidation for € 0.8 million.

Finally, the Group recorded a Net Result attributable to the Group of € 33.6 million, against a negative Net Result attributable to the Group at 31 December 2015 equal to € 45.4 million.

3.2 Analysis of the Statement of financial position as at 31 December 2016

(in thousands of Euro)	31 December 2016	31 December 2015	Change
USES			
Trade receivables and advances to suppliers	456,095	519,194	(63,099)
Inventories	4,382	4,763	(381)
Trade payables and advances from customers	(346,308)	(380,215)	33,907
Net commercial working capital	**114,169**	**143,742**	**(29,573)**
Other elements of working capital	(68,555)	(54,519)	(14,036)
Net working capital	**45,614**	**89,223**	**(43,609)**
Property, plant and equipment	66,110	64,372	1,738
Goodwill and other Intangible assets	396,570	396,461	109
Investments accounted for under the equity method	30,534	28,484	2,050
Other elements of non-current assets	38,913	40,383	(1,470)
Fixed assets	**532,127**	**529,700**	**2,427**
Non-current liabilities	(73,427)	(88,357)	14,930
NET INVESTED CAPITAL	**504,314**	**530,566**	**(26,252)**
SOURCES			
Equity attributable to non-controlling interests	235	380	(145)

(in thousands of Euro)	31 December 2016	31 December 2015	Change
Equity attributable to equity holders of the parent	323,137	289,585	33,552
Shareholders' equity	**323,372**	**289,965**	**33,407**
Net financial indebtedness	180,942	240,601	(59,659)
FINANCING SOURCES	**504,314**	**530,566**	**(26,252)**

Net working capital

At 31 December 2016 Consolidated Net Working Capital (**NWC**) amounted to € 45.6 million, showing a decrease of € 43.6 million compared to 31 December 2015 (€ 89.2 million).

At 31 December 2016, the consolidated Net Working Operating Capital (**NWOC**), composed of Trade receivables and advances to suppliers and inventories, net of Trade payables and advances from customers, was equal to € 114.2 million against € 143.7 million at 31 December 2015. Considering the balance of receivables assigned without recourse by the Group and not yet collected by the factoring agencies (equal to € 12.9 million at 31 December 2016 and € 1.4 million at 31 December 2015), the **Adjusted NWOC** stood at € 127.1 million and € 145.1 million, respectively.

First of all, the change (- € 18.1 million) was due to a decreased stock of trade payables, which came to € 346.3 million at 31 December 2016, showing a decrease of € 33.9 million compared to the balance at 31 December 2015 (€ 380.2 million). On the other hand, the balance of trade receivables also decreased by € 63.1 million (€ 51.6 million considering the balance of receivables assigned by the Group without recourse and not yet collected by the factoring companies).

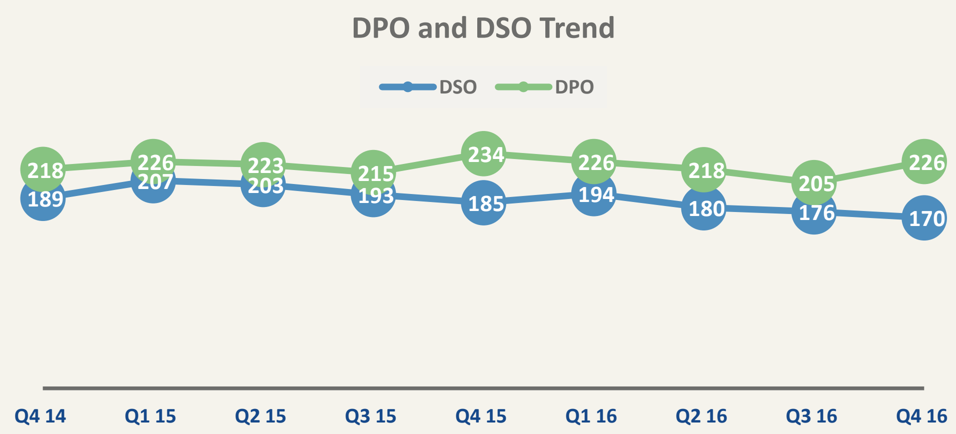
It should be pointed out that, as early as in 2014, the Group started to report a downward trend in invoiced costs (mainly costs for professional services, subcontracted services and industrial capex) which further entails a reduction in the average stock of trade payables. Likewise, as regards trade receivables, the decline in production volumes entailed a physiological reduction in the related average stock.

At 31 December 2016 average DSO was 170 days against 185 days at 31 December 2015 and 176 days at 30 September 2016.

On the contrary, at the end of 2016, a growth trend in DPO was reported on a quarterly basis (226 days at 31 December 2016 against 205 days at 30 September 2016), despite a significant decrease compared to the value posted at 31 December 2015 (234 days).

In general, the previous year's data were affected by delays owing to the introduction of new VAT rules (split payment and reverse charge) which held up invoicing and registration in the initial phase of their application and caused a temporary slowdown in collection and payment times which, however, was absorbed afterwards.

As regards the overall management of cash flows arising from the NWOC, the stabilised trend in receipts from customers (although showing a different trend during the quarters of the year) allowed a greater use of financial resources for payments to suppliers during 2016, thus bringing the DPO in line with more satisfactory levels with a lower use of leverage on the suppliers themselves. However, the DPO trend historically reports delays during the last quarter of the year, when the flow of receipts during the last days of the year is not available soon enough to reschedule the settlement of trade payables so that these payments were only made in 2017.



The balance of the other elements in working capital at 31 December 2016 was a net liability of € 68.6 million, up by € 14.0 million compared to a net liability of € 54.5 million at 31 December 2015:

(in thousands of Euro)	31 December 2016	31 December 2015	Change
Current tax receivables	3,500	23,430	(19,930)
Other current assets	25,932	31,138	(5,206)
Provisions for risks and charges, current	(10,715)	(14,515)	3,800
Current tax payables	(1,363)	0	(1,363)
Other current liabilities	(85,909)	(94,572)	8,663
OTHER ELEMENTS IN WORKING CAPITAL	**(68,555)**	**(54,519)**	**(14,036)**

This increase in net liability of the other working capital elements was due to a combination of factors, mainly including:

- the movements of payables to/receivables from employees and the relative payables to/receivables from social security institutions and the tax authorities, which accounted for a decrease in net liabilities of € 2.1 million;
- an increase in the net credit balance for VAT of the Group companies, equal to € 4.5 million, due to balances systematically generated following the introduction of new regulations governing "Split payments" and "Reverse charges" as early as in 2015;
- a decrease of € 3.8 million in the short-term portion of provisions for risks and charges;
- the collection of a receivable of € 5.6 million, which had been recognised in 2013 in exercising a right of recourse pursuant to Article 18, paragraph 1, of Presidential Decree 633/1972, after a tax inspection which alleged that MFM S.p.A. had not applied some concessionary VAT rate rules. The overall amount of the tax that was paid at the time was collected from the customer following an arbitration award, which was handed down in August 2016 and which ruled that MFM S.p.A. would be paid in full the amounts requested for VAT tax refund, even it had to pay the customer € 1.7 million on account of damages (which were recognised under Other operating costs at 31 December 2016).

Current tax receivables were recognised for € 3.5 million at 31 December 2016, net of a current tax debt of € 1.4 million, against a receivable of € 23.4 million at 31 December 2015, showing an overall decrease of € 21.3 million, of which an amount of € 16.0 million was due to the recognition of net tax payables for the period. Furthermore, the 2016 financial year saw the implementation of an assignment of tax receivables without recourse, linked to the application of Decree Law 201 of 6 December 2011, as amended and converted by Law 214 of 22 December 2011, which had allowed various Group companies to submit, during 2012, a request for IRES tax refund as a result of the non-deduction of IRAP tax in an overall amount of € 12.4 million, of which € 10.0 million under the tax consolidation regime in place with the parent company Manutencoop Società Cooperativa.

Other long-term liabilities

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

- TFR (employee benefits), equal to € 17.0 million and € 18.4 million at 31 December 2016 and 31 December 2015, respectively;
- long-term portion of Provisions for risks and charges (€ 44.5 million at 31 December 2016 against € 58.7 million at 31 December 2015);
- Deferred tax liabilities of € 11.8 million (€ 11.2 million at 31 December 2015).

Consolidated net financial indebtedness

Details of net financial indebtedness at 31 December 2016 are shown below, as determined on the basis of the instructions laid down in CONSOB Communication no. DEM/6064293 of 28 July 2006, compared to the figures at 31 December 2015.

(in thousands of Euro)	**31 December 2016**	**31 December 2015**	**Change**
A. Cash	38	34	4
B. c/a, bank deposits and consortia, non-proprietary accounts	174,954	114,357	60,597
C. Securities held for trading			
D Cash and cash equivalents (A) + (B) + (C)	**174,992**	**114,391**	**60,601**
E. Current financial assets	**2,387**	**5,257**	**(2,870)**
F. Current bank overdraft	11,857	34,064	(22,207)
G. Current portion of non-current debt	11,176	11,215	(39)
H. Other current financial liabilities	29,806	3,284	26,522
I. Current financial indebtedness (F)+(G)+(H)	**52,839**	**48,563**	**4,276**
J. Current net financial indebtedness (I) - (D) - (E)	**(124,540)**	**(71,085)**	**(53,455)**
K. Long-term bank debts and Senior Secured Notes	304,648	303,435	1,213
L. Other non-current financial liabilities	834	8,251	(7,417)
M. Derivatives			
N. Non-current financial indebtedness (K) + (L) + (M)	**305,482**	**311,686**	**(6,204)**
O. NET FINANCIAL INDEBTEDNESS (J) + (N)	**180,942**	**240,601**	**(59,659)**

The 2016 financial year saw a decrease in the consolidated Net financial debt, which passed from € 240.6 million at 31 December 2015 to € 180.9 million at 31 December 2016.

On 23 February 2016, within the scope of a review of its financial planning, with the aim of creating the conditions to be able to meet potential non-recurring cash outflow requirements, the Group signed, through MFM S.p.A. and Servizi Ospedalieri S.p.A., a maturity factoring agreement with Banca Farmafactoring S.p.A., concerning the assignment without recourse of receivables from entities in the National Health System, in an annual amount of up to € 100 million. It is a committed credit line with a term of three years. During 2016 assignments of receivables without recourse were made in an amount of € 50.0 million, subject to *derecognition* according to IAS 39, while the amount of receivables assigned but not yet collected by the factor at 31 December 2016 amounted to € 11.6 million (to which must be added an amount of € 1.2 million relating to assignments without recourse that were made in previous financial years and that have been currently discontinued). The consolidated adjusted net financial debt for the amount of receivables assigned to factoring companies that had not been collected by the latter at the reporting date (equal to € 12.9 million at 31 December 2016 against € 1.4 million at 31 December 2015) come to € 193.8 million (€ 242.0 million at 31 December 2015).

At 31 December 2016 the balance of Cash and cash equivalents, net of short-term liabilities, amounted to € 142.3 million (€77.8 million at 31 December 2015):

(in thousands of Euro)	31 December 2016	31 December 2015
Cash and cash equivalents	174,992	114,391
Current bank overdraft, advance payments and hot money	(11,857)	(34,064)
Payables for assignments of trade receivables with recourse	(20,805)	(2,543)
NET CASH AND CASH EQUIVALENTS	**142,330**	**77,784**

The following is a breakdown of the net financial exposure for bank credit lines and obligations for finance leases ("Net interest bearing financial indebtedness") compared to 31 December 2015:

(in thousands of Euro)	31 December 2016	31 December 2015
Cash and cash equivalents	(174,992)	(114,391)
Current bank overdraft, advance payments and hot money	11,857	34,064
Current portion of non-current bank debts	10,681	10,651
Long-term bank debts	10,000	10,000
Senior Secured Notes	294,648	293,435
Finance lease obligations	914	1,484
NET INTEREST BEARING FINANCIAL INDEBTEDNESS	**153,108**	**235,243**

The Net interest bearing financial Indebtedness reported a decrease compared to 31 December 2015 passing from € 235.2 million to € 153.1 million.

This change was mainly due to an increased balance of Cash and cash equivalents, equal to € 60.6 million against a decrease of € 22.2 million in the balance of bank overdrafts, advance payments and hot money.

It should be noted that the current portion of non-current bank debt included at 31 December 2016 and at 31 December 2015 net accrued expenses relating to interest on the bond coupons to be paid in next February (€ 10.7 million, unchanged).

The increase in the balance of consolidated Cash and cash equivalents is shown in the table below: the cash flows for the 2016 financial year are compared with the figures for the previous year. Annex IV to the Consolidated Financial Statements, to which reference should be made, contains a reconciliation between the items in this table and those in the statutory Statement of Cash Flows prepared pursuant to IAS 7.

	2016	2015
At 1 January	**114,391**	**113,382**
Cash flow from current operations	64,778	55,676
Uses of provisions for risks and charges and for employee termination indemnity	(10,175)	(14,012)
Change in adjusted NWOC	13,193	55,588
Industrial capex, net of disposals	(29,699)	(23,098)
Financial capex, net of disposals	4,453	5,692
Change in adjusted net financial liabilities	12,426	(49,089)
Other changes	5,625	(29,747)
AT 31 DECEMBER	**174,992**	**114,391**

The overall cash flows mainly reflect the net effect of:

- a positive cash flow arising from current operations for € 64.8 million (€ 55.7 million at 31 December 2015);
- payments linked to the use of provisions for future risks and charges and for employee termination indemnity for € 10.2 million (€ 14.0 million at 31 December 2015);
- a cash flow of € 13.2 million (compared with a cash flow of € 55.6 million at 31 December 2015) from changes in Adjusted NWOC, resulting from a positive flow correlated to a change in adjusted trade receivables of € 46.6 million (€ 54.6 million in 2015) against a flow absorbed by a reduction in trade payables for € 33.8 million (an increase of € 1.1 million in this balance at 31 December 2015);
- a € 30.5 million net cash flow used in investing activities (€23.9 million at 31 December 2015), net of disposals for € 0.8 million (€ 0,8 million at 31 December 2015).
- Furthermore, there were positive inflows arising from financial investments and financial disinvestments for € 4.5 million, which mainly related to the collection in December 2016 of the last tranche of the deferred consideration relating to the disposals of MIA S.p.A. in December 2014, equal to € 5.0 million and recognised under Non-current financial receivables at 31 December 2015 (positive cash flows at 31 December 2015 for € 5.7 million, of which € 4.2 million relating to the disinvestment from portions of loans to project finance companies).
- There was an increase in adjusted net financial liabilities for € 12.4 million, mainly linked to the increase, during the period, in the financial liability relating to the assignments of receivables with recourse (€ 18.3 million) and in the adjusted financial liability relating to the assignments of receivables without recourse (€ 11.5 million) against a lower use of credit facilities for advances on invoices and hot money (€ 22.2 million). At 31 December 2015 there was a decrease of € 49.1 million in net adjusted financial liabilities mainly due to the use of short-term credit lines for € 36.7 million and medium/long-term lines for € 10 million, in consideration of the buy-back of portions of Senior Secured Notes for an overall nominal value of € 80 million.

- There were changes in other assets and liabilities amounting to a total inflow of € 5.6 million mainly due to the net effect of a positive inflow from the assignment of tax receivables without recourse (€11.7 million) and of the changes that were reported in other operating assets and liabilities during the period, which were mainly due to the seasonal trend in the management of receipts on behalf of ATI (which entailed a decrease in the related net liability for € 4.6 million) and to the absorption of financial resources for higher net credit balances concerning the Group companies' VAT for € 4.5 million. Furthermore, the year saw the collection of a receivable which had been recognised in 2013 in exercising a right of recourse pursuant to Article 18, paragraph 1, of Presidential Decree 633/1972, after a tax inspection which alleged that MFM S.p.A. had not applied some concessionary VAT rate rules. The overall amount of the tax that was paid at the time was collected from the customer following an arbitration award, which was handed down in August 2016 and which ruled that MFM S.p.A. would be paid in full the amounts requested for VAT tax refund (€ 5.6 million), even it had to pay the customer € 1.7 million on account of damages (which were recognised under Other operating costs at 31 December 2016). At 31 December 2015 other changes in cash and cash equivalents were made up of a cash outflow of € 29.7 million, mainly linked to the different trend in flows relating to the VAT debt compared to previous years, following the introduction of new rules governing split payments and reverse charge.

Industrial and financial capex

In 2016 the Group made net capital expenditures which totalled € 30.5 million, compared to disinvestments of € 0.8 million:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Purchases of properties	7,674	
Purchases of plant and equipment	16,003	17,389
Other capital expenditures in intangible assets	6,858	6,614
INDUSTRIAL CAPEX	**30,535**	**24,003**

Purchases of plant and equipment mainly relate to the purchase of linen by Servizi Ospedalieri S.p.A. for the linen rental and industrial laundering activity, in which frequent periodic replacements are necessary (€ 11.3 million at 31 December 2016, against € 10.7 million at 31 December 2015).

Investments in intangible assets for the year amounted to € 6.9 million (€ 6.6 million at 31 December 2015) and mainly related to ICT investments. Of these, an amount of € 0.7 million relates to the start-up Yougenio S.r.l., which started the development of its web platform for the provision of B2C services during the year .

Furthermore, the last quarter of the year saw the completion of the purchase by Servizi Ospedalieri S.p.A. of the properties already used under leases in Ferrara (the registered and administrative office which is

partly devoted to industrial laundering operations) and Teramo (industrial laundering plant and facilities for the sterilization of surgical instruments). These properties were owned by Manutencoop Immobiliare S.p.A., a company in the Manutencoop Cooperativa Group. The amount paid for the acquisition by a related party of the two properties (a total of € 7.7 million) was the object of an expert's report which calculated its current market value.
Finally, disinvestments from property, plant and equipment were recorded during the period for € 0.8 million (unchanged compared to 31 December 2015).

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

(in thousands of Euro)	For the year ended 31 December	
	2016	**2015**
Facility Management	8,823	7,683
Laundering & Sterilization	21,712	16,320
INDUSTRIAL CAPEX	**30,535**	**24,003**

The positive cash flow of € 4.5 million (€ 5.7 million at 31 December 2015) from financial investments mainly arose following the collection in April 2016 of the first tranche of sums previously escrowed in connection with the sale of MIA S.p.A., which took place in December 2014, following the fulfilment of some contract conditions governing the sale. In December 2016, the second and last tranche was also collected for € 5 million, which had been recognised, at 31 December 2015, under long-term financial assets. At 31 December 2016 the right also arose for MFM S.p.A. to obtain an earn-out equal to € 1.2 million on the transfer of the business of SMAIL S.p.A., which took place in November 2015, entered under short-term financial assets and already collected for € 0.3 million. Furthermore, there was the recognition of payments of loans to associates (including the Turkish joint venture EOS and the newly-acquired company Bologna Global Strade Soc. Cons. a r.l.) for a total amount of € 1.0 million, against the disinvestment of loans previously disbursed to AMG S.r.l. and Malaspina Energy Soc. Cons. a r.l. for € 0.6 million.

At 31 December 2015 the cash flow for financial investments and disinvestments was positive for € 5.7 million and arose from the divestment of a portion of the investment in Progetto Nuovo Sant'Anna S.r.l. and the related shareholders' loan (€ +4.7 million) against new long-term loans disbursed to project finance companies (€ -5.6 million), in addition to the abovementioned reclassification, under short-term financial assets, of a nominal amount of € 5.0 million escrowed in connection with the sale of MIA S.p.A. in December 2014.

Change in Adjusted Net financial liabilities

The table below shows the changes that were recorded in the financial year in the items making up consolidated financial liabilities, including the balance of the receivables assigned without recourse and not yet collected by the factoring companies:

(in thousands of Euro)	31 December 2015	New loans	Refunds and payments for the year	Other changes	31 December 2016
Long-term bank debts	10,000				10,000
Current bank overdraft, advance payments and hot money	34,064	11,857	(34,064)		11,857
Accrued and deferred expenses on loans	10,599		(25,500)	25,535	10,634
Senior Secured Notes	293,435			1,213	294,648
BANK DEBTS	**348,098**	**11,857**	**(59,564)**	**26,748**	**327,139**
Finance lease obligations	1,484		(570)		914
Payables for non-performing trade receivables assignment	2,543	51,796	(33,535)		20,805
Receipts on behalf of assignees of trade receivables without recourse	0	2,744			2,744
Other financial liabilities	8,124			(1,405)	6,719
FINANCIAL LIABILITIES	**360,249**	**66,397**	**(93,669)**	**25,343**	**358,321**
Current financial assets	(5,257)			2,870	(2,387)
NET FINANCIAL LIABILITIES	**354,992**	**66,397**	**(93,669)**	**28,213**	**355,934**
Outstanding amount of receivables assigned to factoring companies without recourse	1,400	50,002	(38,518)		12,883
Adjusted NET FINANCIAL LIABILITIES	**356,392**	**116,399**	**(132,187)**	**28,213**	**368,817**

The year 2016 saw the payment of the net six-monthly coupons on the Senior Secured Notes for a total of € 25.5 million; the settlement date was 2 February and 2 August. As already disclosed to the market, in the last quarter of the 2014 financial year and in June 2015 MFM S.p.A. carried out the buy-back of some of its Senior Secured Notes for a total nominal amount of € 125 million. The bond issue was accounted for in accordance with IAS 39 and entailed the recognition of financial charges during the period arising from the related amortised cost for € 1.2 million. The Notes in the portfolio were not cancelled but kept in a securities account A part of these securities (amounting to a nominal value of € 14 million) was pledged against committed credit line of € 10 million, due 2018, obtained from CCFS.

As at the closing date of the year, short-term uncommitted credit lines had been used for hot money and advances on invoices for € 11.9 million (€34.1 million at 31 December 2015), in order to meet temporary peaks in cash requirements linked to the physiological performance of operations.

Furthermore, MFM S.p.A. entered, as early as in 2015, into an agreement for the assignment with recourse (pro-solvendo), of trade receivables with Unicredit Factoring S.p.A., concerning receivables from customers in the Public sector. During 2016, assignments were made in an overall nominal amount of € 51.8 million, while the amount of receivables assigned but not yet collected by the factor at 31 December 2016 amounted to € 20.8 million (€ 2.5 million at 31 December 2015).

Furthermore, on 23 February 2016 MFM S.p.A. and Servizi Ospedalieri S.p.A. entered into a factoring maturity contract, without recourse (pro-soluto), with Banca Farmafactoring S.p.A. in relation to the assignment of receivables from entities in the National Health System, for an annual amount of up to € 100 million. It is a committed credit line with a term of three years. During the year assignments of receivables without recourse were made for a nominal amount of € 50.0 million, while the amount of receivables assigned but not yet collected by the factor amounted to € 11.7 million at 31 December 2016 (to which must be added an amount of € 1.2 million relating to programmes concerning assignments without recourse that were implemented in previous financial years and that have been currently discontinued). Furthermore, the Group collected amounts of € 2.7 million at 31 December 2016, concerning receivables included in said assignments without recourse, for which the respective debtors have not made any payment to the bank accounts specified by the factor. These amounts constitute a financial liability for the Group, which has given rise to the payment of the same in the first days of the subsequent year.

On 12 July 2016 MFM S.p.A. acquired an additional stake of 5% of the share capital of Sicura S.p.A., a sub-holding company of the related group dedicated to specialist services in the fire fighting and security market, increasing its stake up to 85%. Under other financial liabilities the Group recognises the liability estimated against the put option held by the minority shareholders of the company itself, according to the investment agreement signed upon acquisition in 2008. The purchase described above took place against the payment of amounts proportional to the liability already entered in the Financial Statements at 31 December 2015 (€7.3 million) and therefore for € 1.8 million.

Finally, the short-term financial assets balance was € 2.9 million lower, mainly as a result of the abovementioned collection of the first tranche of the remaining price, not yet collected, for the sale of shares in MIA S.p.A. in December 2014, which had already been entered under this item for € 3.7 million at 31 December 2015, which was followed by the additional collection of the second tranche (equal to € 5 million) in December 2016. Within the scope of the transfer of the business of SMAIL S.p.A., which took place in November 2015, MFM S.p.A. (i.e. the company incorporating the transferring entity) also acquired the right to obtain an earn-out of € 1.2 million, to be collected in monthly instalments in 12 months, of which an amount of € 0.3 million was already collected as at 31 December 2016. Finally, the item in question included an amount of € 0.4 million at 31 December 2016, relating to the balance of pledged current bank accounts dedicated to the operation of the collection service within the scope of the abovementioned agreement for the assignment of trade receivables without recourse signed with Banca Farmafactoring.

3.3 Financial ratios

The main financial balance sheet ratios as at 31 December 2016, calculated at consolidated level, compared with the ratios recorded for the consolidated Financial Statements as at 31 December 2015.
The financial data used for their calculation are normalised, i.e. net of the AGCM provision of 2015 and the reversal of the same provision during 2016, which are thought to distort an assessment of the Group's results, while including all the other non-recurring items.

Profitability ratios

	2016	2015
ROE	6.0%	0.9%
ROI	4.8%	4.7%
ROS	6.1%	6.0%

ROE (*Return on Equity*) provides a summary measurement of the return on capital invested by shareholders, and stood at 6% in 2016, compared to 0.9% in 2015. The ratio reflects a higher consolidated Net Profit compared to the previous year, which is all the more to be appreciated when compared with the impact of other non-recurring charges described in paragraph 1 (€ 9.7 million at 31 December 2016 against € 7.0 million at 31 December 2015). There also was a decrease in the equity reserves for the allocation of negative net Result from the previous year to reserves. Furthermore, note an improved result from discontinued operations, which posted a positive value of € 1.1 million at 31 December 2016 (mainly relating to the earn-out that the Parent Company obtained from the disposal of SMAIL S.p.A., which took place in 2015, net of related tax effect) against a negative result of € 2.9 million at 31 December 2015 (relating to the result for the period recorded by the transferred business, as well as to the price adjustment paid to the buyer of MIA S.p.A., which was disposed of during 2014).

ROI (*Return on Investments*) provides a summary measurement of the operating return on capital invested in the company, and stood at 4.8% in 2016, compared to 4.7% in 2015. The improvement reflects a decrease in the Group's gross Invested Capital, which passed from € 1,227.9 million in 2015 to € 1,199.4 million in 2016 (- 2%), despite against a decrease recorded in in EBIT for the year (€ 57.0 million against € 57.5 million, again by normalising the effects of the provision set aside for AGCM and related release).

ROS (*Return on sales*), provides a summary measurement of the Group's ability to convert turnover to EBIT, and stood at 6.1% in 2016 compared to 6.0% in 2015 against, as already illustrated, a slight decline in the Group's normalised operating result (-0.9%), which was less than proportional compared to the decline in Revenues from sales and services (-2.8%).

Liquidity ratios

	2016	2015
Current ratio	134.2%	129.8%

The general liquidity ratio (*current ratio*) represents the ratio of current assets to current liabilities and expresses the company's ability to cover current outflow (i.e. current liabilities) with current income (i.e. current assets). The increase reflects a decrease in current assets (in particular for a decrease in trade receivables) against a more than proportional decrease in the balance of future current expenses (and specifically of the stock of trade payables).

Ratios of composition of Assets and Liabilities

	2016	2015
Rigidity ratio	44.4%	43.1%
Liquidity ratio	55.3%	56.5%
Indebtedness ratio	0.69	0.69
Medium/Long-term Indebtedness ratio	31.6%	32.6%

The *rigidity ratio*, which expresses long-term loans as a percentage of total loans, was equal to 44.4% in 2016 against 43.1% in 2015, as a result of a reduction in invested capital compared to the previous financial year, which was more than proportional compared to fixed assets, as it was correlated above all to the reduction trends in current assets, and in particular in Trade Receivables.

Likewise, the *liquidity ratio*, which measures the company's elasticity in terms of the ratio of cash and cash equivalents and trade and other receivables (current assets net of inventories) to total loans, stood at 55.3% in 2016, compared to a ratio of 56.5% in the previous year.

The *indebtedness ratio*, which is the ratio of net debt to the sum of net debt and own equity, as defined in the explanatory Notes to the Consolidated Financial Statements, to which reference should be made, stood at 0.69, unchanged compared to the previous year, against a proportional reduction in the net Debt compared to that in Net worth (with the considerable loss for the previous year carried forward).

The medium/long-term indebtedness ratio, expressed as the ratio of consolidated liabilities and total sources of funding, passed from 32.6% in 2015 to 31.6% in 2016, recording a decline that mainly reflects a reduction in medium/long-term loans in the course of the financial year, mainly due to the reclassification of potential payables for the acquisition of minority interests under short-term liabilities (relating in particular to the Put Option on Sicura S.p.A., equal to € 5.4 million at 31 December 2016), against a reduction in funding sources as a result of a reduced financial debt (- € 48.2 million) and the simultaneous increase in Net worth (+ € 32.6 million, due for € 32.9 million to net consolidated result for the year).

Productivity ratios

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

	2016	2015
Turnover/internal and external personnel costs	144%	146%
Make ratio	58.1%	57.8%

At 31 December 2016 the ratio between *Revenues from sales and services* and the total amount of costs for internal and external personnel used in production (cost of employed workers, cost of external workers, services provided by consortia and professional services) came to 144% (146% at 31 December 2014). In 2016, the ratio was affected by a reduction in turnover against a different mix of composition of operating cost (and in particular in the weight of costs for "internal" personnel, which vary in a non-proportional manner compared to changes in turnover).

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

4. ANALYSIS OF THE PROFITABILITY, FINANCIAL POSITION AND CASH FLOWS OF THE PARENT COMPANY MANUTENCOOP FACILITY MANAGEMENT S.P.A.

The observations made regarding the trend in consolidated results and business development of the Group are confirmed if we analyse them at the level of the Parent Company MFM S.p.A..

Indeed, the Group is structured around its Parent Company, in which the main facility management activities were centralised and developed in the past, which are now coupled with more specialist and industry-based activities carried out by investee companies.

Furthermore, income and costs relating to non-recurring events and operations described in Paragraph 1 of the Report on Operations were recognised in the Parent Company's Statement of Profit/Loss for 2016, as stated below:

(in thousands of Euro)	For the year ended at 31 December	
	2016	2015
Advice on agreements for assignments of trade receivables without recourse	376	
Compensation for damage for arbitration award	1,915	
Structural reorganisation consulting fees	2,111	583
Legal advice on pending administrative disputes	676	198
Tender offer consulting fees		142
"*Oneri di Sistema*" relating to previous years		3,074
Non recurring operating costs impacting on EBITDA	**5,078**	**3,997**
Provisions for corporate reorganization	1,400	
Provisions for contractual liability to associates	2,323	
Provisions (Reversals) for risks from litigation with AGCM	(16,310)	48,510
Non-recurring Expenses (income) impacting on EBIT	**(12,587)**	**48,510**
Write-off of upfront fees related to the Notes bought back		1,902
Financial fees		1,069
Non recurring financial costs	**0**	**2,971**
TOTAL NON RECURRING COSTS	**(7,508)**	**55,478**

4.1 Economic results

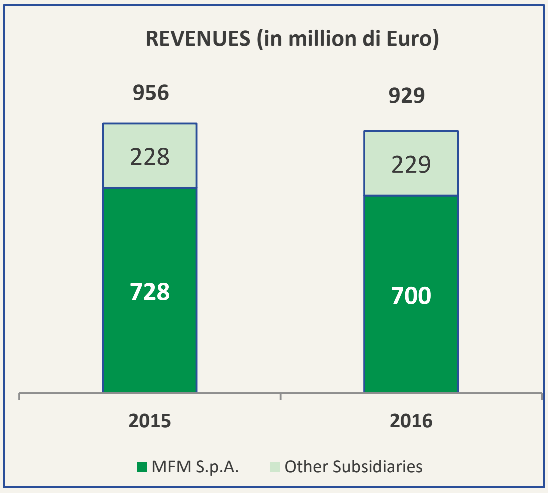
The main income data of the MFM S.p.A. for the year ended 31 December 2016, are shown below, as well as a comparison with the figures from the previous year:

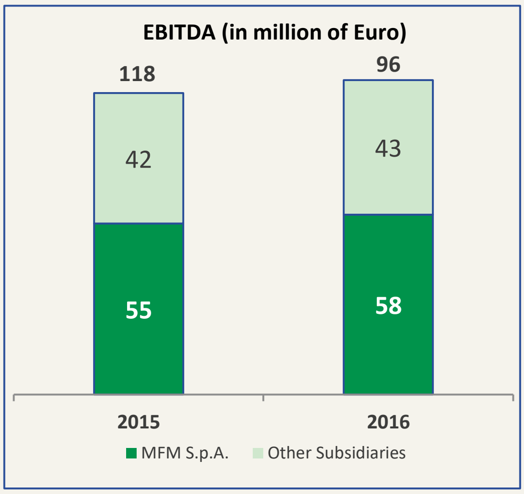
(in thousands of Euro)	For the year ended at 31 December		Change	%
	2016	2015		
Total revenues	699,766	727,632	(27,865)	-3.8%
Total costs of production	(646,917)	(676,217)	29,300	-4.3%
EBITDA	**52,850**	**51,415**	**1,435**	**+2.8%**
EBITDA %	**7.6%**	**7.1%**		**+0.5%**
Amortization, depreciation, write-downs and write-backs of assets	(13,742)	(10,829)	(2,914)	
Accruals and reversal of provisions for risks and charges	10,504	(55,197)	65,702	
Operating Income (EBIT)	**49,612**	**(14,611)**	**64,223**	**+439.5%**
EBIT %	**7.1%**	**ND**		**+7.1%**
Income (charges) from investments	8,283	10,894	(2,611)	
Net financial charges	(24,394)	(27,996)	3,602	
Profit before taxes	**33,500**	**(31,714)**	**65,214**	

(in thousands of Euro)	For the year ended at 31 December		Change	%
	2016	2015		
Profit before taxes %	**4.8%**	**ND**		
Income taxes	(8,141)	(11,256)	3,115	
Profit from continuing operations	**25,359**	**(42,970)**	**68,330**	
Profit (loss) from discontinued operations	**1,052**	**(1,286)**	**2,339**	
NET PROFIT (LOSS)	**26,412**	**(44,257)**	**70,668**	
NET PROFIT %	**3.8%**	**ND**		

In 2016, revenues for MFM S.p.A. stood at € 699.8 million, showing a decrease of € 27.9 million compared to € 727.6 million in 2015.

The Parent Company MFM S.p.A. guarantees the Group a sizeable portion of the consolidated results (about 75% of consolidated Revenues), internally developing operational structures for the traditional business of facility management, as well as administrative and technical structures for most of other Group companies as well as the Parent Company itself.





In 2016 EBITDA came to € 52.8 million against € 51.4 million in 2015, with a substantial increase in terms of related margins, which passed from 7.1% at 31 December 2015 to 7.6% at 31 December 2016. In 2016 the Parent Company contributed to consolidated EBITDA for about 57% of the same (unchanged compared to the value posted in the financial year ended 31 December 2015).

The remarks concerning the Group's income performance, in fact, are fully borne out in MFM S.p.A. since the pressure on volumes and prices in the Facility Management segment that have been described more generally and the consequent efficiency improvement actions in support of margins are most obviously concentrated in the Parent Company. At the same time the cost-saving measures which began to be introduced at the end of 2014 met the targets that had been set in 2015, with a recovery in terms of fixed costs and overheads, in absolute terms, equal to about € 5.5 million.
Specifically, there was a reduction in *Costs of raw materials and consumables* for € 11.9 million, *Costs of services* for € 6.1 million, against lower *Personnel costs* for € 6.6 million. Obviously, the different performance in the various cost items was also linked to a different mix of services rendered, with different overall labour costs in the two comparative periods.

Other operating costs showed a considerable reduction (- € 4.7 million). Specifically, this item included costs relating to "Oneri di sistema" for € 6.1 million (of which € 3.1 million relating to 2014 and therefore regarded as non-recurring costs) in 2015. These costs, on the other hand, had no impact on the results of the 2016 financial year because the management revised its overall estimates, also as a result of the possibility of obtaining Efficient System for Users (ESU) approval for sites which were previously considered not eligible for concessions. During 2016, costs were recognised for € 1.7 million concerning an arbitration award relating to the claim submitted by MFM S.p.A. to obtain, by way of recourse (pursuant to Article 18, paragraph 1, of Presidential Decree 633/1972), amounts paid to the Tax Authorities against a PVC issued in 2013 when it had found that said VAT had not yet been applied correctly. This claim (equal to € 5.6 million) was accepted in full and the amounts were actually collected during 2016, despite the payment of sums as compensation for damage to the counterparty.

In 2016 consolidated **EBIT** came to € 49.6 million against negative EBIT of € 14.6 million in 2015. However, the EBIT performance in 2015 had been significantly affected by the provision for risks of € 48.5 million set aside by the Company following the issue by AGCM of the order for sanctions on 22 December 2015, which was then served on 20 January 2016. At 31 December 2016 the amount of the provision for risks was recalculated following the partial acceptance by the Lazio Regional Administrative Court of the appeal submitted by MFM S.p.A., following which the sanction was significantly reduced despite the abovementioned claims for damages submitted by Consip S.p.A., with a net reversal of € 16.3 million. In 2016, non-recurring provisions were recognised for € 2.3 million, relating to future charges associated with disputes which involve the associate with which MFM S.p.A. has service contracts in place, which provide for possible contractual liability on the part of the supplier, in addition to provisions for corporate reorganisation equal to € 1.4 million. Net of these elements (and other non-recurring costs impacting on EBITDA), **Adjusted EBIT** came to € 42.1 million (€ 37.9 million at 31 December 2015), with a significant improvement in relative margins (Adjusted EBIT/Revenues), which passed from 5.2% to 6.0%.

In 2016 *amortisation and depreciation* amounted to € 8.0 million against € 6.7 million at 31 December 2015. This item includes amortisation of intangible assets of € 5.8 million (€ 4.2 million at 31 December 2015) and depreciation of property, plant and equipment of € 2.2 million (€ 2.5 million at 31 December 2015). Finally, *net write-downs of trade receivables* amounted to € 3.4 million (€ 2.7 million at 31 December 2015), as a result of having set aside a provision for risks on some specific positions.
Furthermore, during 2016 note *write-downs of equity investments* of € 2.0 million (€ 1.4 million at 31 December 2015) which were mainly connected to the subsidiaries operating for the business development in international markets. In 2015 these write-downs related to MACO S.p.A. and SMAIL S.p.A. for which a gradual exit from the markets has been completed for these activities and mergers by incorporation into MFM S.p.A. carried out with effect from 1 January 2016.

To EBIT must be added dividends and net income from equity investments amounting to € 8.3 million, compared to € 10.9 million in the previous year. The income reflects, among others, dividends from subsidiaries for € 7.9 million (€ 11.1 million at 31 December 2015), in addition to € 0.3 million from associated companies and minority interests (€ 0.2 million at 31 December 2015):

(in thousands of Euro)	**Year ended 31 December**	
	2016	**2015**
Servizi Ospedalieri S.p.A.	5,600	6,040
Telepost S.p.A.	1,685	3,030
H2H Facility Solutions S.p.A.	659	1,998
Genesi Uno S.p.A.	237	216
Progetto Nuovo S. Anna S.r.l.	79	
Other minors	8	16
DIVIDENDS	**8,268**	**11,300**

Financial income fell by € 0.8 million compared to the previous year, mainly against lower interest income on intragroup current accounts (- € 0.4 million) and lower income from discounted long-term financial assets for € 0.3 million.

The impact of *financial charges* on the results of operations of the Company was equal to € 30.1 million, showing a reduction of € 4.4 million compared to 2015.
First of all this item recorded lower financial costs on the coupons of the bond issue for € 2.9 million, given the buy-back of portions of Senior Secured Notes for an overall nominal value of € 80 million through the Tender Offer in June 2015 only, against a net financial cost for 2016 that was fully calculated on a remaining portion of the loan, equal to € 300 million. Furthermore, financial costs for 2015 included one-off costs relating to the same Tender for an overall amount of € 3.0 million (of which € 1.9 million relating

to the proportional amount of financial costs accounted for at amortised cost pursuant to IAS 39 on the repurchased Notes).

Furthermore, in 2016 higher financial costs from assignments of receivables with recourse were recognised for € 0.3 million (relating to the contract in place with Unicredit Factoring) and higher interest discount costs relating to the agreements for the assignment of receivables without recourse in place with Banca Farmafactoring for € 0.5 million. Finally, during 2016 additional costs were recognised for interest discount for € 0.5 million, relating to an assignment of tax receivables without recourse, associated with the application of Decree Law 201 of 6 December 2011, as amended and converted by Law 214 of 22 December 2011, which had allowed the Company (and the companies merged into the same starting from 2010) to submit a request for IRES tax refund in 2012, due to the non-deduction of IRAP tax for an overall amount of € 9.9 million, of which € 8.1 million under the tax consolidation regime in place with parent company Manutencoop Società Cooperativa.

From the profit before taxes must be deducted taxes of € 8.1 million (€ 11.3 million at 31 December 2015), thus obtaining a positive *Net result from continuing operations* of € 25.4 million (against a negative value of € 43.0 million at 31 December 2015). Furthermore, note a positive profit from discontinued operations of € 1.1 million, including the related tax effect (Euro 0.3 million). It related to the additional price (Earn-out) that MFM S.p.A. (the company merging SMAIL S.p.A. with effect from 1 January 2016) obtained from the disposal of the business unit that the merged company carried out in November 2015, as required from the assignment agreement (€ 1.2 million, to which a tax effect of € 0.3 million was correlated). Furthermore, an income of € 0.2 million had been recognised in relation to the release of escrowed sums, in the performance of the contract conditions governing the disposal of MIA S.p.A., which was completed in December 2014.

The 2015 financial year also recorded a negative *Net Result from discontinued operations* of € 1.3 million, associated with the abovementioned disposal of MIA S.p.A. and in particular to the total costs accrued in the year in relation to the continuation of formalities set out as per contract with the buyer.

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

(in thousands of Euro)	**For the year ended at 31 December**	
	2016	**2015**
Profit before taxes	**33,500**	**(31,714)**
Provision for risks from the enforcement of Consip guarantee	17,500	
AGCM provision (Reversal)	(33,810)	48,510
Profit before taxes, excluding AGCM provision	**17,190**	**16,796**
Current, prepaid and deferred IRES tax, including income and expenses from Tax consolidation	(5,590)	(7,383)

(in thousands of Euro)	For the year ended at 31 December	
	2016	**2015**
Current and deferred IRAP tax	(2,547)	(3,533)
Adjustments to income taxes related to previous years	(4)	(340)
Income taxes	**(8,141)**	**(11,256)**
Tax rate from continuing operations	**47.4%**	**67.0%**
Profit (loss) before taxes from discontinued operations	**1,385**	**(1,303)**
Taxes on profit (loss) from discontinued operations	(333)	17
Consolidated net profit (loss), excluding AGCM provision	**10,101**	**4,254**
TOTAL TAX RATE	**45.6%**	**72.5%**

As already described, the Profit before taxes includes a considerable reversal relating to the dispute that arose following the imposition of the administrative fine by AGCM in 2015 (€ 48.5 million) in relation to the Consip tenders during 2012. The related non-recurring provision, which is not deductible for the purposes of calculating the tax burden for the year, also significantly affected the Result before tax at 31 December 2015. The analysis of the tax rate for the year was then carried out by excluding these non-recurring effects, net of which the Result before tax at 31 December 2016 and at 31 December 2015 would be equal to € 17.2 million and € 16.8 million, respectively. However, there was a decrease in the overall tax burden equal to € 3.1 million.

At 31 December 2016 the tax rate of continuing operations came to 47.4% against 67.0% for the previous year, as a result of a lower impact from some tax components (IRAP tax and non-deductible IRES tax charges) compared to the substantial invariance of the Result before tax and to the recognition of deferred tax assets on temporarily non-deductible financial costs, which had not been stated at 31 December 2015.

The Company recognised lower current and deferred IRAP tax on the Profit (loss) from continuing operations for a total of € 1.8 million. Furthermore, there was the recognition of lower current and deferred IRAP tax (- € 1.0 million) and lower adjustments on taxes from previous years for € 0.3 million.

Finally, the Company recorded a positive Net profit of € 26.4 million, against a negative net Result of € 44.3 million at 31 December 2015.

4.2 Statement of financial position

Information on the performance of the main equity and financial indicators of the Parent Company as at 31 December 2016 is shown below, compared with the figures for year ended 31 December 2015.

(in thousands of Euro)	31 December 2016	31 December 2015	Change
USES			
Trade receivables and advances to suppliers	356,863	398,477	(41,614)
Inventories	689	884	(195)
Trade payables and advances from customers	(238,764)	(264,404)	25,640
Net commercial working capital	**118,788**	**139,957**	**(16,169)**
Other elements of working capital	(62,411)	(59,959)	(2,452)
Net working capital	**56,377**	**74,998**	**(18,621)**
Property, plant and equipment	8,919	9,529	(611)
Intangible assets	316,978	317,145	(167)
Investments	148,356	143,528	4,829
Other non-current assets	79,802	80,188	(387)
Fixed assets	**554,055**	**550,391**	**3,665**
Non-current liabilities	(60,371)	(75,237)	14,866
NET INVESTED CAPITAL	**550,061**	**550,152**	**(91)**
SOURCES			
Shareholders' equity	324,613	298,362	26,251
Net financial indebtedness	225,449	251,791	(26,342)
TOTAL FINANCING SOURCES	**550,061**	**550,152**	**(91)**

Net working capital

Net working capital (**NWC**) totalled € 56.4 million as at 31 December 2016, compared to a decrease of € 18.6 million compared to the value posted at 31 December 2015 (€ 75.0 million).

Net commercial working capital (**NWOC**), composed of Trade receivables and advances to suppliers and inventories, net of trade payables and advances from customers, stood at € 118.8 million as at 31 December 2016, while it was equal to € 140.0 million at 31 December 2015. The decrease was mainly due to a reduction in the balance of Trade Receivables and advances to suppliers (- € 41.6 million), against a more limited reduction in the balance of Trade payables and advances from customers (-€ 25.6 million). Considering the balance of receivables assigned without recourse by the Group and not yet collected by factors (equal to € 9.2 million at 31 December 2016 and € 1.0 million at 31 December 2015), the **Adjusted NWOC** came to € 128.0 million and € 136.0 million, respectively, with an overall reduction of € 8.0 million.

The balance of the other elements in working capital at 31 December 2016 was a net liability of € 62.4 million, up by € 2.5 million compared to a net liability of € 60.0 million at 31 December 2015:

(in thousands of Euro)	31 December 2016	31 December 2015	Change
Current tax receivables	1,681	12,254	(10,574)
Other current assets	16,957	19,402	(2,445)
Provisions for risks and charges, current	(9,469)	(13,864)	4,395
Other current liabilities	(71,580)	(77,750)	6,171
OTHER ELEMENTS IN WORKING CAPITAL	**(62,411)**	**(59,959)**	**(2,452)**

The increase in net liabilities is attributable to a combination of various factors, mainly including:

› the recognition of lower net credit of € 10.6 million for estimated income tax for the 2015 financial year owing to the higher taxable base in the financial statements at 31 December 2016 on which advances had been paid during the financial year which were calculated according to previous years' performance;

› a reduction in the short-term portion of provisions for risks and charges of € 4.4 million, mainly for the use of the provision for corporate reorganisation, during the year, which had been recognised at 31 December 2015;

› the recognition of lower net VAT payables for € 1.4 million (against a net debt of € 0.9 million at 31 December 2016 against a net debt of € 2.3 million at 31 December 2015), mainly as a result of the trend that followed the introduction, as early as in 2015, of the new regulations governing "Split payments" and "Reverse charge".

Fixed assets

Fixed assets include the following main items:

(in thousands of Euro)	31 December 2016	31 December 2015	Change
Property, plant and equipment and Intangible assets	32,659	33,436	(777)
Goodwill	293,238	293,238	
Equity investments in subsidiaries, associates and joint ventures	148,356	143,528	4,829
Other investments	3,451	2,868	583
Non-current financial assets	57,732	61,372	(3,640)
Other non-current assets	2,023	1,904	119
Deferred tax assets	16,595	14,045	2,551
FIXED ASSETS	**554,055**	**550,391**	**3,665**

The most substantial changes concerned:

- an increase in Equity investments in subsidiaries, associates and joint ventures for € 4.8 million, mainly against the acquisition of an additional investment of 5% of the share capital of Sicura S.p.A. (€ 1.9 million) and payments on account of future capital increase of the newly-established e-Digital Service S.r.l. for € 2.0 million;
- the collection of the last tranche of the financial receivable on 30 December 2016 for sums escrowed in connection with the contract of sale of the investment in MIA S.p.A. in December 2014 (equal to a nominal amount of € 5.0 million), which was recognised under Non-current financial assets at 31 December 2015;
- an increase in the balance of Deferred tax assets, mainly as a result of the recognition of higher deferred tax assets against non-deductible charges compared to the previous year (and in particular on non-deductible financial costs).

Other non-current liabilities

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

- TFR (employee benefits), equal to € 9.9 million and € 11.0 million at 31 December 2016 and 31 December 2015, respectively;
- long-term portion of provisions for future risks and charges (€ 40.3 million at 31 December 2016 against € 54.6 million at 31 December 2015), which includes the provision for risks set aside as a result of the sanction imposed by AGCM on the Company;
- deferred tax liabilities of € 10.2 million (€ 9.7 million at 31 December 2015).

Net financial indebtedness

The Parent Company's net financial indebtedness at 31 December 2016 and at 31 December 2015 is reported below:

(in thousands of Euro)	31 December 2016	31 December 2015	Change
Long-term financial liabilities	305,063	303,435	1,628
Bank borrowings and current portion of long-term debt	69,524	60,114	9,410
GROSS FINANCIAL INDEBTEDNESS	**374,587**	**363,549**	**11,038**
Cash and cash equivalents	(137,963)	(84,543)	(53,421)
Other current financial assets	(11,175)	(27,215)	16,040
NET FINANCIAL INDEBTEDNESS	**225,449**	**251,791**	**(26,342)**

2016 saw the payment of the net six-monthly coupons on the Senior Secured Notes of € 25.5 million; the settlement date was 2 February and 2 August (€ 28.9 million in 2015). The reduction in long-term financial payables was mainly attributable to accounting for the effects connected to the "amortised cost" required by IAS39 during the year.

On the reporting date short-term credit lines were used for hot money and advances on invoices for € 11.7 million (against € 27.4 million at 31 December 2015), to meet temporary cash requirements peaks linked to the physiological performance of operations.

As already described in previous paragraphs, MFM S.p.A. also entered into, as early as in 2015, an agreement for the assignment with recourse of trade receivables with Unicredit Factoring S.p.A., concerning receivables from customers in the Public market, against which it carried out assignments for an overall nominal value of € 51.8 million, while the amount of assigned receivables not yet collected by the factor at 31 December 2016, was equal to € 20.8 million (€ 2.5 million at 31 December 2015). Furthermore, assignments without recourse were carried out under the new contract that was executed by the Company and subsidiary Servizi Ospedalieri S.p.A. with Banca Farmafactoring in 2016, concerning the assignment of receivables from entities in the National Health System. During the year MFM S.p.A. carried out assignments of receivables without recourse for a nominal amount of € 26.5 million, while the amount of assigned receivables not yet collected by the Factor at 31 December 2016 was equal to € 8.3 million (to which must be added € 1.0 million relating to programmes of assignments without recourse that were applied in previous years and that have been discontinued). At 31 December 2016, the Group collected sums of € 0.8 million relating to receivables involved in assignments without recourse, for which the respective debtors did not make any payment on the bank accounts specified by the factor.

Furthermore, current financial assets reduced by € 16.0 million, mainly as a result of a reduction in the credit balances of current financial accounts registered in the name of subsidiaries (- € 13.6 million). At December 2015 the item also included the abovementioned first share of escrow against the disposal of the investment in MIA S.p.A., which was collected in May 2016 (€ 3.8 million).

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

(in thousands of Euro)	2016		31 December 2015	
	Profit (loss) for the year	31 December Shareholders' Equity	Profit (loss) for the year	Shareholders' Equity
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY	**26,412**	**324,613**	**(44,257)**	**298,362**
- Elimination of consolidated equity investment values		(142,106)		(137,054)
- Accounting of Shareholders' Equity to replace the values eliminated		56,625		48,976
- Allocation to consolidation difference		63,724		61,954
- Allocation of tangible assets	(4)	68	(4)	71
- Recognition of financial income/costs on PUT options			(43)	(43)
- Dividends distributed to Group companies	(7,944)		(11,068)	
- Profit generated by consolidated companies	10,854	10,854	7,281	7,281
- Associates and JVs valued at equity	1,905	7,376	(156)	5,186
- Tax effects on consolidation adjustments	71	(296)	(32)	(367)
- Reversal of statutory write-downs	2,461	2,461	3,268	5,468
- Other consolidation adjustments	(106)	(182)	(401)	(249)
Total consolidation adjustments	**7,237**	**(1,476)**	**(1,155)**	**(8,777)**
Shareholders' equity and profit (loss) for the year pertaining to the Parent Company	**33,649**	**323,137**	**(45,412)**	**289,585**
Shareholders' equity and profit (loss) for the year pertaining to Minority Interests	(116)	235	43	380
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS	**33,533**	**323,372**	**(45,369)**	**289,965**

5. INTERNAL CONTROL AND RISK FACTORS

The existence and operations of the internal control system at the level of the whole organisation and of the individual processes/activities must be satisfactorily supported and documented, both as regards drawing up the controls themselves and testing, conducted to ensure that they are operative and effective. MFM S.p.A. has adopted additional rules for the Control System in order to ensure that the system of internal control is effective at the level of the whole organisation and of the individual processes/activities, the efforts are combined of the large number of persons that run the system, in order to improve the efficiency and efficacy of governance in terms of mitigating and/or covering risk.

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

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

- the Internal Audit function, reporting to and functioning under the instructions of the Chairman of the Board of Directors;
- the “Organismo di Vigilanza (ODV)”, pursuant to Legislative Decree 231/2001.

In carrying out detailed control activities, under the additional rules to the system of Internal Control, a pre-arranged sample has to be tested to see whether control activities are actually being performed. For this purpose, the control activities are analysed and aggregated in accordance with the following parameters:

- type of activity;
- process owner;
- technological platform within which the findings of the tests conducted in compliance with the control objectives are managed.

Operating testing activities relating to the Financial Control Framework implemented by the Company were developed on the basis of shared scopes, which were assessed on the basis of the financial statements of the companies in the MFM Group. For each consolidated company, falling within the scope, a first cycle of audits was conducted described as a “pilot audit” since it concentrated on the in-the-field validation of the strategies for the selection of the sample and of detailing the various aspects of the checks on the operational phases of the controls and on the functioning of the main processes. After this the key controls to be checked are tested every quarter.

Owing to the integration of various control requirements, some were borrowed from the tests conducted in accordance with Legislative Decree 231/2001, such as:

- Financial area
- Area of sensitive activities pursuant to Legislative Decree 231/2001 concerning processes that are also relevant for the purposes of internal control.

Afterwards an area exclusively dedicated to internal control issues was developed. This area was divided into processes being audited:

- Sales and distribution cycle;
- Purchasing cycle;
- General Accounting;
- Separate Financial Statements;
- Consolidated Financial Statements;
- Treasury.

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

Risks related to competition and to the market

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

In this particularly challenging scenario, two particular events occurred during the first part of 2016 which mean that the risks of existing and future contracts being terminated, withdrawn from or excluded must be assessed more carefully than in the recent past:

› as a result of the Competition Authority fine ruling, on 4 February 2016 CONSIP S.p.A. initiated a procedure to terminate the Agreements entered into with the Parent Company MFM S.p.A. regarding cleaning services of Schools ("Consip Scuole"), which was concluded with the final termination on 23 November 2016. In the same notice Consip S.p.A. also notified the Company that it was going to formally report these facts to ANAC and to the Public Prosecutor's Office. At the same time as the start of the abovementioned procedure, Consip S.p.A. also notified MFM S.p.A. that it would consider the possibility of excluding it from future tenders for "work of the same type". On 2 December 2016 Consip S.p.A. formally notified the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione, ANAC*) of its accusations against MFM S.p.A..
› On 19 February 2016 Telecom Italia S.p.A., in making use of a right provided for in contract terms and conditions in the case of the committal for trial of the Company's directors, notified its intention to withdraw from the contract in place; however, subsequently, it finally waived this right by a notice dated 4 May 2016.

With reference to the first case, the assessments made by the Directors as at the reporting date of the Financial Statements are contained in the explanatory notes to the Financial Statements (note 17) and to the Consolidated Financial Statements (note 13), to which reference should be made.

Finally, with reference to the second case, the directors point out that: (i) MFM S.p.A., following the first notice received from Telecom Italia, promptly carried out an internal review involving almost all the contracts with clients in the Private sector, establishing that none of the contracts being reviewed contained provisions that allowed the termination of the same as a result of the occurrence of the same case; (ii) according to the Code of Public Contracts, which regulates contracts concluded with Public Authorities and public Health Units, committal for trial is not merely a reason for terminating the aforesaid contracts: vice versa, a final sentence is required for serious offences that affect professional morality; (iii) at present, following the changes in the Company’s governance, the grounds on which Telecom Italia based its withdrawal no longer apply.

Financial risks

Concerning financial risks:

- liquidity
- credit
- interest rates
- exchange rates and
- price risks

the Group deals with in its operations and how they are managed, the subject is discussed in detail under note 33 in the explanatory Notes to the Consolidated Financial Statements, to which reference should be made.

6. ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

In 2016 some changes were made to the legislation concerning the legal rules affecting the scope of application of Legislative Decree 231/2001.

Specifically, the criminal offence of “Labour trafficking – Article 603-bis of the Italian Criminal Code (notorious in Italy as caporalato)”, as introduced by Law 199 of 29 October 2016, governing “Provisions for fighting the phenomenon of illegal labour, the exploitation of agricultural labourers and the realignment of pay in the agricultural sector”, has been included in the list of predicate offences under Article 25-quinquies of Legislative Decree 231/2001. The list of offences was also revised in view of changes to some offences referred to in Article 24-bis of Legislative Decree 231/2001 and the abrogation of others, as required by Legislative Decree 7 of 15 January 2016.

As a result of the changes made, MFM S.p.A. updated its own Organisational, Management and Control Model pursuant to Legislative Decree 231/2001 (hereinafter the Model). The update to the Model, considering both the case law assessments and in-depth examination of the new legislative framework, is based on amendments to procedures, the introduction of new activities and observations/suggestions resulting from the controls performed and on changes concerning the corporate organisation. On 20 February 2017 the “ODV” gave its favourable opinion on the draft Model, appointing the chairman of the Supervisory Board to submit it for the approval of the Board of Directors of MFM S.p.A., which took place on 23 February 2017.

The “ODV”, which had been appointed on 23 February 2015, was made up as follows:

- two outside members
- a member of the Board Management without delegated powers.

At the meetings of the ODV there was a requirement that a member of the Supervisory Board and a member of the Internal Control Committee should be permanently invited.

During 2016, following the resignation of the Chairman of the Management Board and the Managing Director and of other directors on 29 February, the entire Management Board ceased to hold office and the new members were appointed on 29 April 2016. According to the Model adopted by MFM S.p.A., the ODV remains in office until the expiry of the term of office of the Management Board which appointed it ; for this reason, the ODV also formally ceased to hold office on 29 April 2016. On the same date, the new Management Board appointed, at its first meeting, the new ODV, confirming the previous composition:

- two external professionals, in the persons of Marco Strafurini and Mario Ortello;
- a non-executive member of the Management Board, in the person of Benito Benati, who has also taken on the position of Chairman.

Following the resignation of the members of the Management Board on 29 April 2016, on 7 October 2016 the Supervisory Board met and noted that the proposal to appoint a new Management Board had been submitted at the Appointments Committee meeting which had preceded it. On this date a new management Board was then appointed; as already specified, since, according to the Model adopted by MFM S.p.A., the ODV remains in office until the expiry of the term of office of the Management Board which appointed it, the ODV also formally ceased to hold office on 7 October 2016 and the new Management Board appointed the new ODV at its first meeting.

It was composed as follows:

- two external professionals, in the persons of Marco Strafurini and Mario Ortello;
- a non-executive member of the Management Board, in the person of Pietro Testoni, who has also taken on the position of Chairman.

There was always to be a standing invitation to a member of the Supervisory Board and a member of the Internal Control Committee to attend the ODV meetings.

On 30 November 2016 a plenary Extraordinary Shareholders' Meeting resolved to change the Company's administration and control system to the traditional model of a Board of Directors and a Board of Statutory Auditors. The Management Board, Supervisory Board and the ODV ceased to hold office as a result of this decision. On the same day as that on which the newly formed Board of Directors was appointed, composed of the same persons who were members of the outgoing Management Board, it noted that the ODV had ceased to hold office and appointed a new body composed of the same members as previously, without, however, making provision for any standing invitation to attend its meetings.

In 2016 the "ODV" formally met three times (12 April, 20 July, 10 November).

As regards audit activities, at the first meeting in 2016, the ODV approved the proposed audit plan for 2016, as envisaged in the Model.

In the course of the financial year total of 4 audit cycles were performed, the outcomes of which are summarised in the associated "internal reports on the audit activities of the "ODV", which were sent firstly to the Chairman of the Management Board in a timely fashion and, after the change in the governance, to the Chairman of the Board of Directors.

7. HUMAN RESOURCES AND ORGANISATION

As at the closing date of the 2016 financial year, the MFM Group employed 16,197 workers (at 31 December 2015: 16,434 units), including personnel on lease from the Parent Company Manutencoop Società Cooperativa to Group companies, equal to 442 units (31 December 2015: 483 units).

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

	31 December 2016	31 December 2015
Executives	60	56
Office workers	1,255	1,251
Manual workers	14,882	15,127
EMPLOYEES	**16,197**	**16,434**

Prevention and protection

During 2016 the "Risk Assessment Document" was revised owing to the needs for:

- the designation of a new Chief Executive Officer of MFM S.p.A., Aldo Chiarini;
- the start of new operations of services (road maintenance works);
- a deepened assessment of already existing healthcare activities (transport and moving patients) and industrial activities (auxiliaries);
- an updated risk assessment for:
  - manual load handling;
  - electromagnetic fields;
  - work related stress;
- an updated worker health supervision protocol.

The new document was completed and formalised on 14 December 2016 (review no. 6).

During 2016 the Safety Management System was periodically checked by Rina, the certification body (OHSAS 18001) and some sample orders in the various areas of Operations were also checked.

In 2016 the Prevention and Protection Service conducted 42 audits in the Operations structure, distributed throughout all the areas. These audits were carried out to verify compliance with the regulations governing occupational safety and, in the event of any non-conformities, generated an improvement plan, shared with Area Operations Managers. In any case it has been seen that Safety is managed satisfactorily overall.

Healthcare supervision, performed by 25 occupational physicians widely distributed throughout the country, concerned all personnel exposed to "regulated" risks, i.e. occupational risks that may adversely affect health. The coordinating doctor was also chosen from among these doctors. As a result all the workplaces of MFM S.p.A. are under supervision, with the exception of the hygiene sector for services provided in non-industrial areas, in that the extent of each risk assessed in this sector in the overall risk assessment process is not such as to entail the obligatory inclusion of hygiene in these controls. These members of staff, in any case, have the right to consult the Company doctor on request. According to the revised form of the Risk Assessment document, nevertheless, health supervision was also extended to personnel in the hygiene sector who work as auxiliaries at schools and kindergartens since they are exposed to biological risk (they are subject to the risk of infectious diseases and may come into contact with biological liquids); the health supervision programme, however, had still not ended by the end of 2016. 7,165 workers underwent medical check-ups during 2016.

The Group also has a company procedure to identify the specific details of each accident so as to obtain more accurate statistical reporting which, starting with a survey of the causes - the dynamics - relating to the material agents, makes it possible to more accurately define the areas of intervention and their priority in order to reduce accidents. The latter is assessed through the following rates:

	2015	2015	2014	2013
Impact (no. of accidents x 1,000/no. of employees)	69.62	70.00	85.60	90.22
Frequency (no. of accidents x 1,000,000/no. of worked hours)	58.60	58.74	72.04	75.80
Severity (days of accident x 1,000/ no. of worked hours)	1.53	1.55	1.68	1.74

There were no fatal accidents at work during 2016.
There are currently 22 Workers' Safety Representatives at MFM S.p.A. distributed throughout the areas of Operations In 2016 they were involved in a training/education plan on occupational safety.

35 Health and Safety at Work inspections were also conducted during the year by control bodies (Local Health Authorities (ASL) and Provincial Labour Head Offices) on various operating units throughout the country. Finally, no environmental risk inspections were conducted by control bodies during 2016.

In view of the recent organisational changes, such as the Legal Representative, the Prevention and Protection Manager and the new members of the supervisory committee, the opportunity was taken to review the waste management issue. Although this is a role whose holder gives advice on the law governing this field, the service takes a proactive approach by its very nature and has always tried to identify systemic problems, at the same time striving to propose possible solutions. Manutencoop F.M. traditionally manages two large categories of waste:

› from the maintenance sector, which is produced at the office or address of the waste management company. The Prevention and Protection Service department's advice has always been to centralise management in the area offices, only keeping registers at the clients' premises for the larger contracts and/or for clients which have waste to dispose of a number of times a year (as a guide, more than 10) or for clients in more remote areas (Ancona). In this way registers are kept more professionally because they are compiled more frequently and are better handled;
› from the hygiene sector, 80-90% of which consists of containers, the remainder being old cloths, mops and sponges. When the new classification of hazardous substances came into force in June 2015, many substances became hazardous which had not been in this category before. Consequently discussions began with Legacoop and other enterprises in the hygiene sector with a view to achieving a better clarification of the methods for classifying containers and disposing of them. One of the questions still open is also the possibility of applying Article 266, paragraph 4, to cleaning as well so that waste management can be centralised in temporary depots. Solutions are also being pursued involving the reduction of the quantities of waste by using disposable products and reusing jerrycans at the smaller sites.

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

› Category 1 (street cleaning) since 2013
› Category 8 (intermediation) since 2011.

In order to be enrolled in the Italian Register of Waste Management Companies, an enterprise must have a Technical Manager, the duties and responsibilities of which were laid down in Ministerial Decree 120/14 issued by the Ministry of Environment; Maurizio Massanelli has filled this role until now. The Technical Manager is responsible for taking the action necessary to ensure the correct organisation of waste management on the enterprise's part in compliance with current legislation and for checking the condition, quality and suitability of the means used and listed in the entry in the register.

Training

In the course of the 2016 financial year 766 training sessions were held, which involved 6,208 participants for a total of 54,332 training hours.

The table below shows the comprehensive results, divided into 5 subjects:

	2016			2015		
Subject	Editions	Participants	Hours	Editions	Participants	Hours
Safety	405	4,073	29,671	420	5,900	42,982
Technical-professional	269	1,865	20,936	135	1,028	10,864
IT	14	72	1,144			
Quality and Environment	24	164	423	27	221	760
Management	54	34	2,158	7	49	1,094
TOTAL	**766**	**6,208**	**54,332**	**107**	**7,198**	**55,700**

As regards Safety training, the Group continued to arrange special obligatory courses for each organisational position and also certified a group of employees as being able to apply reanimation techniques and use a defibrillator (BLSD – Basic Life Support Defibrillation).

As regards Technical and Professional Training, the Group increased its investments in enhancing its worker's skills arranging training sessions in Administration, Finance, Big Data, Supply Chain, English language, Communication and new digital technology.

Training sessions in Account Management were also held after the Group's internal reorganisation. These courses were for employees who are responsible for customer relationships at a local level and also included instruction on Lean Methodologies to assist in Continuous Improvement.

Seminars on matters which are important for the Company were arranged in collaboration with instructors from in-house functions, such as the New Code of Contracts, Energy Efficiency Certificates and the Public and private Partnership, in collaboration with SDA Bocconi.

As regards Operational functions, training sessions were held both for the hygiene services, such as operating methods and disinfection in public places, in collaboration with the Emilia Romagna Regional Government, and for integrated services, such as certification classes for firefighting equipment maintenance, boiler and refrigerating plant technicians.

Training sessions continued for employees enrolled with the Council of Architects and Engineers, which were necessary in order for them to retain their registration, on the issue of Building Information Model.

As regards Management training, the Group arranged a special training programme for about 30 operational group and second- line managers in order to ensure projects are correctly supervised and that the skills of in-house personnel are used to the full and to encourage and increase the utilisation of new management tools. The themes dealt with were client relations management, the recruitment and training of assistants and knowledge of the Group's main functions, such as commercial activities, tender planning, industrial relations and litigation, safety and quality.

The Company went on with its project involving some employees attending the Executive MBA course of Impresa Cooperativa at the Alma Mater Studiorum Bologna Business School every year; finally, training sessions were held on the issues of Negotiation and Conflict and Change Management.
In 2016 the Company financed 80% of training costs by using the Formatemp and Foncoop Funds, doubling its use of funding compared with the previous year. In addition to these interprofessional funds, the Company took part in and won other funding tenders such as Avviso 25 to hold IT courses, Lombardy Region funds for continuous worker training and Avviso 28 for technical training for personnel on redundancy schemes.

8. ENVIRONMENT AND QUALITY

During 2016 MFM S.p.A. maintained, following an audit carried out by RINA Services (the accredit certification body), the following certifications:

- UNI EN ISO 14001:2004 (Environmental Management System)
- UNI EN ISO 9001:2008 (Quality Management System)
- SA8000:2008 (Social Accountability System)
- UNI CEI EN ISO 50001:2011 (Energy Management Systems)
- BS OHSAS 18001:2007 (Occupational Health and Safety Management System)
- UNI CEI 11352:2014 - Energy Management - Companies providing energy services (ESCO).

In 2016 MFM S.p.A. maintained the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree 43/2012 and ACCREDIA Technical Regulations RT-29 for installation, leakage control, servicing and repair services for fixed refrigeration and air-conditioning equipment and heat pumps containing certain fluorinated greenhouse gases, as well as the ANMDO CERMET standard for the voluntary accreditation of suppliers of hospital cleaning and sanitation services.
As required by Article 30 of Legislative Decree 81/08, as amended, MFM S.p.A. also obtained a certificate for its Safety organisation and management plan for the Planning and delivery of cleaning, hygiene, sanitisation, disinfection and disinfestation services in public and private civil, industrial, commercial, healthcare, logistics and transport sectors.

A UNI EN 14065 certification (laundry treatment for fabrics – biocontamination control system) was obtained for the laundries at Asti and Alessandria (laundries open at the customers in order to support the provision of the service) and an ISO/TS 14067:2013 certificate of conformity (carbon footprint) was also obtained for hygiene services in the healthcare and civil engineering sectors.

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

e-Digital Services	A quality management system certification (UNI EN ISO 9001:2015) was obtained for the "Planning and creation of process & technology outsourcing services for public and private clients . Delivery of call center services".
Sicura S.p.A. and its subsidiaries	Renewal of the certification according to the UNI EN ISO 9001:2015 standard (Quality Management System), assessed in accordance with the instructions in Technical Regulation ACCREDIA RT-05 for the Design, installation and maintenance of firefighting equipment, fire barriers and anti-intrusion systems, anti-shoplifting devices, CCTV circuits and access control systems; the Sale of products and services for safety at work; Provision of environmental, safety and business organisation consulting and training services; the Design, construction and marketing of accident prevention equipment and safety systems for industrial machinery; the Provision of labour medicine and preventive medicine services. Sector IAF: 28,29A. Maintenance of the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree 43/2012 and Accredia Technical Regulations RT-29 for monitoring leakages and recovering fluorinated greenhouse gases, installing, servicing and repairing fixed fire-fighting plants and extinguishers containing such gases. Sicura S.p.A. is also certified to deliver services for the design, installation, ordinary (preventive) maintenance and repair of burglar and robbery alarm systems in accordance with Standard CEI 79-3:2012 – Technical specification CLC/TS 50131-7:2010 – Regulation IMQ - Performance level I – II – III Local area authorised for the release of IMQ certificates of the plants in Vicenza-Padua-Venice-Treviso.
H2H Facility Solutions S.p.A.	Maintenance according to the UNI EN ISO 9001:2008 standard (Quality Management System) and maintenance of the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree 43/2012 and Accredia Technical Regulations RT-29 for installation, leakage control, servicing and repair services for fixed refrigeration and air-conditioning equipment and heat pumps containing certain fluorinated greenhouse gases.

Servizi Ospedalieri S.p.A.	Maintenance according to the UNI EN ISO 9001:2008 standard (Quality Management System), UNI EN ISO 13485 standard (Quality Management Systems. Requirements for regulatory purposes), UNI EN 14065:2004 (Laundry Processed Textiles - Biocontamination Control System), UNI EN ISO 20471:2013 (High Visibility Clothing - Test Methods And Requirements), BS OHSAS 18001:2007 (Occupational Health and Safety Management Systems), UNI EN ISO 14001:2004 (Environmental Management System). Furthermore, the Company maintained the EC certification in compliance with Directive 93/42/EEC for the production of sterile kits and obtained the EC certification in compliance with Directive 89/686/EEC for the production of some Personal Protective Equipment. The Company has started the procedures to obtain the certification SA8000, which will be completed in early 2017.
Telepost S.p.A.	Maintenance according to the UNI EN ISO 9001:2008 standard (Quality Management System). Maintenance according to the UNI EN ISO 14001:2004 standard (Environmental Management System).

No final convictions against Group companies for environmental crimes were reported during 2016.

9. RELATED PARTIES TRANSACTIONS

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

Equity and economic transactions as at 31 December 2016 are detailed thoroughly in the explanatory Notes to the Consolidated Financial Statements and the Separate Financial Statements of the Parent Company MFM S.p.A. for 2016, to which reference should be made.

10. CORPORATE GOVERNANCE

Until November 2016 the Corporate Governance structure of Manutencoop Facility Management S.p.A. is set up under a two-tier administration and control system, as regulated by articles 2409-octies et seq. of the Italian Civil Code. This model provides a clear distinction between ownership and management, given that the Supervisory Board, composed entirely of independent members, acts as a barrier between the shareholders and the Management Board.
On 30 November 2016 the Extraordinary Shareholders' Meeting of MFM S.p.A. approved the new Articles of Association, whereby the ordinary management and control system was adopted pursuant to articles 2380 and ff. of the Italian Civil Code. This model provides for a Board of Directors, which is responsible for management and the supervision of strategy, and a Board of Statutory Auditors with control functions. The Shareholders considered that the change from dual corporate governance (adopted in May 2018) to a "traditional" form of governance simplifies the administration and control system and is more consistent with the objectives which the Company intends to pursue and allows the Shareholders' Meeting to directly exercise the powers for the appointment of Directors and the approval of the Financial Statements. The Board of Directors and the Board of Statutory Auditors will remain in office for three financial years and, specifically, until the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2018. All the 13 members of the preceding Management Board were confirmed as members of the newly formed Board of Directors.

11. RESEARCH AND DEVELOPMENT

In 2016, the MFM Group companies did not bear any research and development costs.

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

The company does not hold own shares, or shares or interests in parent companies, neither through trusts nor intermediaries.
In 2016, the company did not purchase or dispose of own shares, or shares or interests in parent companies, neither through trusts nor intermediaries.

13. INFORMATION REQUIRED BY ART. 2497 OF THE ITALIAN CIVIL CODE

Manutencoop Facility Management S.p.A. is subject to the management and coordination activities of Manutencoop Società Cooperativa.
For details on transactions with both the entity that exercises management and coordination activities and with other companies that are subject to these activities, please refer to Explanatory Notes to the consolidated financial statements and the Explanatory Notes to the separate financial statements of the Parent Company Manutencoop Facility Management S.p.A..

14. SECONDARY OFFICES

The MFM Group has no secondary offices.

15. TAX CONSOLIDATION AGREEMENT

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

- Manutencoop Facility Management S.p.A. (MFM S.p.A.)
- Servizi Ospedalieri S.p.A.
- SI.MA.GEST 2 Soc. Cons. a r.l.
- H2H Facility Solutions S.p.A.
- Telepost S.p.A.
- e-Digital Services S.r.l.
- Manutencoop International S.r.l.
- Yougenio S.r.l.
- S.AN.GE. Soc. Cons. a r.l.
- S.AN.CO. Soc. Cons. a r.l.
- Sicura S.p.A.
- Protec S.r.l.
- Leonardo S.r.l.

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

- Manutencoop Immobiliare S.p.A.
- Segesta Servizi per l'ambiente S.r.l.
- Nugareto S.r.l

16. SUBSEQUENT EVENTS

Regulatory changes concerning "Oneri di sistema"

The Parent Company MFM S.p.A. holds some significant energy service contracts for which charges relating to "Oneri di Sistema" had been set aside for a total of € 6.2 million during 2015. During 2016 the Company reviewed the estimates of these costs for some sites which had previously not been considered eligible for concessions. Therefore no additional charges on the energy contracts involved were recognised in 2016.

On 23 February 2017 the Chamber of Deputies finally approved Decree Law 244 of 30 December 2016, the "Milleproroghe" Decree, and converted it into law. Specifically, the amendments affect the current regulations governing "Oneri di sistema" and in particular "*the following paragraphs are repealed: paragraph 5 of Article 33 of Law 99 of 23 July 2009, as well as paragraphs 1 to 7 and paragraph 9 of Article 24 of Decree Law 91 of 24 June 2014, as amended and converted by law 116 of 11 August 2014. The effects (if any) of repealed rules also cease to apply, which have not yet been felt*". In short, the rule was repealed, which, except for the RIUs (Reti Interne di Utenza, Internal Utility Networks), general oneri di sistema are calculated by making reference to energy consumption. According to the previous Bersani Decree (Legislative Decree 79/99), oneri di sistema are payable according to the energy withdrawn from the grid and, accordingly, any entity that does not withdraw energy from the grid, because it produces electricity on its own account, is exempt from the payment of said charges. Therefore, according to the new regulations, the management of MFM S.p.A. believes that no additional Oneri di Sistema must be recognised during 2017, also given that payment obligations have ceased to apply to those relating to previous years.

On the other hand, this case will remedy some distorting effects of the complex regulations governing energy self-production until 31 December 2017, which would have wrongly changed the regulatory framework for investments already made, in particular in industrial districts, thus frustrating their sustainability. Furthermore, a general reform of the relevant Regulations is desirable and expected during 2018.

Other events after the year-end

On 23 March 2017 AGCM notified MFM S.p.A. of the initiation of a preliminary investigation procedure against the main operators of the Facility Management market in order to establish whether these companies implemented any possible understanding restricting competition, concerning the coordination of the procedures to participate in the tender launched by Consip in 2014 for awarding the Facility Management services to be rendered to the properties that are mainly intended for office use on the part of the Public Authorities ("FM4 Tender"). For more comprehensive information, reference should be made to note 17 of the Financial Statements and to note 13 of the Consolidated Financial Statements.

On 3 April the Naples Public Prosecutor's Office served a search order against some executives of the Company, which was executed at the registered office of the same. These executives are involved in the investigation started by the Naples Public Prosecutor's Office as to the tender for awarding cleaning services at a local hospital. For more details, reference should be made to note 34 of the Financial Statements and to note 31 of the Consolidated Financial Statements.

17. OUTLOOK

The third quarter of 2016 saw a substantial confirmation of the expected Group performance: despite a business development that was not fully in line with the targets set for the current year, also due to the delayed award of contracts and agreements, the outlook at the end of the financial year shows a reduction in volumes in line with expectations and a substantial stability of profit margins, thanks to the strategies to rationalise costs and eliminate any potential inefficiency on which were focused on during the last two financial years. The forecasts have been also confirmed for the entire 2016 financial years, concerning slightly higher results in terms of EBITDA margin compared to the previous year.

The new Governance structure, which has been implemented in a short time according to the new shareholders' agreements that were executed between the majority shareholder Manutencoop Società Cooperativa and the group of minority shareholders in July 2016 at the same time as the new investment agreement, will allow the Group to continue its future strategic projects in order to regain a sustainable growth path.

In financial terms, the Group has considerable available cash funds until 30 September 2016, despite the uncertain outcome of the proceedings pending before the Lazio Regional Administrative Court in relation to the appeal filed against the significant fine levied by the Authority in January 2016. The judgment dated 14 October 2016 reduced, in a significant manner, the required potential financial outlay, thus allowing a more flexible future use on the part of the Group of its financial resources and, however, has not yet settled the dispute, which will certainly imply an additional appeal on the part of MFM S.p.A. with the Council of State within the time limits prescribed by law. Also due to the new legal actions that the Group is about to bring, the updated financial statement measurements reported under accruals to provisions for future risks and charges will be reflected in the consolidated Financial Statements at 31 December 2016, on the basis of more complete and updated information.

18. ALLOCATION OF THE RESULT FOR THE YEAR

In concluding the report on 2016, the Directors invite you to approve the Financial Statements of Manutencoop Facility Management S.p.A. for the year ended 31 December 2016 and to allocate the profit for the year of € 26,411,796.97 as follows:

- € 1,320,589.85 to Legal Reserve
- € 25,091,207.12 to be distributed to shareholders, subject to full coverage of losses from previous years, amounting to € 44,256,591.14 through the partial use of the Extraordinary Reserve that, as a result of this use, reduces from € 73,229,454.01 to Euro 28,972,862.87.

Zola Predosa, 19 April 2017

The Chairman of the Board of Directors

Marco Canale

MANUTENCOOP

2016

ANNUAL REPORT

AT 31 DECEMBER 2016

EXPLANATORY NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	NOTE	31 December 2016	31 December 2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipments	3	64,483	62,155
Property, plant and equipments under lease	3	1,627	2,217
Goodwill	4-5	370,456	370,456
Other intangible assets	4	26,114	26,005
Investments accounted for under the equity method	6	30,534	28,484
Other investments	7	3,850	3,502
Non-current financial assets	7	11,769	15,657
Other non-current assets	7	2,323	2,180
Deferred tax assets	28	20,971	19,044
TOTAL NON-CURRENT ASSETS		**532,127**	**529,700**
CURRENT ASSETS			
Inventories	8	4,382	4,763
Trade receivables and advances to suppliers	9	456,095	519,194
Current tax receivables		3,500	23,430
Other current assets	9	25,932	31,138
Current financial assets	10	2,387	5,257
Cash and cash equivalents	10	174,992	114,391
TOTAL CURRENT ASSETS		**667,288**	**698,173**
Assets held for sale		0	0
TOTAL NON-CURRENT ASSETS HELD FOR SALE		**0**	**0**
TOTAL ASSETS		**1,199,415**	**1,227,873**

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(in thousands of Euro)	NOTE	31 December 2016	31 December 2015
SHAREHOLDERS'EQUITY			
Share capital		109,150	109,150
Reserves		187,856	188,349
Retained earnings		(7,518)	37,498
Profit/(loss) for the year attributable to equity holders of the Parent		33,649	(45,412)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**323,137**	**289,585**
Capital and reserves attributable to non-controlling interests		351	337
Profit/(loss) for the year attributable to non-controlling interests		(116)	43
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**235**	**380**
TOTAL SHAREHOLDERS' EQUITY	11	**323,372**	**289,965**
NON-CURRENT LIABILITIES			
Employee termination indemnity	12	17,043	18,424
Provisions for risks and charges, non-current	13	44,522	58,738
Long-term financial debt	15	305,482	311,686
Deferred tax liabilities	28	11,812	11,167
Other non-current liabilities		50	28
TOTAL NON-CURRENT LIABILITIES		**378,909**	**400,043**
CURRENT LIABILITIES			
Provisions for risks and charges, current	13	10,715	14,515
Trade payables and advances from customers	16	346,308	380,215
Current tax payables		1,363	0
Other current liabilities	16	85,909	94,572
Bank borrowings, including current portion of long-term debt, and other financial liabilities	15	52,839	48,563
TOTAL CURRENT LIABILITIES		**497,134**	**537,865**
Liabilities directly associated with non-current assets held for sale		0	0
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES		**1,199,415**	**1,227,873**

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(in thousands of Euro)	NOTE	For the year ended	
		31 December 2016	31 December 2015
REVENUE			
Revenue from sales and services	18	926,758	953,813
Other revenue	19	2,340	1,916
TOTAL REVENUE		**929,098**	**955,729**
OPERATING COSTS			
Costs of raw materials and consumables	20	(117,615)	(133,155)
Change in inventories of finished and semi-finished products		(55)	0
Costs for services and use of third-party assets	21	(331,365)	(336,114)
Personnel costs	22	(376,266)	(380,793)
Other operating costs	23	(7,900)	(12,602)
Amortization, depreciation, write-downs and write-backs of assets	24	(32,714)	(32,493)
Accrual (reversal) to provisions for risks and charges	13	10,107	(51,561)
TOTAL OPERATING COSTS		**(855,808)**	**(946,718)**
OPERATING INCOME		**73,290**	**9,011**
FINANCIAL INCOME AND EXPENSES			
Share of net profit of associates	6	1,688	90
Dividend and net income/(loss) from sale of investments	25	498	(459)
Financial income	26	1,964	984
Financial expenses	27	(30,183)	(34,066)
Gains / (losses) on exchange rate		(38)	(10)
PROFIT/(LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS		**47,219**	**(24,450)**
Income taxes	28	(14,738)	(18,032)
PROFIT/(LOSS) FROM CONTINUING OPERATIOS		**32,481**	**(42,482)**
Profit/(loss) after taxes from discontinued operations	29	1,052	(2,887)
NET PROFIT (LOSS) FOR THE YEAR		**33,533**	(45,369)
Net profit (loss) attributable to non- controlling interests		116	(43)
NET PROFIT (LOSS) FOR THE YEAR		**33,649**	**(45,412)**

	For the year ended	
	31 December 2016	31 December 2015
Diluted earnings/(losses) per share	0.308	(0.416)
Basic earnings/(losses) per share from continuing operations	0.299	(0.390)
Diluted earnings/(losses) per share from continuing operations	0.299	(0.390)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of Euro)	NOTE	For the year ended 31 December 2016	For the year ended 31 December 2015
Net profit/ (loss) for the year		**33,533**	**(45,369)**
Other components of the comprehensive income, which will be subsequently reclassified under profit/(loss) for the year:			
Differences arising from translation of financial statements in foreign currency		(11)	11
Share of other comprehensive income of entities accounted for using the equity method, which will be subsequently reclassified under profit/(loss) for the year	6	342	67
Other components of the comprehensive income for the year, which will be subsequently reclassified under profit/(loss) for the year		**331**	**78**
Other components of the comprehensive income, which will be subsequently reclassified under profit/ (loss) for the year:			
Actuarial gains /(losses) on defined benefit plans		(398)	831
Income taxes		28	(188)
Net effect of actuarial gains/(losses)	12	**(370)**	**643**
Share of other comprehensive income of entities accounted for using the equity method, which will not be subsequently reclassified under profit/(loss) for the year	6	(58)	52
Other components of the comprehensive income for the year, which will not be subsequently reclassified under profit/(loss) for the year		**(428)**	**695**
TOTAL PROFIT/(LOSS) IN THE STATEMENT OF COMPREHENSIVE INCOME, NET OF TAXES		**(96)**	**773**
TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		**33,437**	**(44,596)**
Attributable to:			
Equity holders of the Parent		33,553	(44,639)
Non-controlling interests		(116)	43

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended	
		31 December 2016	31 December 2015
Net profit (loss) from continuing operations for the year		**32,481**	**(42,482)**
Income taxes for the year		14,738	18,032
Profit(loss) for the period from discontinued operations		1,052	(2,887)
Capital (profits)/losses from discontinued operations		(1,409)	2,225
Amortization, depreciation, write-downs and (write-backs) of assets		32,714	32,513
Accrual (reversal) of provisions for risks and charges		(10,107)	51,561
Employee termination indemnity provision		889	838
Payments of employee termination indemnity		(2,673)	(2,769)
Utilization of provisions for risks and charges		(7,503)	(11,244)
Share of net profit of associates, net of dividends collected		(1,688)	940
Financial charges (income) for the year		28,257	32,891
Operating cash flows before movements in Working Capital		**86,751**	**79,618**
Of which related to discontinued operations		(1,409)	(922)
Of which related to continuing operations		88,160	80,540
Decrease (increase) of inventories		381	(92)
Decrease (increase) of trade receivables		58,123	54,552
Decrease (increase) of other current assets		4,804	(985)
Increase (decrease) of trade payables		(33,828)	1,060
Increase (decrease) of other current liabilities		(8,621)	(28,742)
Change in Working Capital		**20,860**	**25,792**
Net interest received (paid) in the year		(26,471)	(32,639)
Income tax paid in the year		5,300	(5,072)
Net cash flow from operating activities		**86,441**	**67,699**
Purchase of intangible assets, net of sales	4	(6,857)	(6,502)
Purchase of property, plant and equipment	3	(23,677)	(17,389)
Proceeds from sales of property, plant and equipment	3	835	793
Acquisition of investments		(505)	848
Decrease (increase) of financial assets		(490)	(932)
Net cash used in business combinations		0	(408)
Discontinuing activities	21	9,274	4,932
Net cash flow used in investing activities		**(21,421)**	**(18,659)**
Proceeds from non-current borrowings	15	0	10,000
Repayment of non-current borrowings	15	0	(80,000)
Payment of financial lease liabilities	15	(570)	(804)
Proceeds from/(repayment of) short term bank debt	15	(22,207)	21,180
Proceeds from non-current borrowings	15	18,386	1,615
Dividends paid		(25)	(20)
Acquisition/sale of minority interests in subsidiaries		(4)	(1)
Net cash flow from / (used in) financing activities		**(4,419)**	**(48,030)**

		For the year ended	
		31 December 2016	31 December 2015
Changes in cash and cash equivalents		**60,601**	**1,009**
Cash and cash equivalents at the beginning of the year		114,391	113,382
Changes in cash and cash equivalents		60,601	1,009
Cash and cash equivalents at the end of the year		**174,992**	**114,391**
Details of cash and cash equivalents:			
TOTAL CASH AND CASH EQUIVALENTS		**174,992**	**114,391**

SUPPLEMENTARY INFORMATION

(in thousands of Euro)	For the year ended	
	31 December 2016	31 December 2015
Interest paid	(28,712)	(33,444)
Interest received	2,241	805
Dividends received	483	375

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Euro)	Share capital	Reserves	Retained earnings	Result of the year	Total Shareholders' equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total sharehol-ders' equity
1 January 2016	**109,150**	**188,349**	**37,498**	**(45,412)**	**289,585**	**380**	**289,965**
Dividends distribution					**0**	(25)	**(25)**
Allocation of previous year result		(396)	(45,016)	45,412	**0**		
Acquisition/sale of minority interests in subsidiaries					**0**	(4)	**(4)**
Total comprehensive income for the year		(96)		33,649	**33,553**	(116)	**33,437**
31 December 2016	**109,150**	**187,856**	**(7,518)**	**33,649**	**323,137**	**235**	**323,372**

(in thousands of Euro)	Share capital	Reserves	Retained earnings	Result of the year	Total Shareholders' equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total sharehol-ders' equity
1 January 2015	**109,150**	**170,167**	**42,553**	**12,354**	**334,224**	**682**	**334,906**
Dividends distribution					0	(20)	(20)
Allocation of previous year result		17,409	(5,055)	(12,354)	**0**		**0**
Acquisition/ sale of minority interests in subsidiaries					**0**	(326)	**(326)**
Total comprehensive income for the year		773		(45,412)	**(44,639)**	43	**(44,596)**
31 December 2015	**109,150**	**188,349**	**37,498**	**(45,412)**	**289,585**	**380**	**289,965**

1. GENERAL INFORMATION

The publication of the consolidated Financial Statements of the Manutencoop Facility Management Group (the “MFM Group” or the “Group”) for the year ended 31 December 2016 was authorized by resolution of the Board of Directors of 19 April 2017.
At 31 December 2016 the Group was 59.765% owned by Manutencoop Società Cooperativa, with registered office in Zola Predosa (BO), which in turn exercises management and coordination activities over the Group. Furthermore, on 1 July 2013 the company acquired an additional stake of 7.028% with retention of title (“riserva di proprietà”), whereby it is vested with related financial and administrative rights, pursuant to and for the purposes of article 1523 of the Italian Civil Code.

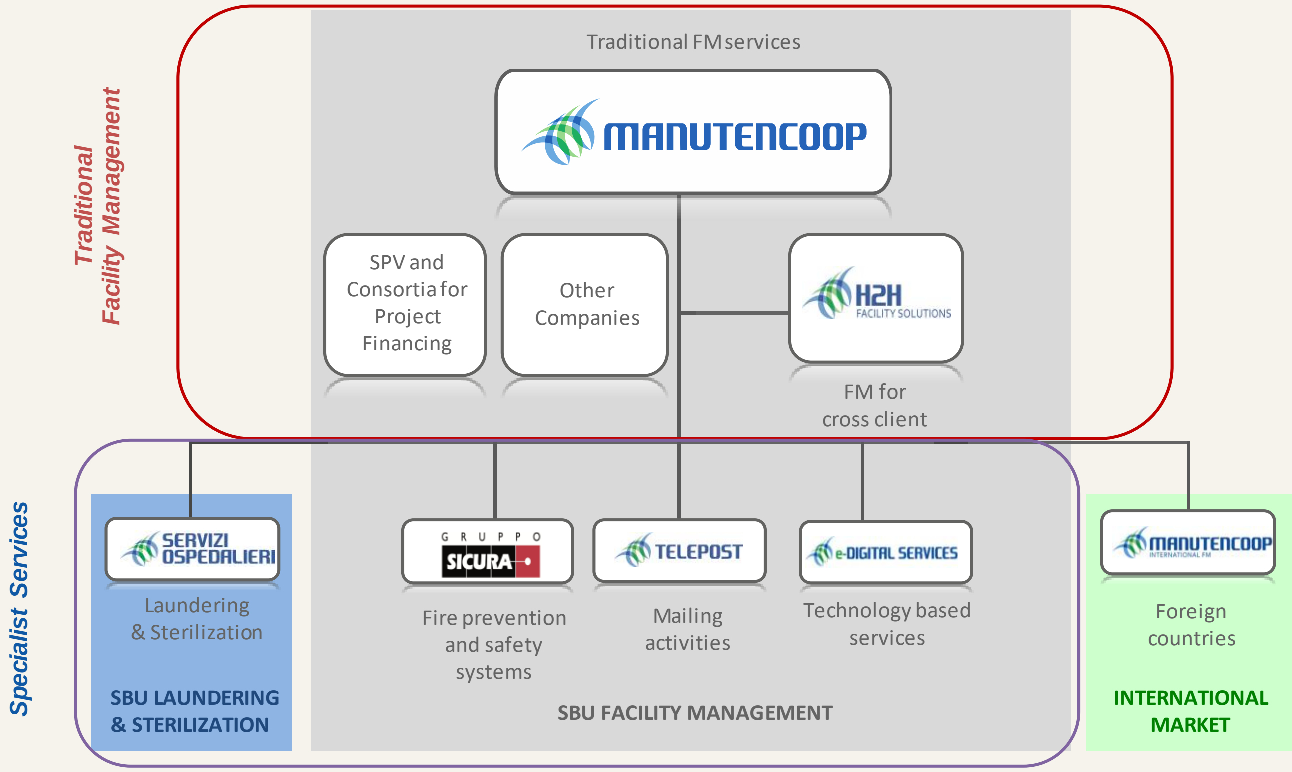
1.1 The business

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

At present the MFM Group is structured into a single operating holding company which combines so-called “traditional” facility management production resources with those related to supporting the whole Group’s business. As early as from the previous financial years a strategy has been pursued by the central holding functions to diversify: (i) operations, also through a series of acquisitions, with some “specialist” facility management services beside the historical core business (hygiene services, green spaces and technical and maintenance services): these services involve fire prevention and safety products and systems, in addition to linen rental and industrial laundering services and surgical instrument sterilization at healthcare facilities and high technology B2B services, (ii) markets, through the sub-holding Manutencoop International FM S.r.l., which was established to start the commercial development in international markets at the end of 2015.
During 2016 diversification was further boosted in May by establishing Yougenio S.r.l., an innovative start-up active in the provision of services to private consumers through an e-commerce platform, in which MFM invests indirectly through its subsidiary e-Digital Services S.r.l., which is the ultimate parent company. This event led the Group to enter the B2C services market.

Finally, with statutory, accounting and tax effect from 1 January 2016, the procedure was completed for the merger of SMAIL S.p.A. and MACO S.p.A. by incorporation into MFM S.p.A., which are active in the sectors of public lighting and building management, respectively, which are no longer regarded as strategic by the Group. After the abovementioned extraordinary transactions, the process was completed for the disposal of the public lighting and building businesses.

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



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

The so-called "traditional" *Facility management* services provided by the MFM Group include the following activities:

- Cleaning;
- Technical Services;
- Landscaping.

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

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

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

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

Furthermore, the Group, through a series of acquisitions expanded its range of services providing certain specialist *Facility Management* services alongside its ''traditional'' Facility management services, such as:

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

Finally, with the incorporation of e-Digital Services S.r.l. at the end of 2015 and of Yougenio S.r.l. during 2016, the Group embarked on a path to growth in the markets of "*business to business*" (B2B) and "*business to consumer*" (B2C) services. The B2B business sector in particular is based on the utilisation of expertise which has been built up in the spheres of applications, management and sourcing. On the other hand the objective of the B2C business sector is to enter the Consumer market for household and personal services, taking advantage of the creation of a digital platform easily accessible to a broad range of potential customers.

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

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

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

The so-called *Project Management* consists of a group of activities involving the technical design, planning, procurement management and supervision of job orders for the construction, restructuring or reconversion of properties. The so-called *Energy Management* consists of a group of activities involving the technical design, construction and operation of photovoltaic and cogeneration plants, from the feasibility study to completion, as well as the operation and maintenance of systems to provide customers with energy efficiency solutions.

The *Building activities* consist of construction projects, which are not particularly significant in respect of total Group production and which are also carried out on behalf of other Manutencoop Group companies, as well as, on occasion, to support *facility management* activities where, as part of non-ordinary maintenance works, small building works are also necessary. Currently, the Management does not consider Building activities to be strategic any longer and has therefore decided not to develop those areas of business any further, and it will just manage, in the near future, the commitments it has already taken on with respect to ongoing contracts with customers until they will be completed.

2. ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

The consolidated Financial Statements at 31 December 2016 comprise the Consolidated Statement of financial position, the Consolidated Statement of profit or loss, the Consolidated Statement of other comprehensive income, the Consolidated Statement of Cash flows, the Consolidated Statement of changes in Shareholders' Equity and the related Explanatory Notes.

The consolidated Financial Statements at 31 December 2016 were prepared on a historical cost basis, except for the derivative financial instruments that have been measured at fair value.

After considering the possible areas of doubt regarding the continuation of business, including the market risks associated with the pending proceedings described in notes 13 and 31 of the Notes to the Consolidated Financial Statements, the Directors decided to prepare the financial statements on the going concern basis.

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

The Financial Statements at 31 December 2016 have been presented in Euro, which is the Group's functional currency. All values showed in the statements and in the explanatory notes are in thousands of Euro, unless otherwise stated.

2.1 Statement of compliance with international accounting standards (IFRS)

The consolidated Financial Statements at 31 December 2016 have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). The MFM Group is subject to Letter f) of Article 2 under the Italian Legislative Decree no. 38 of 28 February 2005, which rules the exercise of the options provided for by the Article 5 of Regulation (EC) 1606/2002 about the International Financial Reporting Standards and, therefore, pursuant to Article 3, paragraph 2, and Article 4, paragraph 5, of the aforesaid Italian Legislative Decree, the Group has applied the IFRS as adopted by the European Union in the preparation of its consolidated and separate Financial Statements as from the year ended 31 December 2005.

2.2 Changes in accounting standards and disclosures

The criteria adopted for the preparation of the consolidated Financial Statements are consistent with those used to prepare the consolidated Financial Statements of the previous year, with the exception of the aspects detailed below for the standards and interpretations which are newly issued and applicable from 1 January 2016.
The Group did not provide for the early adoption of any standard, interpretation or improvement issued but still not obligatorily in force.

New or revised IFRS and interpretations applicable as from 1 January 2016

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

- *Amendments to IFRS10, IFRS12 and IAS28 – Applying the Consolidation Exception*. The amendments clarify the applicability of the consolidation exceptions for an investment entity. In fact, an Investment entity measures its investments at fair value, while its parent company (if any) will be required to consolidate the subsidiaries of the investment entity. Furthermore, it is also specified that said subsidiaries must be measured at fair value if they are other than investment entities and do not provide services related to the parent’s investments activities.
- *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, within the limits of its investment, 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 IAS16 and IAS41*. This amendment explains that biological assets used in agriculture (e.g. fruit trees) continue to be subject to the requirements of IAS 16 while their products (e.g. the fruit gathered) continue to be subject to the requirements of IAS 41.

- *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.
- *Amendments to IAS1 – Presentation of Financial Statements*. The amendments provide clarifications on the requirements of materiality of IAS1 and of elements recognised in the OCI Statement and in the Statement of Financial Position, which may be further disaggregated. Furthermore, it is clarified that the share of OCI of equity-accounted associates and joint ventures should be reported in aggregate as single line items, based on whether or not it will subsequently be reclassified to the Statement of Profit/loss for the year.

The adoption of the above Standards and Interpretations has had no impact at all on the Group's Consolidated Financial Statements.

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

The Group is studying these standards and is assessing the impact they will have on its consolidated Financial Statements, but does not intend to promote an early adoption. The innovations brought in are described below.

IFRS15 – Revenues from contracts with customers (applicable from the financial years that will end after 1 January 2018). The new standard replaces the previous *IAS11 – Construction contracts, IAS18 – Revenue, IFRIC13 – Customer Loyalty Programme, IFRIC15 – Agreements for the construction of real estate, IFRIC18 – Transfers of Assets from Customers, SIC31 – Barter Transactions Involving Advertising Services*. This standard provides a model for the recognition and measurement of all revenues from non-financial assets, including the disposals of property, plant and equipment or intangible assets. The general principle is that the entity must recognise revenue in the amount corresponding to the consideration to which it expects to be entitled for transferring goods or providing a service to a customer. Guidelines are laid down for identifying the contract, the performance obligations and the transaction price. If there are multiple services, suggestions are also given regarding the allocation of their prices. Finally, the criteria for accounting for the revenue when the performance obligation has been satisfied are explained and suggestions are made for accounting for the incremental costs of obtaining the contract if these costs are directly attributable to its performance. Finally, the standard provides guidance on its application to specific issues such as licences, guarantees, right of withdrawal, agency relationships, termination of contracts. The standard is applicable according to a full retrospective approach or a modified retrospective approach. Furthermore, in April 2016 the IASB issued some amendments to IFRS15, containing some clarifications on its application, which also became applicable from 1 January 2018.

IFRS9 – Financial Instruments (applicable from the financial years that will end after 1 January 2018). The aim of the new standard is to make it simpler for the user of the financial statements to understand the amounts, timing and uncertainty of cash flows by replacing the different types of financial instruments referred to in IAS 39. In fact all financial assets are initially accounted for at fair value, adjusted by transaction costs if they are not accounted for at fair value through profit or loss (FVTPL). Nevertheless, trade receivables that do not have a significant financial component are initially measured at their transaction price, as defined by the new *IFRS 15 – Revenues from Contracts with Customers*. Debt instruments are measured on the basis of the contract cash flows and the business model on the basis of which they are held. Instruments only involving cash flows for the payment of interest and principal are accounted for according to the amortised cost method, while those also involving the exchange of financial assets are measured at fair value in the OCIs and subsequently reclassified in profit or loss (FVOCI). Finally, there is an express option for accounting at fair value (FVO). Similarly, all equity instruments are initially measured at FVTPL but the entity has an irrevocable option to account for it at FVTOCI. Any additional classifications and the measurement rules laid down under IAS39 have been reported under the new IFRS9. As regards impairment, the IAS39 model based on the losses incurred has been replaced by the ECL (Expected Credit Loss) model. Finally, some changes are made in Hedge Accounting, with the possibility of conducting a prospective effectiveness and quality test, measuring risk factors independently if they can be identified.

IFRS16 – Leases (applicable from the financial years that will end after 1 January 2019). The scope of application of the new standard includes all lease agreements, subject to some exceptions. A lease is an agreement that grants the right to use an asset ("the underlying asset") for a certain period of time against the payment of a consideration. The method to account for all leases is based on the model provided for in IAS 17, while excluding any lease that involves goods of little value (e.g.: computers) and short-term contracts (e.g.: with a term of less than 12 months). Therefore, a liability must be recognised as at the date on which the lease is stated in the accounts, for the rentals to be paid and the asset in relation to which the entity has a right to use, accounting for financial charges and the asset's amortisation/depreciation separately. The liability may be recalculated (for example, due to amendments to contract terms and conditions or due to a change in indexes to which the payment of rentals for use is linked) and this change must be accounted for on the underlying asset. In fact, as regards the lessor, the accounting method is substantially unchanged with respect to the provisions laid down under the current IAS17. The standard must be applied on a modified retrospective basis, while early adoption is permitted at the same time as IFRS15.

Some amendments to existing standards have also been issued which will be applicable for periods commencing on or after 1 January 2017:

- *Amendments to IAS7 –Statement of Cash Flows*. These amendments give indications on the disclosures to be provided in relation to the liabilities that arise from financing activities, including any cash and non-cash changes (such as, for example, foreign exchange gains or losses).
- *Amendments to IAS12 – Recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value*. An entity must establish whether tax regulations restrict the tax deduction from which the temporary difference arises. Furthermore, the amendments give indications on how an entity should calculate future taxable income and explain the circumstances in which taxable income can ensure the recoverability of these assets.
- *Amendments to IFRS2 – Clarifications of classification and measurement of share-based payment transactions*. These amendments clarify the effects of vesting conditions on the measurement of a share-based and cash-settled payment transaction. Furthermore, they provide clarifications relating to the classification of a share-based payment with net settlement, which might give rise to withholding tax obligations. Finally, accounting rules are laid down for the case in which any amendment to the terms and conditions of a share-based payment transaction changes the classification of the latter from cash-settled to equity-settled.
- *Amendments to IFRS4 – Insurance contracts*. These amendments concern the introduction of the new standard on financial instruments (IFRS9) in the phase of transition to the new standard which will replace IFRS4. They also provide for two options for the entities that deliver insurance services: temporary exception and overlay approach.
- *Amendments to IAS40 – Transfers of Investment property*. These amendments clarify when an entity should transfer a property, including properties under construction or development, to or from the category of “investment property”. A change in the intended purpose cannot occur as a result of a simple change in the Management’s intention.

Improvements to IFRS

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.

As early as 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). These improvements have 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. The amendments will be obligatory applicable as from the financial years that will end after 1 January 2016.

Finally, the last series of improvements, which was issued in December 2016, concerned the elimination of the short-term exemptions required for the First Time Adoption under IFRS1, the classification and measurement of investments at fair value through profit or loss according to IAS 28 – Investments in Associates and Joint Ventures, as well as clarifications on the scope of disclosures required by IFRS12 – Disclosures of Interests in Other Entities. The amendments will be obligatory applicable as from the financial years that will end after 1 January 2017 and 1 January 2018.

2.3 Discretionary assessments and significant accounting assumptions

The preparation of the consolidated 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 Consolidated Financial Statements are detailed below.

Impairment test

Goodwill is subject to impairment test at least annually, or more frequently if there is an indication of potential impairment in the carrying amounts. This requires an estimate of the value in use of the CGU (cash-generating unit) to which the goodwill is allocated, in turn based on an estimate of expected cash flows from the CGU and their discounting on the basis of a suitable discount rate.

At 31 December 2016, the carrying amount of the goodwill stood at € 370,456 thousand (unchanged compared to 31 December 2015). More details are given in note 5.

Provisions for risks and charges and Allowance for doubtful accounts

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

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

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

Similarly, the contract for the purchase of certain majority interests in subsidiaries provides for the transferors, i.e. the current minority shareholders, to be granted an earn-out upon the fulfilment of given conditions on a certain future date. In this case, the correct recognition in the financial statements of the related liability requires management to make some estimates to determine the expected relevant parameters.

Recognition of revenues and costs relating to contract work in progress

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

Deferred tax assets, in particular relating to the likelihood of these being reversed in the future

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

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

The cost of defined-benefit pension plans and of any other post-employment medical benefit, as well as the present value of the defined-benefit liability, are determined on the basis of actuarial assumptions. Actuarial assessments require various assumptions to be made which can differ from actual developments in the future. These assumptions also include the calculation of the discount rate, future pay rises, the mortality rate and future increases in pensions. Owing to the complexity of the assessment and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All the assumptions are reviewed on an annual basis. For more details, reference is made to note 12.

Consolidation principles

The Consolidated Financial Statements include the financial statements of Manutencoop Facility Management S.p.A. (the ''Parent Company, "MFM S.p.A." or simply "MFM") and its subsidiaries, prepared as at 31 December 2016. The financial statements of the subsidiaries have been prepared by adopting for each closing date the same accounting standards as those applied for the parent company.

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

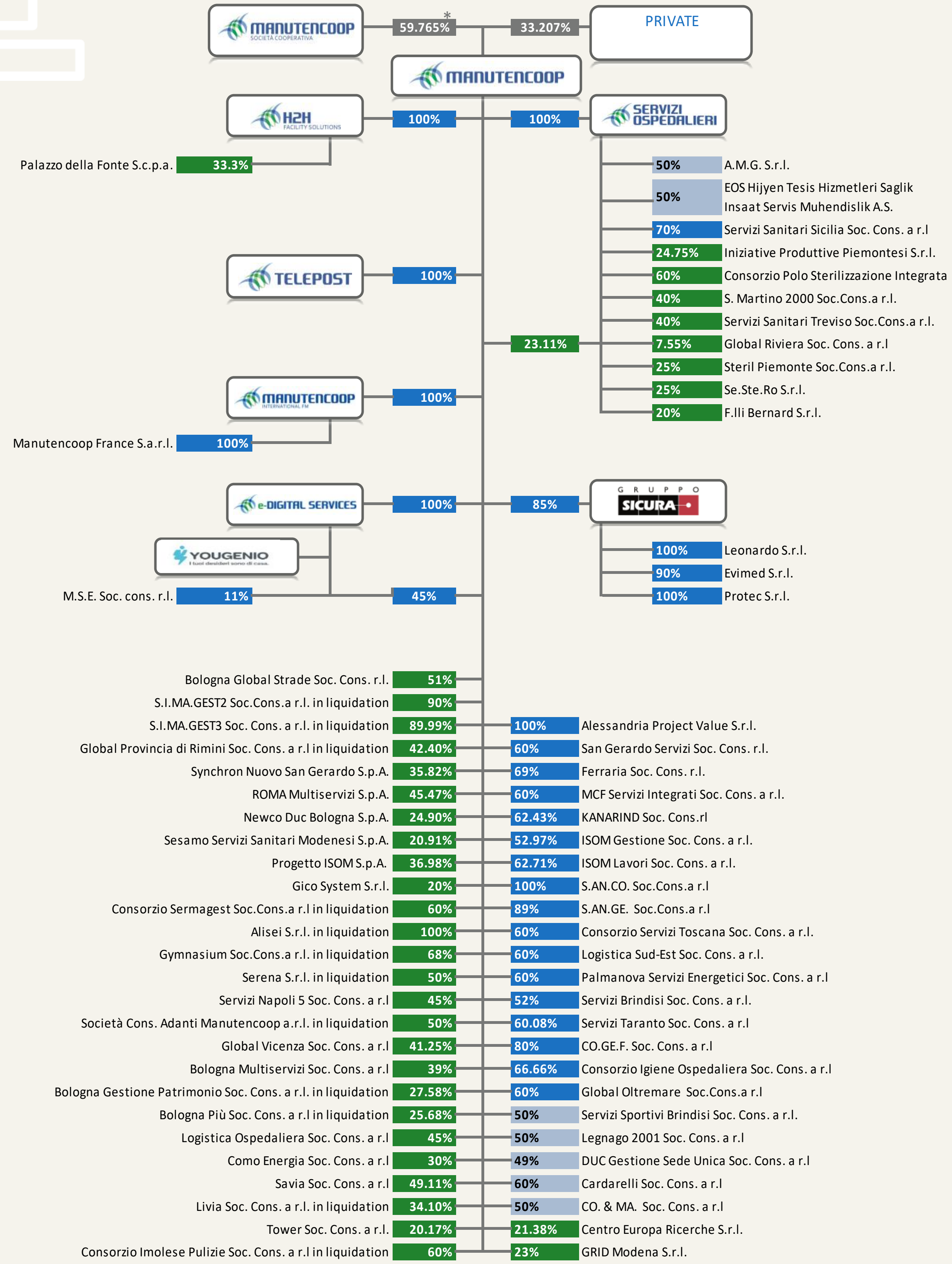
Subsidiaries are consolidated on a line-by-line basis starting from the acquisition date, i.e. the date on which the Group acquires control, and are deconsolidated on the date in which control is transferred out of the Group.

Acquisitions of subsidiaries, with the exception of those deriving from combinations of entities subject to joint control, are accounted for using the purchase method. This involves the allocation of the cost of the business combination to the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and the inclusion of the result of the acquiree starting from the date of acquisition until the end of the fiscal year. Joint-ventures with other shareholders and associates are accounted for under equity method.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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

The consolidation area as at 31 December 2016 is shown below.



Legend:

Subsidiaries consolidated on a line-by-line basis

Joint Ventures consolidated by equity method

Associates and other companies consolidated by equity method

* On 1 July 2013 an additional shareholding of 7.028% was acquired by Manutencoop Cooperativa with retention of title (“riserva di proprietà”), pursuant to and for the purpose of art. 1523 of the Italian Civil Code. The financial and administrative rights related to this share are attributed to the purchaser.

During the year:

- The statutory, accounting and tax effects of the mergers of MACO S.p.A. and SMAIL S.p.A. by incorporation into MFM S.p.A. started to be felt from 1 January 2016;
- On 11 March 2016, MFM S.p.A. acquired an investment in Bologna Gestione Strade Soc. Cons a r.l., a company providing services for the maintenance of the road network of the City of Bologna;
- 11 April 2016 saw the acquisition of an overall quota of 10.19% (already held for an additional 11.19%) in CER – Centro Europa Ricerche S.r.l.;
- On 18 April 2016 Manutencoop France S.a.r.l. was established, which is wholly owned by Manutencoop International FM S.r.l.;
- On 6 May 2016 Yougenio S.r.l. was established, which is wholly owned by e-Digital Services S.r.l. and which will develop “B2C” services;
- On 12 July 2016 MFM S.p.A. acquired an additional stake of 5% in the share capital of Sicura S.p.A., a sub-holding company of the related group providing specialist services in the fire fighting and security market, thus increasing its stake up to 85%;
- On 28 October 2016 MFM S.p.A. disposed of its quotas held in Malaspina Energy S.c. a r.l. (equal to a nominal amount of € 50 thousand) in favour of Yousave S.p.A.;
- On 1 December 2016 M.S.E. Soc. Cons a r.l. was established for the performance of the facility management contract with Bologna Fiere S.p.A., the quota capital of which was subscribed by MFM S.p.A. for 45% and by e-Digital Services S.r.l. for 11%;
- On 12 December 2016 Alessandria Project Value S.r.l. was established which has a quota capital that is wholly owned by MFM S.p.A. and the corporate purpose of which is to carry out the activities relating to the concession for the management and enhancement of the property assets of the Municipality of Alessandria.

2.4 Summary of the main accounting policies

Conversion of foreign currency items

The financial statements are presented in Euro, the Group’s functional currency.

Statements of financial position and income statements stated in foreign currency are converted to Euro using the year-end exchange rates for the items of the Statement of Financial Position and average exchange rates for items in the Income Statement.

Differences arising from the conversion of opening shareholders’ equity at year-end exchange rates are charged to the currency conversion reserve, together with the difference arising from the conversion of the result for the period at year-end exchange rates with respect to the average exchange rate. The conversion reserve is reversed to the income statement at the moment of the sale or liquidation of the company that set up said reserve.

Property, plant and equipment

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

Depreciation is calculated on a straight line basis in line with the estimated useful life of the asset, starting from the date the asset becomes available for use, until the date it is sold or disposed of. The carrying amount of property, plant and equipment is subject to impairment test when events or changes suggest that the carrying amount may not be recoverable. A tangible asset is derecognized from the financial statements at the moment of sale or when no future economic benefits are expected from its use or disposal. Any profits or losses (calculated as the difference between net proceeds from the sale and the carrying amount) are recognized in the income statement in the year of the aforementioned derecognition. The residual value of the asset, useful life and method applied are reviewed annually and adjusted, if necessary, at the end of each financial year.

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

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

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

Financial costs arising from the purchase are charged to the income statement except in the case in which they are directly attributable to the acquisition, construction or production of an asset which justifies their capitalisation (qualifying asset), in which case they are capitalised.

A qualifying asset is an asset that requires a certain period of time to be ready for use. The capitalisation of financial costs ceases when all the activities needed to make the qualifying asset ready for use have been completed.
Extraordinary maintenance expenses are only included in the carrying amount of the asset when the company is likely to receive the associated economic benefits in the future and the cost can be reliably measured. The costs of repairs, maintenance or other operations to ensure the functioning of the assets are charged to the income statement in the year in which they are incurred.

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

Goodwill

Goodwill acquired in a business combination, is initially valued at cost, represented by the excess of the cost of the business combination with respect to the share pertaining to the Group in the net fair value relating to the identifiable values of assets, liabilities and contingent liabilities. After the initial recognition, goodwill is valued at cost less any accumulated impairment losses. Goodwill is subject to an analysis of fairness on an annual basis, or more frequently if events or changes are identified which may give rise to impairment losses.
For the purposes of this analysis of fairness, goodwill is allocated, from the date of acquisition, when the allocation is possible without arbitrariness, to each of the cash-generating units of the Group which believe that they will benefit from the synergies of the acquisition, irrespective of the allocation of other assets or liabilities to said units. Each unit to which goodwill is allocated:

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

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

Other intangible assets

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

The useful life of the intangible assets is finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and subject to fairness tests whenever there is evidence of potential impairment losses. The amortisation period and method applied thereto are reviewed at the end of each financial year or more frequently if necessary. Changes in the expected useful life or the methods with which the future economic benefits of the intangible asset are achieved by the Group are recorded by modifying the amortisation period or method, as necessary, and treated as changes in the accounting estimates. The amortisation charges of intangible assets with a finite useful life are recorded in the income statement under the cost category ‘amortisation, depreciation, write-downs and write-backs of assets’.
The Group did not record any intangible assets with an indefinite useful life, with the exception of goodwill.

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

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

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

Equity investments in joint venture and in associates

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

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

Impairment of assets

At the reporting date of the financial statements, the Group assesses whether there is any evidence of impairment of assets. In this case, or in the event an annual impairment test is required, the Group prepares an estimate of the recoverable value. The recoverable value is the higher of the fair value of an asset or cash-generating unit, net of selling costs and its value in use and is determined for each individual asset, except when said asset does not generate cash flows that are largely independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable value, said asset has been impaired and is subsequently written down to its recoverable value. In calculating the value in use, the Group discounts estimated future cash flows at the present value by using a pre-tax discount rate which reflects the market valuations on the time value of money and the specific risks of the asset. Impairment losses of operating assets are recognized in the income statement under 'amortisation, depreciation, write-downs and write-backs of assets'.

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

Financial assets

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

› financial assets at fair value with changes through profit or loss, a category which includes the financial assets held for trading, i.e. all assets acquired for short-term sale;
› loans and receivables, defined as non-derivative financial assets with fixed or determinable payments that are not listed on an active market;
› investments held to maturity, i.e. financial assets that are not derivative instruments and that are characterised by fixed or determinable payments on maturity for which the owner has the intention and capacity to hold them in the portfolio until maturity.

- available-for-sale financial assets, i.e. financial assets, excluding derivative financial instruments, which have been designated as such or are not classified in one of the other three previous categories.

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

The financial assets held by the Group in the year just ended, equal to those held in the previous year, are exclusively attributable to the two categories of 'loans and receivables' and 'available-for-sale financial assets'.

The accounting policies applied by the Group are the following:

Loans and receivables

Loans and receivables are recognized according to the amortised cost criterion using the effective discount rate method. Profits or losses are recognized through profit or loss when the loans and receivables are derecognized from the accounts or when impairment losses occur, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets, following initial recognition at cost, must be measured at fair value and profits or losses must be recognized in a separate equity item until the assets are derecognised from the accounts or until it has been verified that they have been impaired; profits or losses accumulated up until that moment in shareholders' equity are then charged to the income statement.

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

Inventories

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

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

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

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

Trade receivables and other receivables

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

Contracts for construction work and plant building

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

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

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

Cash and cash equivalents

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

Loans

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

Derecognition of financial assets and liabilities

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

- the contractual rights over cash flows arising from financial assets have expired;

- the Group has transferred the financial asset (transferring the right to receive cash flows from the asset or retaining the right to receive these but assuming the contractual obligation to pay them in full and without delay to a third party) and has transferred substantially all risks and rewards of ownership of the financial asset.

If, as a result of the transfer, a financial asset is derecognised in full, but the result is that the Group obtains a new financial asset or assumes a new financial liability, the Group recognizes the new financial asset, financial liability or liability originating from service at fair value.

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

Impairment of financial assets

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

Assets valued according to the amortised cost criterion

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

The Group firstly assesses whether there is any objective evidence of an impairment loss at individual level, for financial assets that are significant on an individual basis, and therefore at individual or collective level for financial assets that are not significant on an individual basis. In the absence of any objective evidence of impairment of a financial asset that is valued individually, whether it is significant or not, said asset is included in a group of financial assets with similar credit risk characteristics and said group is subject to impairment test in a collective fashion. The assets valued at individual level and for which an impairment loss is recognized or continues to be recognized, will not be included in a collective valuation.

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

Assets recognised at cost

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

Available-for-sale financial assets

In the case of an impairment of an available-for-sale financial asset, a transfer from shareholders' equity to the income statement is effected of a value equal to the difference between its cost (net of the repayment of capital and amortisation) and its present fair value, net of any impairment losses recognised previously in the income statement. Write-backs of equity instruments classified as available for sale are not recognised through profit or loss. Write-backs of debt instruments are recognised through profit or loss if the increase in the fair value of the instrument can be related objectively to an event which occurred after the loss was recognised in the income statement.

Provisions for risks and charges

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

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

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

Provision for employee termination benefits

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

Employee benefits

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

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

Following the 2007 reform of national legislation which governs, for Companies with more than 50 employees, ESI accruing from 1 January 2007, it is established as a "defined contribution" plan, whose payments are accounted for directly in the income statement, as a cost, when recognised. ESI accrued up until 31.12.2006 remains a defined benefit plan, without future contributions.

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

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

The Group has no other significant defined benefit pension plans.

Leasing

The definition of a contractual agreement as a leasing transaction (or containing a leasing transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the contractual obligations depends on the use of one or more specific assets and whether the agreement transfers the right to use said asset.

A review is carried out after the start of the contract only if one of the following conditions is met:

(a) there is a change in the contractual conditions, other than a contract renewal or extension;

(b) a renewal option is exercised or an extension granted, provided that the terms of the renewal or extension were not initially included in the terms of the leasing transaction;

(c) there is a change in conditions according to which fulfilment of the contract depends on a specific asset; or

(d) there is a substantial change in the asset.

Where a review is carried out, accounting of the leasing will start or end from the date on which the circumstances change which gave rise to the revision for cases a), c) or d) and on the renewal or extension date for scenario b). For contracts signed prior to 1 January 2005, the start date is considered 1 January 2005, in line with the transitional provisions of IFRIC 4.

Finance lease contracts, which substantially transfer all risks and rewards of ownership of the leased asset to the Group, are capitalised at the date of the start of the lease at the fair value of the leased asset or, if lower, at the present value of rental fees. Rental fees are split between the portions of principal and interest so as to obtain the application of a constant interest rate on the residual debt balance. Financial costs are charged directly to the income statement.

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

Operating lease fees are recognized as costs in the income statement on a straight line basis over the contract term.

Revenue recognition

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

Provision of services

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

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

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

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

Revenues billed at the balance sheet date, which exceed the amount accrued on the basis of the progress status of the service, are suspended under advances from customers, and classified under trade payables.

The considerations, also as part of multi-service contracts, are, as a rule, defined separately by service type and the amount of revenues to be attributed to the individual services is quantified at fair value.

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

Building activity

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

Sale of assets

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

Interest

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

Dividends

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

Government grants

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

Income taxes

Current taxes

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

Deferred taxes

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

- when deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, in the event in which the reversal of the temporary differences can be controlled and is not likely to occur in the foreseeable future.

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

- deferred tax assets connected to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent in which it is likely that the deductible temporary differences will be reversed in the immediate future and that sufficient tax profits will be generated against which the temporary differences can be used.

The value of deferred tax assets to be recognized in the financial statements is reviewed at each reporting date of the financial statements and reduced to the extent it is no longer likely that sufficient tax profits will be available in the future to permit all or part of said receivable to be used. Unrecognised deferred tax assets are reviewed annually at the reporting date of the financial statements and are recognized to the extent it has become likely that the tax profit is sufficient to allow said deferred tax assets to be recovered.
Deferred tax assets and liabilities are measured on the basis of the tax rates that are expected to be applied in the year in which said assets are sold or said liabilities are extinguished, considering the rates in force and those already issued or substantially issued at the balance sheet date.
Income taxes relating to items recorded directly in equity are charged directly to equity and not to the income statement.
Deferred tax assets and liabilities are offset, if there is a legal right to offset the current tax assets with current tax liabilities and the deferred taxes refer to the same tax entity and the same tax authorities.

VAT

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

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

Derivative financial instruments and cash flow hedges

At the moment of initial recognition, and then subsequently, derivative instruments are recognized at fair value, any changes in fair value are recognized through profit or loss, with the exception of derivatives designated as cash flow hedges pursuant to IAS 39, whose fair value changes are charged to equity.

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 recognised at fair value at the date they are stipulated; subsequently, said fair value is re-measured periodically. 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 arising from changes in the fair value of derivatives that do not qualify for hedge accounting are charged directly to the income statement in the year.

Service concession arrangements

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

The concessionary company shall not carry infrastructure under tangible assets as it does not hold “control”, as set forth in IFRIC 12. The asset to be recognised is the right to use the infrastructure for providing the service, to be classified as a financial asset in the presence of an unconditional right to receive future compensation regardless of actual use of the infrastructure and as an intangible asset in the presence of a right to exploit the infrastructure itself in financial terms, charging users based on use of the service received. Provision is also made for a “mixed” accounting model if the concessionary company is the holder of both a financial asset and an intangible right, where it is necessary to separate the component of remuneration as provided for under the agreement relating to the financial asset, determining the amount of the intangible asset as a secondary activity (with respect to the value of the construction services provided).

The concessionary company also recognises revenues for the services it provides, in compliance with IAS 11 and IAS 18 and, therefore, the consideration envisaged in the agreement must be allocated with reference to the fair value of the associated services provided (construction, improvements and management respectively). Pursuant to IAS 23, financial costs attributable to the agreement must be recognised as costs in the year in which they are incurred, unless the concession holder has recognised an intangible asset, for which said costs are capitalised during the phase of drafting of the agreement. Otherwise, if the concession holder has recognized a financial asset, IAS 39 requires financial income calculated on the basis of the effective interest method to be recognised in the income statement.

Earnings per share

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

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

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

Operating segments

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

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

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

Methods of calculation of the costs allocated to the segments

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

Methods of calculation of the assets and liabilities allocated to the segments

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

Changes in accounting estimates and errors

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

The table below shows the changes in property, plant and equipment (owned and under a finance lease) in the period ended 31 December 2016.

	Property	Plant and equipment	Property under lease	Plant and equipment under lease	Total
At 1 January 2016, net of accumulated depreciation and impairment	**4,800**	**57,355**	**178**	**2,039**	**64,372**
Additions from acquisitions	7,674	16,003	0	0	23,677
Impairment losses	0	(614)	0	0	(614)
Disposals	(135)	(700)	0	0	(835)
Depreciation for the year	(152)	(19,890)	(13)	(435)	(20,490)
Others	1,518	(1,375)	(139)	(3)	(1)
At 31 December 2016	**13,705**	**50,779**	**26**	**1,601**	**66,110**
At 1 January 2016					
Historical cost	6,949	321,551	375	4,953	333,827
Accumulated depreciation and impairment losses	(2,148)	(264,196)	(197)	(2,914)	(269,455)
NET BOOK VALUE	**4,800**	**57,355**	**178**	**2,039**	**64,372**
At 31 December 2016					
Historical cost	16,005	334,864	236	4,950	356,055
Accumulated depreciation and impairment losses	(2,301)	(284,086)	(210)	(3,349)	(289,945)
NET BOOK VALUE	**13,705**	**50,779**	**26**	**1,601**	**66,110**

The additions from acquisitions for the year refer to the linen in the Laundering & Sterilization segment for € 11,279 thousand and to the purchases of other machinery and specific equipment for € 4,279 thousand.
Furthermore, the year saw increases for acquisitions of properties for € 7,674 thousand, which fully relate to the purchase by Servizi Ospedalieri S.p.A. of the properties already used under leases in Ferrara (the registered and administrative office which is partly devoted to industrial laundering operations) and Teramo (industrial laundering plant and facilities for the sterilization of surgical instruments). The transaction was carried out with a related party, Manutencoop Immobiliare S.p.A., a company in the Manutencoop Cooperativa Group, subject to an expert's report concerning the properties for the calculation of the current market value, which corresponds to the transfer price.
Furthermore, some plant and equipment were disposed of for a total amount of € 700 thousand, concerning linen and surgical instrument for € 557 thousand. During the last quarter a loss of value was

recognised as a decrease in “Plant and equipment”, equal to € 614 thousand, in the form of sterilisation machinery located at the industrial site in Teramo, as a result of the reorganisation of the Teramo production site after the acquisition of the property from Manutencoop Immobiliare S.p.A. and after the bad weather which affected the area.

The “other changes” mainly relate to reclassifications of lower amounts under classes and categories of assets, first of all after the repurchase of leased assets and equipment, including, in particular, the redemption of a property located in Genoa and used as a warehouse, which was previously held under a lease and was disposed of during the year.

The table below shows the changes in property, plant and equipment (owned and under a finance lease) in the year ended 31 December 2015.

	Property	Plant and equipment	Property under lease	Plant and equipment under lease	Total
At 1 January 2015, net of accumulated depreciation and impairment	**4,970**	**62,721**	**200**	**2,667**	**70,558**
Additions from business combinations		2			2
Additions from acquisitions		17,389			17,389
Impairment losses					0
Disposals	(32)	(761)			(793)
of which discontinued operations		*(15)*			*(15)*
Depreciation for the year	(137)	(21,981)	(22)	(626)	(22,766)
of which discontinued operations		*(5)*			*(5)*
Others		(14)		(2)	(16)
At 31 December 2015	**4,800**	**57,355**	**178**	**2,039**	**64,372**
At 1 January 2015					
Historical cost	6,981	304,936	375	4,953	**317,245**
Accumulated depreciation and impairment losses	(2,011)	(242,215)	(175)	(2,286)	**(246,687)**
NET BOOK VALUE	**4,970**	**62,721**	**200**	**2,667**	**70,558**
At 31 December 2015					
Historical cost	6,949	321,551	375	4,953	333,827
Accumulated depreciation and impairment losses	(2,148)	(264,196)	(197)	(2,914)	(269,455)
NET BOOK VALUE	**4,800**	**57,355**	**178**	**2,039**	**64,372**

4. OTHER INTANGIBLE ASSETS

The table below shows the changes in intangible assets in the period ended 31 December 2016.

	Other intangible assets	Goodwill	Total
At 1 January 2016, net of accumulated amortization and impairment	**26,005**	**370,456**	**396,461**
Additions from acquisitions	6,858		6,858
Disposals	(1)		(1)
Amortization	(6,748)		(6,748)
At 31 December 2016	**26,114**	**370,456**	**396,570**
At 1 January 2016			
Cost	96,076	372,849	468,925
Accumulated amortization and impairment losses	(70,071)	(2,393)	(72,464)
NET BOOK VALUE	**26,005**	**370,456**	**396,461**
At 31 December 2016			
Cost	102,934	372,849	475,783
Accumulated amortization and impairment losses	(76,820)	(2,393)	(79,213)
NET BOOK VALUE	**26,114**	**370,456**	**396,570**

Goodwill is tested annually for impairment; for more details please refer to note 5 below.

Other intangible assets, amounting to € 26,114 thousand at 31 December 2016, 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 period (€ 6,858 thousand) were mainly attributable to the Facility management SBU, for € 6,637 thousand, of which € 738 thousand related to the investments made by the start-up Yougenio for the creation of the e-commerce portal intended for the B2C market.

The amortisation charges of other intangible assets amounted to € 6,748 thousand in the year ended 31 December 2016.

The table below shows the changes in intangible assets in the year ended 31 December 2015.

	Other intangible assets	Goodwill	Total
At 1 January 2015, net of accumulated amortization and impairment	**24,782**	**369,860**	**394,642**
Additions from business combinations	2	596	598
Additions from acquisitions	6,614		6,614
Disposals	(112)		(112)
Amortization	(5,276)		(5,276)
of which discontinued operations	*(10)*		*(10)*
Impairment losses	(4)		(4)
of which discontinued operations	*(4)*		*(4)*
At 31 December 2015	**26,005**	**370,456**	**396,461**
At 1 January 2015			
Cost	89,572	372,253	**461,825**
Accumulated amortization and impairment losses	(64,790)	(2,393)	**(67,183)**
NET BOOK VALUE	**24,782**	**369,860**	**394,642**
At 31 December 2015			
Cost	96,076	372,849	**468,925**
Accumulated amortization and impairment losses	(70,071)	(2,393)	**(72,464)**
NET BOOK VALUE	**26,005**	**370,456**	**396,461**

5. IMPAIRMENT TEST OF GOODWILL

The corporate restructuring process that involved the Group in the course of the previous financial years led to a redefinition of the CGUs, coinciding with the SBUs, regardless of legal entities. The Group's Management believe that the SBU structure should be reflected, consistently with the provisions of the accounting standards, also at the level of the CGUs used for impairment tests. The SBUs identified and their composition, in corporate terms, are defined as follows.

SBU – Facility management

The SBU is identified with:

- Manutencoop Facility Management S.p.A.
- H2H Facility Solutions S.p.A.
- the Group controlled by Sicura S.p.A., operating in the facility management segment as supplier of specialist services
- Telepost S.p.A., a specialist company for internal mailing services for the Telecom Italia Group
- e-Digital Services S.r.l., which is active in the sector of high technology services to businesses

- Yougenio S.r.l., which is active in the facility management for the B2C market
- Manutencoop International F.M. S.r.l. and its foreign subsidiaries, dedicated to commercial development in international markets
- other minor investee companies operating in the same segment.

With effect from 1 January 2016, SMAIL S.p.A. (operating in the public lighting sector until 2015) was merged by incorporation into MFM S.p.A., following the transfer of the business unit of its operations to third parties.

SBU – Laundering & Sterilization

The SBU is identified with:

- Servizi Ospedalieri S.p.A., operating in the linen rental and industrial laundering segment for hospitals and the sterilization of linen and surgical instruments
- other minor investee companies active in the same segment.

SBU – Other

Until 31 December 2015, the SBU was identified with MACO S.p.A., to which the business unit relating to Group ''building'' activities was conferred in 2009; this company has also been the object of assessments by the Management, which have led to the exit from the market of this business, since Management does not consider it to be strategic any longer.

With effect from 1 January 2016, MACO S.p.A. was finally merged by incorporation into MFM S.p.A..

The table below sets forth the carrying amounts of the goodwill recognized in the Consolidated Financial Statements at 31 December 2016, relating to the different CGUs, which remained unchanged compared to the values reported in the Consolidated Financial Statements at 31 December 2015.

	31 December 2016	31 December 2015
Goodwill allocated to Facility Management CGU	358,693	358,693
Goodwill allocated to *Laundering & Sterilization CGU*	11,763	11,763
CONSOLIDATED GOODWILL	**370,456**	**370,456**

Facility management CGU goodwill

The goodwill allocated to the Facility management CGU, which amounted to € 358,693 thousand at 31 December 2016, was recognized as a result of various business combinations from 2004 to date, the most important of which are listed below:

- Operation 'Palladio', which took place on 29 December 2003, involved the Group acquiring control of the business unit relating to facility management technical services previously managed by the parent company Manutencoop Società Cooperativa.

- Acquisition of MCB S.p.A., a company through which the Group established the first facility management unit for "network" customers (banks, insurance companies, etc.). In 2010, MCB S.p.A. was merged by incorporation into MP Facility S.p.A. (now H2H Facility Solutions S.p.A.);
- Acquisition of Teckal S.p.A., which was merged by incorporation into Manutencoop Facility Management S.p.A. in 2010, through which the Group strengthened the production structure of traditional facility management, in particular in the heat management service.
- Acquisition of Altair IFM S.p.A. (the most significant transaction to date), which enabled the Group to gear the customer portfolio towards large private customers. In 2010 the larger companies in the Altair sub-group were merged by incorporation into Manutencoop Facility Management S.p.A.
- Acquisition of Gruppo Sicura S.r.l. (now Sicura S.p.A.), which paved the way for an expansion in the range of specialist facility management services in the fire prevention and accident prevention market;
- Acquisition of a fire fighting services business unit including its assets, equipment, trademarks and distinctive marks in addition to all the existing contractual relationships, from Triveneta Servizi S.r.l.. The transfer of the business unit came into effect on 1 August 2015.

Laundering & Sterilization CGU goodwill

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

- Acquisition during the 2003 financial period of a business unit dealing with the linen rental and industrial laundering and sterilization activities for public and private healthcare of LIS S.p.A., with contracts mainly located in the Marche Region.
- Acquisition during the 2006 financial period of a business unit dealing with the linen rental and industrial laundering and sterilization activities for public healthcare of Lidi Service S.p.A., the activity of which was carried out in Porto Garibaldi (province of Ferrara) plant.
- Acquisition of Omasa S.p.A. in 2007, a company operating in the market for the sterilization of surgical instruments and linen, as well as following further minor acquisitions, all made by Servizi Ospedalieri S.p.A., a company operating in the linen rental and industrial laundering and sterilisation market. Omasa S.p.A. was then merged by incorporation into Servizi Ospedalieri S.p.A. on 1 July 2009.

Impairment Test

Pursuant to IAS 36, goodwill is not amortised, but is tested for any possible impairment on an annual basis, or more frequently, should specific events or circumstances arise which provide evidence of an impairment loss. The impairment test, prepared by the Management and presented to the Board of Directors at the time of the approval of the draft financial statements, was carried out through the comparison between the net book value and the recoverable value of the individual CGUs/SBUs to which goodwill was allocated, determined on the basis of the discounting-back of expected future cash flows relating to the period from 2017 to 2021 and extrapolated from the Business Plan of the Manutencoop Group.

The Business Plan used for the analysis described in this note was approved by the Board of Directors of Manutencoop Facility Management S.p.A. on 16 December 2016.

The estimated value in use of the Facility management SBU and of the Laundering & Sterilization SBU was based on the following assumptions:

- The expected future cash flows, for the period from 2017 to 2021, extrapolated from the Business Plan, are derived from projected cash flows obtained through:
    - determination of the value of the forecast gross margins according to the projection of the backlog of existing service contracts, augmented by the assumption of new portfolio acquisitions.
    - estimates of changes in Net Working Capital on the basis of the target days of stock rotation, the payment of amounts due and collection of receivables.
- A terminal value used to estimate future results beyond the time horizon expressly considered. The terminal value was determined by applying a NOPLAT equal to 2021 EBIT adjusted by the average expected depreciation and amortisation and investments, net of a nominal tax rate. As regards long-term growth rates, an assumption of 1% was considered both for the Facility management SBU and for the Laundering & Sterilization SBU.
- The expected future cash flows were discounted back at a discount rate (WACC) of 7.20% for the Facility management SBU (2015: 7.35%) and at a discount rate (WACC) of 6.61% (2015: 7.68%) for the Laundering & Sterilization SBU. The WACC was determined by using the Capital Asset Pricing Model ("CAPM"), by which the risk-free rate was calculated with reference to the curve of the rates of return of Italian long-term government bonds, while the non-diversifiable systematic risk ratio (βeta) and the debt/equity ratio were extrapolated from the analysis of a group of comparable companies operating in the European facility management and laundering sector. In addition, in order to reflect the uncertainty of the current economy and the future market conditions, the cost of the equity component of the WACC rate was increased with a risk premium of 200 basis points for the Facility management SBU and 150 basis points for Laundering & Sterilization SBU in each period of time.

For all CGUs/SBUs analysed, the analysis confirmed that the recoverable value of the same exceeds the associated carrying amount, therefore not requiring any write-downs. On a prudential basis, a "Worst Case" was outlined with reference to the WACC and to the growth rates applied. However, in simulating nil or negative growth rates, also in combination with WACCs exceeding those applied by two percentage points (and, then, equal to 9.20% for Facility management and to 8.61% for Laundering & Sterilization, respectively), there would be no need to make write-downs in both CGUs/SBUs, as the recoverable value would exceed the related book value.

6. INVESTMENTS IN COMPANIES VALUED UNDER THE EQUITY METHOD

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

At 31 December 2016 the net-book value of investments valued at Equity reported a net amount of € 30,462 thousand, against a net amount of €28,419 thousand in the previous year.

	Net Assets 31 December 2016	Net Assets 31 December 2015
Investments valued at Equity	30,534	28,484
Provision for risks on investments	(72)	(65)
INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	**30,462**	**28,419**

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

During 2016 investments accounted for under the equity method recorded a positive result equal to € 1,688 thousand, for the share attributable to the Group, as a result of the recognition of income from equity investments of € 2,170 thousand and costs from equity investments of € 482 thousand. Furthermore, negative effects were recognized directly in the consolidated equity to an overall amount of € 285 thousand.

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

	Ownership %	Total Assets	Total Liabilities	Shareholders' equity	Net financial position	Revenues	Profit (loss) for the year
Palazzo della Fonte S.c.p.a.	33.3%	85,601	(46,874)	(38,727)	(43,448)	15,016	0
Roma Multiservizi S.p.A.	45.47%	54,460	(39,680)	(14,780)	(12,196)	78,858	(2,034)
Project financing companies	<50%	312,263	(271,231)	(41,032)	(78,133)	136,239	1,071

Project financing companies (Newcoduc S.p.A., Progetto ISOM S.p.A., Se.sa.mo. S.p.A., Synchron Nuovo San Gerardo S.p.A.) are vehicles participated in by the Group in order to do work in the field of long-term project financing concessions.

7. OTHER ITEMS OF NON-CURRENT ASSETS

The table below sets forth the breakdown of other non-current assets at 31 December 2016 and at 31 December 2015:

	31 December 2016	31 December 2015
Other investments	3,850	3,502
Non-current financial assets	11,769	15,657
Other non-current assets	2,323	2,180
OTHER NON-CURRENT ASSETS	**17,942**	**21,339**

The financial assets accounted for as Other investments relate to investments in companies in which the Group has no significant or controlling interests and that have been acquired for strategic/production purposes. There are also investments in National Cooperative Consortia, as well as investments in production sites, or in other minor activities such as industrial laundering services, performed by minor companies that may also act as sub-contractors.
Other investments, overall of € 3,850 thousand at 31 December 2016, are measured at purchase or establishment cost, since there is no active market in the securities concerned, which for the most part cannot be freely transferred to third parties due to limitations and restrictions preventing their free circulation.

Non-current financial assets, amounting to € 11,769 thousand at 31 December 2016 (€ 15,657 thousand at 31 December 2015), are composed of:

- € 7,616 thousand of non-current financial receivables due from associates, affiliates and joint ventures (€ 6,413 thousand at 31 December 2015). The face value of these receivables is € 7,720 thousand, while the discounting fund amounts to € 104 thousand. Some of these are non-interest bearing since they were drawn down proportionally from each consortium partner and are thus discounted on the basis of their expected residual maturity, applying Eurirs as the reference interest rate, plus a spread. The increase in the gross balance of the receivables under examination that was recorded during the year mainly concerned the granting of a new loan to the Joint venture EOS for € 1,175 thousand, against the repayment of the loan granted to associate Malaspina (€ 176 thousand), which was transferred during the last quarter of the year;
- € 4,053 thousand of non-current financial receivables from third parties (€ 9,082 thousand at 31 December 2015). The variation from last year mainly arises from the collection of the remaining balance of the receivable, on 30 December 2016, for escrowed amounts relating to the transfer of MIA S.p.A., which took place in December 2014, in line with the fulfilment of some contract clauses;

- € 101 thousand of securities, showing a decrease of € 61 thousand compared to 31 December 2015 following the fair value measurement of the Banca Popolare di Vicenza shares.

Other non-current assets, amounting to € 2,323 thousand at 31 December 2016 (€ 2,180 thousand at 31 December 2015) mainly consist of security deposits related to long-term manufacturing contracts (€ 1,141 thousand) and long-term prepaid expenses relating to certain job orders (€ 887 thousand).

8. INVENTORIES

The Group recognized inventories of € 4,382 thousand at 31 December 2016, marking a decrease of € 381 thousand compared to the previous year.

	31 December 2016	31 December 2015
Inventories of raw materials, consumables and goods for resale	4,605	4,877
Provision for write-down of raw materials, finished products and goods for resale	(223)	(114)
INVENTORIES	**4,382**	**4,763**

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

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

The following table includes the breakdown of *Trade receivables and advances to suppliers* and *Other current operating receivables* at 31 December 2016 and 31 December 2015:

	31 December 2016	of which from related parties	31 December 2015	of which from related parties
Inventories of contract work in progress	18,178		19,062	
Trade receivables, gross	428,037		489,519	
Allowance for doubtful accounts	(33,410)		(29,500)	
Provision for discounting of trade receivables	0		0	
Trade receivables from third parties	**412,805**	**0**	**479,081**	
Trade receivables from Parent Companies	60	60	74	74
Trade receivables from Group companies	36,261	36,261	29,242	29,242
Trade receivables from Affiliates and Joint Ventures	4,090	4.090	7,992	7,992
Trade receivables from Manutencoop Group	**40,411**	**40,411**	**37,308**	**37,308**
Advances to suppliers	2,879	21	2,805	2
TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS	**456,095**	**40,432**	**519,194**	**37,310**
Other tax receivables due within 12 months	13,629		13,701	
Other current receivables from third parties	6,987		12,315	
Short-term receivables from social security institutions	2,700		2,898	
Short-term receivables from employees	480		472	
Other current assets from third parties	**23,796**	**0**	**29,386**	
Current assets from Manutencoop Società Cooperativa	7	7	5	5
Current assets from associates	826	826	649	649
Other current assets from Manutencoop Group	833	833	**654**	**654**
Accrued income	0		0	
Prepaid expenses	1,303		1,098	
Accrued income and prepaid expenses	**1,303**	**0**	**1,098**	
OTHER CURRENT ASSETS	**25,932**	**833**	**31,138**	**654**

The balance of trade receivables and advances to suppliers, which also includes inventories of contract work in progress, amounted to € 456,095 thousand at 31 December 2016, showing a decrease of € 63,099 thousand compared to the amount at 31 December 2015 (€ 519,194 thousand). Specifically, trade receivables from third parties reported a considerable reduction at 31 December 2016, showing a balance of € 412,805 thousand (compared to € 479,081 thousand at 31 December 2015), in addition to Advances to suppliers of € 2,858 thousand (€2,803 thousand at the end of the previous year).

The reduction in the balance from third parties was affected by the assignments of receivables without recourse carried out during 2016 under the contract that was entered into between the Parent Company MFM S.p.A. and Servizi Ospedalieri S.p.A. with Banca Farmafactoring S.p.A. on 23 February 2016, concerning receivables from the National Health System. It is a committed credit line with a term of three years. During 2016 assignments were made in an amount of € 50,002 thousand, subject to derecognition according to IAS 39 in consideration of the characteristics of the transactions, against interest discount costs of € 800 thousand. At 31 December 2016 the balance of receivables assigned without recourse but not yet collected by Banca Farmafactoring amounted to € 11,649 thousand, to which must be added an amount of € 1,234 thousand relating to assignments without recourse that were made in previous financial years to Credit Agricole and that were discontinued from the 2013 financial year.

Finally, trade receivables from the Group amounted to € 40,411 thousand (€ 37,308 thousand at 31 December 2015), in addition to advances of € 21 thousand (€2 thousand at 31 December 2015).

A specific provision for bad debts was recognized in connection with non-performing receivables, which are difficult to fully recover, amounting to € 33,410 thousand at 31 December 2016 (at 31 December 2015: € 29,500 thousand). Below are the reported the changes in the year:

	31 December 2015	Increases	Uses	Releases	Other changes	31 December 2016
Provision for bad debts	**29,500**	4,732	(1,621)	(225)	1,024	**33,410**

Increases, equal to € 4,732 thousand, relate to the assessment of the risk arising from the failure to recover amounts from some customers.
The other changes relate to increase in the consolidated provision for write-down of default interest.

An analysis of trade receivables at 31 December 2016 and as at the end of the previous year is provided below, broken down by maturity. The balances shown are net of the provision for bad debts.

	Total	Trade receivables reaching maturity	Overdue trade receivables				
			< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	after 120 days
31 December 2016	394,627	266,166	27,227	16,048	6,809	7,164	71,213
31 December 2015	460,019	311,022	28,310	17,703	9,492	9,688	83,805

Other current assets, equal to € 25,932 thousand (€ 31,138 thousand at 31 December 2015) decreased by an overall amount of € 5,206 thousand in the year.
The change was essentially attributable to the collection of a total amount of € 5,597 thousand during the last quarter of 2016, following the settlement of the dispute relating to sums entered as receivables from a customer as early as in 2013 on account of VAT required in the application of the principle of recourse laid down in article 93, paragraph 1, of Decree Law 1 of 24 January 2012, as converted by Law 27 of 24 March 2012, following the objections raised by the Tax Authority concerning the misapplication of reduced VAT rates during an audit that was completed at the parent company MFM S.p.A., with the issue of two PVCs (Processi Verbali di Constatazione, Reports on findings). Subsequently MFM S.p.A. also filed formal notices of acceptance of the PVCs, which were followed by a voluntary tax correction ("ravvedimento operoso") concerning the tax years after the audit, with an additional tax payment, which was also claimed from the customer on the basis of the same principle of recourse. The subsequent dispute was settled by means of

an arbitration award dated August 2016, in the application of the arbitration clause laid down in the contracts, which fully acknowledged the payment of the amounts required by way of recourse for VAT (overall € 5,597 thousand) to MFM S.p.A., even in consideration of the payment of an amount of € 1,680 thousand to the customer by way of compensation, which was entered under Other operating costs as at 31 December 2016.

Furthermore, this item includes the receivables arising from the VAT settlements of Group companies (€ 12,197 thousand compared to € 10,648 thousand at 31 December 2015).

The same item had also been recognizing, since 2012, receivables of € 2,587 thousand from the Tax Authorities on account of refund following the petition submitted for the deduction of IRAP (Local Production Activities) tax from the IRES (Corporate Income) tax base by companies not adhering to the National Tax Consolidation agreement with Manutencoop Società Cooperativa. These receivables were assigned without recourse to Banca Farmafactoring during the period.

Finally, the item also recognizes € 2,175 thousand of credit balances of current accounts held at Unicredit, managed in the name and on behalf of INPDAP (Social Security Institute for employees in public administration), as envisaged in a property management contract entered into with the aforementioned authority. At present some restrictions have been placed on said accounts as a result of the dispute that has arisen with INPDAP. Therefore, for the purposes of an accurate presentation, it was deemed appropriate to classify said item under Other current receivables.

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

A breakdown of the balance as at 31 December 2016 and 31 December 2015 is shown below:

	31 December 2016	31 December 2015
Bank and postal deposits	141,486	85,975
Cash in hand	38	34
Current financial accounts - consortia	33,468	28,382
CASH AND CASH EQUIVALENTS	**174,992**	**114,391**
Current financial receivables from third parties	1,668	3,822
Current financial receivables from Group companies	717	1,433
Other receivables for dividends	2	2
RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS	**2,387**	**5,257**

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

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

At 31 December 2016 *Current financial assets* amounted to € 2,387 thousand (at 31 December 2015: equal to € 5,257 thousand). At the end of the year under examination the following items were mainly recognised:

- The remaining balance, equal to € 950 thousand, of the receivable for the earn-out paid on the transfer of SMAIL S.p.A. (reference should be made to note 29 below for more details);
- An overall amount of € 717 thousand of receivables from short-term loans and financial accounts held with non-consolidated Group companies;
- The balance of pledged current accounts dedicated to the operation of the service within the scope of assignments of trade receivables without recourse with Banca Farmafactoring, equal to € 524 thousand.

Current financial receivables from third parties include the collection of the remaining receivable claimed for escrowed sums relating to the transfer of MIA S.p.A., which took place in 2014 (€ 3,948), as detailed in note 29 below.

11. SHARE CAPITAL AND RESERVES

	31 December 2016	31 December 2015
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 2016 amounted to 109,149,600.

The Parent Company does not hold own shares.

Reserves and Retained Earnings

The table below shows changes in equity reserves in the period:

	Share premium reserve	Legal reserve	SE reserves companies valued at equity	Cash flow hedge reserve	SORIE reserve	Other reserves	Total reserves
1 January 2015	**145,018**	**17,737**	**(855)**	**0**	**(5,781)**	**14,047**	**170,167**
Allocation of profits of previous years		646	3,804		673	12,286	**17,409**
Economic effects on equity			130		643		**773**
31 December 2015	**145,018**	**18,383**	**3,079**	**0**	**(4,465)**	**26,334**	**188,349**
Allocation of profits of previous years					(396)		**(396)**
Economic effects on equity			285		(370)	(11)	**(96)**
31 December 2016	**145,018**	**18,383**	**3,364**	**0**	**(5,233)**	**26,323**	**187,856**

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

- The reserve originating from the recognition of joint operations, which includes the differences between the purchase cost and the net carrying amount of the assets acquired under business combinations between jointly-controlled entities, for a negative amount of € 45,400 thousand at 31 December 2016.
- The Parent Company's extraordinary reserve (€ 73,229 thousand).

The table below shows changes in *Retained earnings*:

	Accumulated profits (losses) of the Parent Company	Consolidation reserve	Total retained earnings
1 January 2015	**3,809**	**38,744**	**42,553**
Allocation of profits of previous years		(5,055)	(5,055)
31 December 2015	**3,809**	**33,689**	**37,498**
Allocation of profits of previous years	(44,256)	(760)	(45,016)
31 December 2016	**(40,447)**	**32,929**	**(7,518)**

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

	31 December 2016	31 December 2015
Equity attributable to minority interests	**235**	**380**
of which attributable to:		
Subsidiaries of Sicura S.p.A.	164	306
Other minor consortia	71	74

	31 December 2016	31 December 2015
Profit (loss) attributable to minority interests	**(116)**	**43**
of which attributable to:		
Subsidiaries of Sicura S.p.A.	(116)	43

MFM S.p.A. holds a stake of 85% in the share capital of Sicura S.p.A.. However, no equity attributable to minority interests has been recognized as the Parent Company holds a Call option on the minority interest, linked to a put option in favour of the minority shareholder which is recognised as a financial liability. Therefore, the equity and the result for the period attributable to minority interests relates to the minorities present in some indirect subsidiaries relating to the same sub-group.

12. EMPLOYEE TERMINATION INDEMNITY (TFR)

Below are the changes in the liabilities relating to Employee Termination Indemnity (TFR) in 2016, compared with changes in the same period in the previous year.

	For the year ended	
	31 December 2016	31 December 2015
At 1 January	**18,424**	**21,207**
Increases from business combinations		32
Current service cost	527	454
Interest costs on benefit obligations	362	380
Benefits paid	(2,444)	(2,461)
Transfers of businesses/branches		(49)
Net actuarial (gains)/ losses from benefit obligations	398	(831)
Other changes	(224)	(308)
AT 31 DECEMBER	**17,043**	**18,424**

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

	For the year ended	
	31 December 2016	31 December 2015
Current service cost	527	454
Interest costs on benefit obligations	362	380
Net cost of the benefits recognized through profit or loss	**889**	**834**
Net actuarial (gains)/ losses recognized in equity	398	(831)
TOTAL NET BENEFIT COSTS	**1,287**	**(4)**

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

	31 December 2016	31 December 2015
Discount rate	1.5%	2%
Inflation rate	1.2%	1.5%
Estimated turnover	From 1.5% to 11.50%	From 1.5% to 11.50%

The discount rates used to assess the TFR obligation are defined on the basis of curves of rates of return of high-quality fixed-interest securities, the amounts and maturity dates of which correspond to the amounts and maturity dates of the payments of expected future benefits. In 2016 the discount rate was equal to 1.5% (2015: 2%).

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

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

	Discount rate	Actuarial assumptions	Employee termination indemnity
Financial year ended 31 December 2016	+ 0.25 bps	+ 0.10 pps	16,510
	- 0.25 bps	- 0.10 pps	17,498
Financial year ended 31 December 2015	+ 0.25 bps	+ 0.09 pps	17,939
	- 0.25 bps	- 0.09 pps	18,930

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

	For the Financial year ended	
	31 December 2016	31 December 2015
Executives	58	57
Office workers	1,253	1,358
Manual workers	15,004	14,764
AVERAGE STAFF	**16,315**	**16,179**

The average number of leased employees provided to the Group by Manutencoop Società Cooperativa was equal to no. 463 units at 31 December 2016 (31 December 2015: no. 526 units).

13. PROVISIONS FOR RISKS AND CHARGES

The breakdown and changes in the provisions for risks and charges for the period ended 31 December 2016 are shown below:

	Risks on investments	Risks on job orders	Pending legal disputes	Tax litigation	Agents' indemnity leave	Termination employee benefits	Bonuses	Other provisions	Total
At 1 January 2016	**65**	**8,157**	**57,717**	**478**	**192**	**4,254**	**1,326**	**1,064**	**73,253**
Accruals	8	1,640	4,366	0	0	1,400	0	417	**7,831**
Uses	0	(871)	(1,634)	0	(10)	(3,654)	(1,208)	(125)	**(7,503)**
Reversal	0	(402)	(17,356)	0	0	0	(119)	(61)	**(17,938)**
Others	0	(370)	(56)	0	20	0	0	0	**(406)**
At 31 December 2016	**72**	**8,153**	**43,037**	**478**	**202**	**2,000**	**0**	**1,294**	**55,237**

	Risks on investments	Risks on job orders	Pending legal disputes	Tax litigation	Agents' indemnity leave	Termination employee benefits	Bonuses	Other provisions	Total
At 31 December *2016:*									
Current	72	7,779	362	478	0	2,000	0	24	**10,715**
Non-current	0	374	42,676	0	202	0	0	1,270	**44,522**
At 31 December *2015:*									
Current	65	7,885	432	478		4,254	1,326	75	**14,515**
Non-current		272	57,285		192			989	**58,738**

Provision for risks on investments

The item, amounting to € 72 thousand at 31 December 2016, includes the provision for unrecoverable future losses of Group companies and related to the subsidiary Alisei S.r.l. in liquidation.

Provision for risks on job orders

This provision includes, at consolidated level:

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

The balance at the period end amounted to € 8,153 thousand, against accruals of € 1,640 thousand, in addition to uses, releases and other changes that led to an overall decrease of € 1,643 thousand in the provision.

Provision for pending disputes

At the end of the financial year, the company assesses the risk of having to pay future compensation in the event of unsuccessful legal disputes with customers, suppliers, employees and others. In the year ended 31 December 2016 the provision, totalling € 43,047 thousand, recorded total increases for accruals of € 4,366 thousand and decreases for uses, releases and other changes totalling € 19,046 thousand.

Accruals were mainly recognized to cover risks of Servizi Ospedalieri S.p.A. for € 485 thousand and of the Parent Company MFM S.p.A. for € 3,796 thousand. The decreases for the year (€ 19,046 thousand) mainly refer to the partial release of the provision set aside at 31 December 2016 for the fine imposed on the Company by the Competition Authority ("AGCM"), taking account of the correlated proceedings brought by CONSIP for the termination of the Agreements.

On 20 January 2016 AGCM considered that it had found a breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012 and levied a fine of € 48,510 thousand against the parent company MFM S.p.A., which rejected the arguments on which the charge was based and lodged an appeal against the Authority's order with the Lazio Regional Administrative Court (*Tribunale Amministrativo Regionale*, TAR).

On 14 October 2016 it ruled by partially granting the appeal filed by MFM S.p.A. and referring the papers to the Authority for a new calculation of the fine, with the recommendation to reduce both the related taxable base, thus limiting it to the contracted tender amount, and the percentage to be applied to the abovementioned amount, from 15% to 5%. MFM S.p.A. challenged the trial judgment before the Council of State; on 28 February 2017 the latter handed down its ruling, confirming the judgment issued by the Lazio Regional Administrative Court. However, MFM S.p.A. intends to also challenge the Council of State's ruling, filing an appeal with the Supreme Court. On 23 December 2016 the Authority, in enforcing the Lazio Regional Administrative Court's ruling, adopted a new order, recalculating the fine at € 14,700 thousand, which was also challenged by MFM S.p.A. before the Lazio Regional Administrative Court.

As a result of the Competition Authority fine ruling, on 4 February 2016 Consip S.p.A. initiated a procedure to terminate the Agreements entered into within the tender in question, also informing the Company that it would consider the possibility of excluding it from future tenders for "work of the same type", including pursuant to article 38, paragraph 1, letter f) of Legislative Decree 163/06.

On 23 November 2016 Consip S.p.A. gave MFM S.p.A. notice of the final termination of the agreements, expressly stating that it would confiscate the part of the final guarantee deposit (performance bond) which remained after the deposit had been partially released considering the work done normally up to the termination date. It also notified the intention to report the facts to the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione, ANAC*) and to the Public Prosecutor's Office. Although ANAC issued an unfavourable opinion, which was considered to be unlawful and was promptly challenged by the Company, MFM S.p.A. considers that the termination of the agreement will not entail the automatic termination of existing contracts with individual schools but that termination is a mere right on the schools' part, which has not yet been used by any of them in relation to the abovementioned order.

Finally, on 2 December 2016 Consip S.p.A. formally notified the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) of its accusations against MFM S.p.A.. On 7 January 2017 the Company served a writ of summons on the entity, asking the Ordinary Court of Rome to establish the unlawfulness of the notice of termination of the agreements and order Consip S.p.A. to compensate for any damage suffered by the company.

The Directors have obtained the opinion of the Company's lawyers and, while placing reliance on the case for the defence, have adopted a conservative approach in calculating the estimate of the amount to recognise in the accounts for this dispute, in which they see some uncertain factors. Therefore, in view of the uncertainty surrounding the final outcome of the hearing at which the merits of the case are to be considered, they decided that setting aside the amount of the fine in full, in the Consolidated Financial Statements at 31 December 2015 (€ 48.5 million) is the solution which is the most coherent with the requirements of IAS 37 for the purposes of recognising provisions for risks and charges.

When closing the Financial Statements at 31 December 2016, in the light, among other things, of the appeals lodged by the parties, on which the competent courts have already ruled, the Directors recalculated the risk of outflows related to the Competition Authority fine as a maximum amount of € 14.7 million, with the consequent reversal of the excess sum set aside in the Financial Statements at 31 December 2015.

The tender performance bond (initially equal to € 24.5 million) might also be partially enforced if the Company loses the case against Consip S.p.A.. In the Consolidated Financial Statements at 31 December 2015 this risk had been regarded as possible but not probable. After the Regional Administrative Court's judgment of 14 October 2016, which was confirmed by the Council of State's judgment of 1 March 2017 and which substantially reduced the fine that had previously been imposed while not accepting the Company's argument that it was completely extraneous to the accusations, the Directors made an adjustment of the provisions for future charges in the Financial Statements at 31 December 2016, also taking account of the risk of enforcement of the abovementioned performance bond. MFM S.p.A. could submit sound arguments against the enforcement of the bond in court, but in any case the maximum estimated liability, which is the part of the bond which would remain after its partial release owing to the work carried out normally until termination, is € 17.5 million. As a result, the release of the provision for legal disputes is equal to a total of € 16.3 million.

On 23 March 2017 AGCM notified MFM S.p.A. of the initiation of a preliminary investigation procedure against CNS – Consorzio Nazionale Servizi Società Cooperativa, Dussmann Service, S.r.l., Engie Servizi S.p.A. (formerly Cofely Italia S.p.A.), ManitalIdea S.p.A., MFM S.p.A., Romeo Gestioni S.p.A. and STI S.p.A. in order to establish whether these companies implemented any possible understanding restricting competition, concerning the coordination of the procedures to participate in the tender launched by Consip in 2014 for awarding the Facility Management services to be rendered to the properties that are mainly intended for office use on the part of the Public Authorities ("FM4 Tender").

To date AGCM has started preliminary investigations only. The Company firmly rejects the arguments holding an alleged collusive agreement with the other companies involved in the proceedings. The Directors believe that in no case are the requirements met in terms of probability, as well as of reliable estimate, required by the international accounting standards to set aside a provision for risks.

With reference to the events referred to above, the Directors also believe that: (i) the risk of being excluded from future Consip tenders for "work of the same type", as a result of the specific clause mentioned above, which is regarded as probable, should not entail significant effects, given that it should be limited to possible Consip tenders that should mainly concern school cleaning services, which at present do not fall within the scope of the pipeline of the tenders still being awarded; (ii) the risk of being excluded from public tenders (including, but not limited to, the tenders launched by Consip) at the initiative of the contracting authority or upon appeal by a competitor appears to be not probable; in fact, despite a context that is significantly affected by new laws and more restrictive approaches with respect to previous rules, the Company believes, also according to the opinions provided by its own legal counsels, that the risk may mainly arise from delays in awarding some tenders attributable to situations of further worsening of the disputes connected with the participation in or the awarding of said tenders; (iii) to date the risk of the Company being temporarily excluded from public tenders as a result of an order issued by the ANAC can be reasonably regarded as not probable, in consideration of the defence arguments discussed with the Company's legal counsels, which may be submitted both upon participation in the ANAC procedure and at the time of any possible appeal filed with administrative courts, if required. ANAC shall complete its preliminary investigations within 180 days from the opening of the same, which has not yet occurred to date.

The Directors believe that there are no significant uncertainties for the purposes of assessing whether the Company meets the going-concern principle, as they fully rely on the arguments discussed with its own legal counsels and have also considered the financial soundness of the Company and of the Group, as well as the substantial amount of contracts that had already been gained as at the reporting date.

The Directors also point out that, despite the objective riskiness to estimate the impact of the risk factors described above and their possible interactions, the stress tests conducted by the Company on the cash flows expected in the Group's Business Plan, which was approved by the board's meeting held on 16 December 2016, confirm that the book values recognised in the accounts may be recovered, also with reference to significantly worse scenarios.

Tax litigation

The provision, equal to € 478 thousand, remained unchanged during 2016.

Provision for termination employee benefits

This provision has been set aside to include the amounts due for severance and employee redundancy costs, as part of the sundry restructuring plans implemented by some Group companies over the last few years. At 31 December 2015 the Group had recognized provisions totalling € 4,254 thousand (of which € 3,285 thousand in MFM S.p.A., € 704 thousand in Telepost S.p.A. and € 266 thousand in Servizi Ospedalieri S.p.A.). In 2016 there were uses of € 3,654 thousand (of which € 3,285 thousand in MFM S.p.A.) and provisions were set aside for € 1,400 thousand, which led to a final balance of the provision equal to € 2,000 thousand.

Provision for bonuses

This provision included accruals for future payments in relation to the s bonus system adopted by the Group in favour of the top and middle management. As early as in the course of 2014 this incentive plan was not applied while in 2016 there was the payment of the remaining amounts set aside until 31 December 2015.

Other provisions for risks and charges

The provision, amounting to € 1,294 thousand at 31 December 2016 recognized an overall increase equal to € 230 thousand in the year, including accruals of € 417 thousand, releases of € 61 thousand and uses of € 125 thousand.

14. DERIVATIVES

At 31 December 2016, the Group did not record any derivative assets or liabilities.

15. BORROWINGS, LOANS AND OTHER CURRENT FINANCIAL LIABILITIES

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

The tables below set forth the qualitative breakdown by current and non-current financial liabilities at 31 December 2016 and at 31 December 2015.

	31 December 2016	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	294,648		294,648	
C.C.F.S. loan	10,000		10,000	
Prepaid expenses on financial interest	(47)	(47)		
Accrued interest expense	10,681	10,681		
Long-term bank borrowings and current portion of long-term bank borrowings	**315,282**	**10,634**	**304,648**	**0**
Current account overdrafts, advance payments and hot money	11,857	11,857		
Finance lease obligations	914	495	419	
Loans from syndicated shareholders	357	357		
Other financial liabilities	7	7		
Due to factoring agencies	2,744	2,744		
Obligations from assignments of receivables with recourse	20,805	20,805		
Debt for the acquisition of investments/business units	226	226		
Options on subsidiaries' minority shareholdings	5,438	5,438		
Share capital to be paid into investee companies	692	277	415	
TOTAL FINANCIAL LIABILITIES	**358,321**	**52,839**	**305,482**	**0**

	31 December 2015	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	293,435		293,435	
C.C.F.S. loan	10,000		10,000	
Prepaid expenses on financial interest	(52)	(52)		
Accrued interest expense	10,651	10,651		
Long-term bank borrowings and current portion of long-term bank borrowings	**314,034**	**10,599**	**303,435**	
Current account overdrafts, advance payments and hot money	34,064	34,064		
Finance lease obligations	1,484	564	888	32
Loans from syndicated shareholders	351	351		
Loan from the parent company (Manutencoop Cooperativa)	15	15		
Other financial liabilities	3	3		
Obligations from assignments of receivables with recourse	2,543	2,543		
Debt for the acquisition of investments / business units	226	146	80	
Options on subsidiaries' minority shareholdings	7,250		7,250	
Share capital to be paid into investee companies	277	277		
TOTAL FINANCIAL LIABILITIES	**360,248**	**48,562**	**311,653**	**32**

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

On 2 August 2013 the Parent Company MFM S.p.A. issued secured High Yield bonds (Senior Secured Notes) due 1 August 2020, reserved for institutional investors. The proceeds of the transaction were used to repay most of the existing bank loans and replace the revolving programmes for the assignment of trade receivables without recourse. The bonds, which are listed on the Euro MTF Market of the Luxembourg Stock Exchange and on the Extra MOT Pro Segment of the Italian Stock Exchange, was issued for a nominal value of € 425 million, with an issue price below par by 98.713%, with a fixed annual 8.5% coupon on a six-monthly settlement basis. At 31 December 2016 the nominal value of the debt amounted to € 300 million, given the buy-back transactions carried out during 2014 and 2015, for nominal portions of € 45 million and € 80 million, respectively. None of the Notes purchased (nominal value € 125 million) were cancelled; they were deposited in a securities account with Unicredit S.p.A. and are reported in the Statement of Financial Position as a straight reduction of total financial debt since, from the accounting point of view, they constitute the repayment of a debt. A part of these securities (amounting to a nominal value of € 14 million) was pledged against committed credit line of € 10 million, due 2018, obtained from CCFS.

Finally, the period saw the recognition of financial charges of € 1,213 thousand, of the upfront fees paid when the bonds were issued, accounted for at amortised cost in compliance with IAS 39.

To protect the investment of the Bondholders of the 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 Group the freedom of movement insofar as the operations undertaken contribute, at least potentially, added value and cash flows to the Group. 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 Group'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.

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

On 6 August 2015, the Parent Company entered into a loan agreement with CCFS of € 10,000 thousand, due August 2018. The loan has a fixed interest rate, net of a spread with quarterly settlement and is backed by a pledge over the Notes for € 14 million, as reported above.

Accrued interest expenses

At 31 December 2016 the Group recognised accrued interest expenses of € 10,681 thousand, of which € 10,625 thousand relating to the amount accrued on the coupon of the Senior Secured Notes due 2 February 2017, including accrued expenses on the total coupons being vested equal to € 15,052 thousand, net of accrued income of € 4,427 thousand relating to the Notes held on securities accounts.

Current account overdrafts, advance payments and hot money

This item showed a balance of € 11,857 thousand at 31 December 2016, against an amount of € 34,064 thousand at the end of the previous year.

Bank overdrafts and advances on current accounts are not backed by guarantees. Their management is linked to temporary reductions in liquidity, within the flows of receipts and payments on the reporting date.

Obligations arising from finance lease

The lease agreements entered into are not secured and refer to the companies Servizi Ospedalieri S.p.A. and Sicura S.p.A.. They refer to motor vehicles and plant and machinery mainly used by Servizi Ospedalieri S.p.A. in the laundering and sterilization production processes.

Syndicated loans

This item refers to financing provided by the consortium members constituting the minorities of consortium companies included within the scope of consolidation. In certain cases, these loans are non-interest-bearing loans and are repayable on request. In other cases, they have a contractually defined maturity and, in others still, they do not have a contractually defined maturity but will essentially be repayable at the end of the long-term service contract, on the basis of which the consortium company was established.

The balance of this item, equal to € 357 thousand, remained almost unchanged compared to 31 December 2015.

Due to factoring agencies

This item includes receipts from customers on receivables assigned within the factoring of trade receivables without recourse, which was entered into with Banca Farmafactoring S.p.A., in relation to which the Parent Company MFM performs the service of receipts. The amounts collected (equal to € 2,744 thousand at 31 December 2016) were transferred to the factor in the first days of the subsequent financial year.

Obligations from assignments of receivables with recourse

During 2015 MFM S.p.A. entered into an agreement for the assignment with recourse of trade receivables with Unicredit Factoring S.p.A., concerning receivables from Public Authorities. The assignments took place in more than one tranche starting from the last quarter of 2015. During 2016 assignments were made at a nominal value of receivables of € 51,796 thousand, while the amount of receivables assigned but not yet collected by the factor at 31 December 2016 amounted to € 20,805 thousand.

Share capital to be paid into investee companies

The Group recognized liabilities for capital contribution to be paid to unconsolidated companies for € 692 thousand, against € 277 thousand at 31 December 2015. The change compared to the previous year was due to the recognition of the payable relating to the establishment by MFM S.p.A. of Consorzio Integra, the share capital of which has not yet been fully paid up. At 31 December 2015 Servizi Ospedalieri S.p.A.'s debt to associate EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S. had been already stated for € 273 thousand, against the commitment to a future capital increase.

Debt for the acquisition of investments/business units

This item amounts to € 226 thousand at 31 December 2015 (unchanged compared to 31 December 2015) and relates to the amounts still not paid to the transferor within business combinations carried out by subsidiary Sicura S.p.A. during 2015 for acquisition of the business unit from Triveneta Servizi S.r.l..

Options on subsidiaries' minority shareholdings

The € 5,438 thousand (€ 7,250 thousand at 31 December 2015) reported as the value of options on subsidiaries' minority shareholdings is, in its entirety, the residual value of the Put option held by the minorities of Gruppo Sicura S.r.l. (acquired in 2008 and now merged by incorporation into Sicura S.p.A.). On 12 July 2016 MFM S.p.A. acquired an additional 5% stake of the share capital of Sicura S.p.A., which is the sub-holding of the related group providing specialist fire-fighting and security services, thus increasing its own stake up to 85%. The acquisition took place against the payment of amounts proportional to the liability already entered in the accounts and therefore for € 1,812 thousand.

16. TRADE PAYABLES, ADVANCES FROM CUSTOMERS AND OTHER CURRENT PAYABLES

The table below sets forth the breakdown of the item at 31 December 2016 and 31 December 2015:

	31 December 2016	of which to related parties	31 December 2015	of which to related parties
Trade payables	315,137		345,833	
Trade payables to third parties	**315,137**	**0**	**345,833**	**0**
Trade payables to Manutencoop Cooperativa	4,770	4,770	6,421	6,421
Trade payables to Group companies within 12 months	14,648	14,648	17,016	17,016
Trade payables to related parties	**19,418**	**19,418**	**23,437**	**23,437**
Advances from customers and payables for work to be performed	11,753	5	10,945	
TRADE PAYABLES AND ADVANCES FROM CUSTOMERS	**346,308**	**19,423**	**380,215**	**23,437**
Fees due to directors and statutory auditors	396		552	
Tax payables	9,799		12,148	
Payables to social security institutions within 12 months	8,080		8,282	
Other payables to TJA	6,017		10,477	
Payables to employees within 12 months	46,661		48,875	
Other payables within 12 months	11,360		10,292	
Property collection on behalf of customers	2,176		2,176	
Other current operating payables to third parties	**84,489**	**0**	**92,802**	**0**
Other current payables to Manutencoop Cooperativa	62	62	131	131
Other payables to Group subsidiaries	(17)	(17)	462	462
Other current operating payables to Group	**45**	**45**	**593**	**593**
Accrued expenses	9		10	
Deferred income	1,366		1,167	
Accrued expenses and deferred income	**1,375**	**0**	**1,177**	**0**
OTHER CURRENT LIABILITIES	**85,909**	**45**	**94,572**	**593**

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

Trade payables and advances from customers at 31 December 2016 amounted to € 346,308 thousand, against a balance of € 380,215 thousand at 31 December 2015.

Trade payables to Manutencoop Group, amounting to € 19,418 thousand at 31 December 2016, are mainly composed of payables due to Manutencoop Cooperativa for € 4,770 thousand, Bologna Multiservizi Soc. Cons. a r.l. for € 1,491 thousand, Como Energia Soc.Cons.a r.l. for € 1,461 thousand, Bologna Global Strade Soc. Cons. a r.l. for € 1,395 thousand, Servizi Napoli 5 Soc.Cons. a r.l. for € 1,311 thousand, Se.Sa.Tre. Soc. Cons. a r.l. for € 1,687 thousand and CO.& MA. Soc. Cons. a r.l for € 1,007 thousand.

Other *current liabilities* showed a balance of € 85,909 thousand at 31 December 2016 and are mainly made up of the following items:

› payables to employees of € 46,661 thousand, including the current monthly salaries to be paid in the months after the closing of the financial year, as well as payables for additional monthly salaries to be paid (a portion of the 14th salary, to be paid in the month of July, and the 13th salary, to be paid each year in the month of December). Furthermore, the corresponding payables to social security institutions were recognized for € 8,080 thousand;
› payables to tax authorities for € 9,799 thousand, mainly relating to the balance of the IRPEF tax payable for employees, amounted to € 5,393 thousand at 31 December 2016;
› receipts on behalf of Temporary Associations of Companies (ATI) for € 6,017 thousand, which relate to the amounts collected by the Group, on behalf of third parties, in relation to contracts in which MFM S.p.A. is the representative parent company of the ATI (€ 10,477 thousand at 31 December 2015).

17. OPERATING SEGMENTS

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

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

Information on the operating segments for the financial year ended 31 December 2016

	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Segment revenues	797,237	134,788	0	(2,927)	929,098
Segment costs	(741,494)	(117,241)	0	2,927	(855,808)
Operating income (loss) by segment	**55,743**	**17,547**	**0**	**0**	**73,290**
Share of net profit of associates	1,787	(98)			1,688
Net financial income (costs)					(27,759)
Profit (loss) before taxes					**47,219**
Income taxes					(14,738)
Profit (loss) from discontinued operations	1,052				1,052
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2016					**33,533**

	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Assets allocated to the segment	465,278	116,058		(2,703)	578,633
Goodwill	358,693	11,763			370,456
Investments	28,406	5,978			34,384
Assets held for sale					
Other assets not allocated and related taxes					215,942
SEGMENT ASSETS	**852,377**	**133,799**	**0**	**(2,703)**	**1,199,415**
Liabilities allocated to the segment	454,924	52,274		(2,703)	504,495
Other liabilities not allocated and related taxes					371,548
SEGMENT LIABILITIES	**454,924**	**52,274**	**0**	**(2,703)**	**876,043**

	Facility Management	Laundering & Sterilization	Other Activities	Total
Other segment information at 31 December 2016				
Investments in segment assets	8,823	21,712	0	30,535
Amortisation/depreciation and write-downs of segment assets	13,854	18,861	0	32,715

Information on the operating segments for the financial year ended 31 December 2015

	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Segment Revenues	819,153	138,568	2,205	(4,197)	**955,729**
Segment costs	(823,180)	(124,891)	(2,845)	4,197	**(946,718)**
Operating income (loss) by segment	**(4,027)**	**13,678**	**(640)**	**0**	**9,011**

	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Share of net profit of associates	(96)	186			90
Net financial income (costs)					(33,550)
Profit (loss) before taxes					**(24,451)**
Income taxes					(18,031)
Profit (loss) from discontinued operations	(2,887)				(2,887)
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2015					**(45,369)**

	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Assets allocated to the segment	520,986	125,939	822	(2,275)	645,472
Goodwill	358,693	11,763			370,456
Investments	25,058	6,076	852		31,986
Assets held for sale					
Other assets not allocated and related taxes					179,960
SEGMENT ASSETS	**904,737**	**143,778**	**1,673**	**(2,275)**	**1,227,873**
Liabilities allocated to the segment	507,842	59,179	1,719	(2,275)	566,466
Other liabilities not allocated and related taxes					371,409
SEGMENT LIABILITIES	**507,842**	**59,179**	**1,719**	**(2,275)**	**937,909**

	Facility Management	Laundering & Sterilization	Other Activities	Total
Other segment information at 31 December 2015				
Investments in segment assets	7,683	16,319	0	24,003
Amortisation/depreciation and write-downs of segment assets	64,059	19,883	113	84,054

Geographical areas

The Group conducts its core business in Italy. At 31 December 2016 2015 the activities conducted abroad were entirely marginal for the Group and generated revenues amounting to € 1,752 thousand (€ 2,430 thousand at 31 December 2015).

The information by geographical area required by IFRS 8 is shown below for the years ended 31 December 2016 and 2015.

Information by Geographical Area at 31 December 2016	Italy	Foreign countries	Eliminations	Total
Revenues	927,345	1,752		929,098
Non-current operating assets	464,989	14		465,003

Information by Geographical Area at 31 December 2015	Italy	Foreign countries	Eliminations	Total
Revenues	953,299	2,430		955,729
Non-current operating assets	462,746	267		463,013

18. REVENUES FROM SALES AND SERVICES

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	For the year ended	
	31 December 2016	31 December 2015
Revenues from product sales	8,700	9,545
Service revenues	810,591	825,018
Revenues from construction activities and plant installation	72,068	86,519
Other sales revenues	35,399	32,731
REVENUES FROM SALES AND SERVICES	**926,758**	**953,813**

At 31 December 2016, the item Revenues from sales and services amounted to € 926,758 thousand (€ 953,813 thousand at 31 December 2015).

The decrease recorded in this item was mainly attributable to the reduced volumes achieved in the Private market, as well as to the renewal of some important contracts based on reduced fees.

19. OTHER REVENUES

The breakdown of the item is shown below for the years ended 31 December 2016 and 2015:

	For the year ended	
	31 December 2016	31 December 2015
Grants	673	546
Asset capital gains	528	392
Recovery of costs - seconded personnel	252	270
Payment of damages	790	513
Revenues for leases and rentals	15	0
Other revenues	82	195
OTHER REVENUES	**2,340**	**1,916**

At 31 December 2016, the balance of Other revenues was € 2,340 thousand compared to € 1,916 thousand in 2015.

An amount of € 673 thousand was recognised as operating grants, mainly relating to contributions on employee training projects.

Capital gains were predominantly realised by Servizi Ospedalieri through the sale of linen and machinery no longer usable in linen rental and industrial laundering activities.

The item also includes additional revenues arising from the energy management of some PV plants.

20. COSTS OF RAW MATERIALS AND CONSUMABLES

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	For the year ended	
	31 December 2016	31 December 2015
Fuel consumption	48,739	61,135
Consumption of raw materials	51,873	55,759
Purchase of semi-finished/finished products	56	634
Purchase of auxiliary materials and consumables	12,380	11,788
Packaging	1,815	1,747
Change in inventories of fuel and raw materials	318	(93)
Other purchases	2,434	2,185
CONSUMPTION OF RAW MATERIALS AND CONSUMABLES	**117,615**	**133,155**

At 31 December 2016 the item amounted to € 117,615 thousand compared to € 133,155 thousand at 31 December 2015. The decrease, equal to € 15,540 thousand, is mainly due to the consumption of fuels, for a different mix of raw materials used within integrated service contracts, compared to the previous year.

21. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	For the year ended	
	31 December 2016	**31 December 2015**
Third-party services	219,384	228,092
Consortia services	11,017	10,996
Equipment maintenance and repair	7,044	6,833
Professional services	38,302	35,225
Statutory Auditors' fees	495	484
Transport	7,981	8,057
Advertising and promotion	387	287
Bonuses and commissions	2,630	2,265
Insurance and sureties	4,355	4,852
Bank services	301	295
Utilities	7,834	7,870
Travel expenses and reimbursement of expenses	3,265	3,368
Employee services	6,815	6,507
Other services	1,481	1,756
Costs for services	**311,291**	**316,887**
Rent expense	14,912	15,382
Rentals and other	5,162	3,845
Costs for leased assets	**20,074**	**19,227**
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**331,365**	**336,114**

For the year ended 31 December 2016, Costs for services and use of third party assets totalled € 331,365 thousand, marking a decrease of € 4,749 thousand compared to the previous year, mainly due to lower costs for third party services (€ 8,708 thousand). As early as in previous years the Group 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, as described in detail under note 22 below. At the same time, the Group set targets for limiting overheads relating to its organizational structures.

22. PERSONNEL COSTS

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	For the year ended	
	31 December 2016	**31 December 2015**
Wages and salaries	247,169	247,153
Social security charges	76,708	78,539
Secondment costs	31,897	33,601
ESI paid to INPS (National Social Security Institute) and to funds	14,517	14,616
Directors' fees	1,602	1,776
Other personnel costs	1,028	979
Current benefits	**372,921**	**376,664**
Employee termination indemnity provision	889	834
Subsequent benefits	**889**	**834**
Employment termination benefits	2,456	3,295
Employment termination benefits	**2,456**	**3,295**
PERSONNEL COSTS	**376,266**	**380,793**

At 31 December 2016, Personnel Costs, equal to € 376,266 thousand, showed a decrease of € 4,527 thousand compared to the previous year (€ 380,793 thousand), thanks in particular to a reduction in the tax wedge on subordinate employment.

During 2016 work continued on the reorganisation efforts of certain Group companies, which entailed additional costs for mobility, extraordinary redundancy schemes and early retirement incentives.

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

The ratio between Revenues from sales and services and the total amount of costs for internal and external personnel used in production (cost of employed workers, cost of external workers, services provided by consortia and professional services) came to 144% at 31 December 2016 against 146% at 31 December 2015. The decline in the ratio, despite being slight, reflects a higher production efficiency achieved by the Group.

The "make-or-buy ratio", i.e. the ratio between the cost of internal labour ("make") and the cost of services provided by third parties, services provided by consortia and professional services ("buy"), shows that the Group is continuing to implement an organisational preference for producing by greater recourse to internal production factors than to purchasing services from external sources.

23. OTHER OPERATING COSTS

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	For the year ended	
	31 December 2016	31 December 2015
Capital losses on disposals of assets	69	40
Losses on receivables	46	35
Other taxes	2,144	1,824
Fines and penalties	3,235	1,732
Other operating costs	2,406	8,971
OTHER OPERATING COSTS	**7,900**	**12,602**

Other operating costs amounted to € 7,900 thousand, showing a decrease of € 4,702 thousand compared to the previous year (€ 12,602 thousand at 31 December 2015).

This item benefits from a decline in sundry operating costs, equal to € 6,565 thousand, due to amendments to the regulations governing "*oneri di sistema*" on some energy contracts.

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

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	For the year ended	
	31 December 2016	31 December 2015
Amortisation of intangible assets	6,748	5,266
Depreciation of property, plant and equipment	20,490	22,762
Write-downs of receivable, net of releases	4,507	4,372
Write-downs of other equity investments	123	21
Impairment of Property, Plant and Equipment	614	
Impairment of Intangible assets		1
Other write-downs	232	71
AMORTISATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**32,714**	**32,493**

At 31 December 2016, the item *Amortization/depreciation, write-downs and write-backs of assets* amounted to € 32,714 thousand compared to € 32,493 thousand at 31 December 2015. The changes that were reported in the breakdown of the item do not generate any impact on the closing balance, which was in line with the balance for the previous year. Specifically, the following changes were recorded:

- A decrease in amortization/depreciation for a total of € 790 thousand, mainly attributable to property, plant and equipment and arising from an overall lower net book value of fixed assets recognized compared to the previous year;
- Impairment losses of tangible assets for € 614 thousand, relating to the write-down of some assets used at the industrial laundering plant in Teramo, which was involved in a reorganisation after the acquisition of the property from Manutencoop Immobiliare S.p.A. and after the bad weather which affected the area.

25. DIVIDENDS, INCOME AND CHARGES FROM INVESTMENTS

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	For the year ended	
	31 December 2016	31 December 2015
Dividends	484	360
Capital gains (capital losses) from sale of equity investments	14	(819)
DIVIDENDS, INCOME AND CHARGES FROM INVESTMENTS	**498**	**(459)**

In 2016, dividends were collected from other companies not included under the scope of consolidation. They amounted to € 484 thousand, € 324 thousand of which from investee companies of the Parent Company MFM S.p.A. and € 159 thousand from investee companies of Servizi Ospedalieri S.p.A.. Capital gains were also accounted for € 14 thousand, arising from the transfer of the entire capital quota held in Malaspina Energy S.c. a r.l..

26. FINANCIAL INCOME

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	For the year ended	
	31 December 2016	31 December 2015
Interest on bank current accounts	17	64
Interest on non-proprietary and intercompany current accounts	574	224
Interest on trade receivables	877	238
Interest from discounting of non-interest bearing loans	4	177
Interest and other income from securities		2
Other financial income	492	279
FINANCIAL INCOME	**1,964**	**984**

Financial income recorded an increase compared to the previous year, equal to € 980 thousand. The change in the item mainly related to the recognition of default interest payable by customers at the time of the settlement of the previous credit position.

27. FINANCIAL COSTS

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	For the year ended	
	31 December 2016	31 December 2015
Charges on bank loans and current account overdrafts	104	62
Financial charges on other loans	26,610	29,016
Financial costs for finance leases	46	71
Financial costs on Group financial accounts		15
Interest discount on assignments of receivables without recourse	1,418	
Interest on trade payables	178	159
Other financial costs	1,827	4,743
FINANCIAL COSTS	**30,183**	**34,066**

In 2016 *Financial costs* recorded a decrease of € 3,883 thousand compared to the previous year. The main change relates to the recognition of lower charges relating to the Senior Secured Notes for € 2,871 thousand, connected with the repurchase transaction of a tranche of the bond issue that had been launched in June during the previous year, which entailed a benefit for the entire 2016 financial year.

Other financial costs recorded an additional decrease of € 2,916 thousand, mainly attributable to the same transaction involving the repurchase of bonds: in fact, the item recorded lower charges relating to the method of accounting for loans according to the amortised cost method required by IAS39 for € 1,957 thousand (€ 1,213 thousand in 2016 against € 3,171 thousand in 2015, including a one-off amount of € 1,902 thousand relating to the abovementioned quotas repurchased), in addition to lower costs for fees paid to financial intermediaries which participated in the transaction for € 1,069 thousand.

Finally, at 31 December 2016 the Group recognised charges correlated to the assignments of receivables without recourse carried out during 2016 (€ 1,418 thousand).

28. CURRENT, PREPAID AND DEFERRED TAXES

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	For the year ended	
	31 December 2016	**31 December 2015**
Current IRES tax	13,108	9,830
Current IRAP tax	4,407	4,810
(Income) costs from tax consolidation	(1,534)	(4,080)
Adjustments to current taxes of previous years	3	222
Current taxes	**15,984**	**10,781**
Prepaid/deferred IRES tax	(1,259)	6,856
Prepaid/deferred IRAP tax	(7)	(70)
Prepaid/deferred taxes relating to previous years	21	463
Prepaid/deferred taxes	**(1,245)**	**7,250**
CURRENT, PREPAID AND DEFERRED TAXES	**14,738**	**18,031**

In 2016 the Group recorded taxes totalling € 14,738 thousand, marking a decrease of € 3,293 thousand compared to the taxes recognized at 31 December 2015.

More specifically, the main changes are as follows:

- An increase of € 3,278 thousand in the current IRES tax balance;
- A decrease of € 403 thousand in the current IRAP tax balance;
- A decrease of € 2,546 thousand in the balance of income from tax consolidation;
- Negative adjustments to current taxes relating to previous years for € 3 thousand (€ 222 thousand in positive adjustments at 31 December 2015);

› recognition of a net income amounting to € 1,245 thousand, relating to the total balance of prepaid and deferred taxes against the recognition of a net charge of € 7,250 thousand in the previous year. The future recovery of deferred tax assets has been assessed on the basis of the same forecasts as those used by the Management for the impairment test on goodwill (see note 5).

The reconciliation between current income taxes accounted for and theoretical tax resulting from the application of the IRES tax rate in force for the years ended 31 December 2016 and 31 December 2015 to pre-tax profit is as follows:

	31 December 2016		31 December 2015	
		%		%
Pre-tax profit	**48,604**		**(28,164)**	
of which discontinued operations	1,385		(3,713)	
Ordinary rate applicable		27.50%		27.50%
Effect of increases (decreases):				
- Temporary differences	5,516	3.12%	9,760	ND
- Permanent differences	(5,248)	-2.97%	54,090	ND
IRES taxable income	**48,874**		**35,686**	
EFFECTIVE TAX / RATE	**13,440**	**27.65%**	**9,814**	**34.85%**
OF WHICH DISCONTINUED OPERATIONS	***333***		***(17)***	

The value shown as current effective IRES tax (€ 13,440 thousand) includes the contribution from discontinued operations.
The reconciliation between the effective and theoretical IRAP tax rate is shown below:

	31 December 2016		31 December 2015	
		%		%
PRE-TAX PROFIT	**48,604**		**(28,164)**	
of which discontinued operations	*1,385*		*(3,713)*	
Ordinary rate applicable		1.17%		1.17%
		2.30%		2.30%
		2.68%		2.68%
		2.78%		2.78%
		2.93%		2.93%
		2.98%		2.98%
		3.44%		3.44%
		3.90%		3.90%
		4.60%		4.60%

	31 December 2016		31 December 2015	
		%		%
		4.73%		4.73%
		4.82%		4.82%
		4.97%		4.97%
Effect of increases (decreases):				
- Labour cost	4,960		335,433	
- Balance from financial management	93,494		19,349	
- Other differences between taxable base and pre-tax result	3,390		(210,157)	
IRAP TAXABLE INCOME	**150,448**		**116,461**	
- of which at 1.17%	0		3	
- of which at 2.3%	1,558		1,996	
- of which at 2.68%	233		493	
- of which at 2.93%	250		415	
- of which at 3.44%	68,106		0	
- of which at 3.90%	68,106		70,984	
- of which at 4.73%	1,389		1,757	
- of which at 4.82%	29,861		34,650	
- of which at 4.97%	3,963		4,359	
EFFECTIVE TAX / RATE	**4,407**	**9.07%**	**4,810**	**17.08%**
OF WHICH DISCONTINUED OPERATIONS	***0***		***0***	

In 2016, as in 2015, the Group companies did not pay income taxes in areas other than Italy.

Deferred and prepaid taxes

At 31 December 2016, the Group recorded deferred tax assets of € 29,971 thousand, net of deferred tax liabilities of € 11,812 thousand, as shown below:

	Financial Statement Tax Effect		Economic Tax Effect	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Prepaid taxes:				
Multi-year costs	120	197	77	136
Maintenance exceeding deductible limit	57	89	32	40
Presumed losses on receivables	5,259	4,481	(368)	2,120
Provisions for risks and charges	5,115	5,442	303	2,034
Write-downs on asset items	659	1,049	390	749
Discounting-back of receivables		401		(16)

	Financial Statement Tax Effect		Economic Tax Effect	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Fees due to Directors, Statutory Auditors and Independent Auditors	330	211	(119)	(20)
Amortization	906	788	(173)	184
Interest expense	6,302	4,110	(2,192)	1,965
Employee benefits and length of service bonuses	30	43	12	52
Employee incentives	4	247	243	247
Cash cost deduction	8	7	(1)	6
Other adjustments	2,181	1,978	(195)	646
Total prepaid taxes	**20,971**	**19,044**	**(1,991)**	**8,143**
Deferred taxes:				
Tax amortisation	(1)	(15)	(14)	
Lease for tax purposes		(39)	(39)	(8)
Employee benefit discounting		(51)	(51)	
Goodwill amortisation	(9,454)	(8,616)	837	(310)
Purchase Price Allocation (PPA)	(1,828)	(1,873)	(68)	(310)
Capital gains - deferred taxation		(10)	(10)	1
Undistributed profit	(326)	15	38	(359)
Other temporary differences	(203)	(181)	32	(28)
Other consolidation adjustments		(398)		309
Total deferred taxes	**(11,812)**	**(11,167)**	**725**	**(705)**
NET PREPAID/(DEFERRED) TAXES	**9,159**	**7,877**	**(1,266)**	**7,438**

29. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

As early as in 2014, MFM S.p.A. classified, as held for sale, the public lighting business that was only conducted by subsidiary SMAIL S.p.A. and was subsequently transferred to third parties on 13 November 2015. Furthermore, on 30 December 2014 MFM S.p.A. transferred the total stake in MIA S.p.A., the sub-holding company of the group active in the maintenance and installation of lifting equipment (MIA Group).
In the Consolidated Financial Statements at 31 December 2016, as well as at 31 December 2015, the economic results achieved by these activities have been excluded from the perimeter of “Continuing operations” and are recognized under a single item of the Statement of Profit or Loss as “Profit (loss) from discontinued operations”, in accordance with IFRS5.

Profit (loss) from discontinued operations

Below is the breakdown of profit (loss) from discontinued operations:

	31 December 2016	31 December 2015
Revenue		3,050
Operating costs		(5,641)
GROSS MARGIN	**0**	**(2,591)**
Amortization, depreciation, write-downs and write- backs		(19)
Net financial charges		201
Capital losses from discontinued operations		(1,303)
Capital gain from the sale of MIA S.p.A.	185	
Earn-out on the transfer of the SMAIL business	1,200	
PROFIT (LOSS) BEFORE TAXES FROM DISCONTINUED OPERATIONS	**1,385**	**(3,713)**
Income taxes from discontinued operations:		
- related to profit (loss) for the year		17
- related to the capital gain (capital losses) from discontinued operations		809
- related to discontinued operations	(333)	
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**1,052**	**(2,887)**
Basic earnings per share from discontinued operations	0.0096	(0.0264)
Diluted earnings per share from discontinued operations	0.0096	(0.0264)

At 31 December 2016 discontinued operations generated an overall profit, net of tax, equal to € 1,052 thousand, broken down as follows:

- An amount of € 970 thousand (€1,200 thousand, net of a tax effect of € 330 thousand) relating to the payment of the earn-out on the transfer of SMAIL S.p.A. that took place in 2014, as a result of the fulfilment of some contract conditions, and the collection of which is expected during the next 12 months;
- An amount of € 182 thousand (€ 185 thousand, net of a tax effect of € 3 thousand) relating to the positive adjustment applied following the partial collection of the receivable for escrowed sums relating to the sale of MIA S.p.A. that took place in December 2014.

The result of discontinued operations for the period ended 31 December 2015 was a loss of € 2,887 thousand, determined by the net profit for the year relating to the business perimeter transferred by SMAIL S.p.A. amounting € 1,600 thousand, including the related tax effect, and charges accrued in 2016 in relation to disposals of equity investments in previous years (€ 1,286 thousand).

Net cash flows generated from/(used in) discontinued operations

In 2016 discontinued operations generated the following cash outflows, compared with the cash flows generated during the same period of 2015:

	31 December 2016	31 December 2015
Profit/(loss) for the year from discontinued operations		**(662)**
Amortization, depreciation, write-downs and (write-backs) of assets		19
Employee termination indemnity provision		4
Payments of employee termination indemnity		(57)
Utilization of provisions		(25)
Financial expenses (income) for the year		(201)
CASH FLOW RELATED TO THE PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	**0**	**(922)**
Residual transfer price of Energyproject S.r.l. (2014)	76	50
Net cash flow from MIA S.p.A.'s transfer (2014)		(18)
Deferred transfer price of MIA S.p.A. (2014)	8,948	
Net transfer price relating to the transfer of SMAIL S.p.A. (2015)		4,900
Collection of Earn-Out amounts on the sale of SMAIL S.p.A. (2015)	250	
CASH FLOW FROM INVESTMENTS	**9,274**	**4,932**

The cash flows reported at 31 December 2016 mainly related to the collection of an amount of € 3,948 thousand and € 5,000 thousand on 9 May 2016 and 30 December 2016 respectively, relating to the receivable for escrowed sums on 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) which 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 transferor MFM S.p.A.. On the closing date of the transaction, 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, which had been settled in full on the reporting date. The financial items were settled in 2015 for € 18 thousand.

Furthermore, 2016 saw the collection of additional portions of the remaining receivable for the transfer of Energyproject S.r.l., which took place during 2014 (€76 thousand at 31 December 2016 against € 50 thousand at 31 December 2015). Finally, in accordance with the contract provisions, an amount of € 250 thousand was collected from the abovementioned Earn-Out that MFM S.p.A. (the merging company of SMAIL S.p.A.) obtained on the sale of the business during 2015. As to the sale, an amount of € 4,900 thousand was collected in 2015 on account of a net consideration for the sale.

30. EARNINGS PER SHARE

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

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

	For the year ended	
	31 December 2016	**31 December 2015**
Net profit attributable to shareholders (in thousands of Euro)	33,649	(45,412)
Number of ordinary shares (excluding own shares) for the purpose of basic earnings per share	109,149,600	109,149,600
BASIC AND DILUTED EARNINGS PER SHARE (IN EURO)	**0.308**	**(0.416)**

	For the year ended	
	31 December 2016	**31 December 2015**
Net earnings deriving from continuing operations (in thousands of Euro)	32,481	(42,482)
Net profit /(loss) deriving from continuing operations pertaining to minority interests (in thousands of Euro)	116	(43)
Net profit deriving from continuing operations pertaining to the Group (in thousands of Euro)	**32,597**	**(42,525)**
Number of ordinary shares for the purpose of basic earnings per share	109,149,600	109,149,600
BASIC AND DILUTED EARNINGS PER SHARE OF CONTINUING OPERATIONS (IN EURO)	**0.299**	**(0.390)**

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

Dividends

The Parent Company did not distribute dividends in 2015 and 2016 financial years.

31. COMMITMENTS AND CONTINGENT LIABILITIES

Financial lease

The Group signed financial lease agreements primarily for plant and equipment used in the production processes of the Laundering & Sterilization SBU and for motor vehicles. The table below details the amount of future rental fees deriving from financial leases and the current value of these fees:

	31 December 2016		31 December 2015	
	Rental fees	Present value of rental fees	Rental fees	Present value of rental fees
Within one year	523	495	632	564
From one year to five years	439	419	929	888
After five years	0	0	33	32
TOTAL LEASE FEES	**962**	**914**	**1,593**	**1,484**
Financial costs	(48)		(109)	
PRESENT VALUE OF LEASE FEES	**914**	**914**	**1,484**	**1,484**

At 31 December 2016 the Group granted sureties to third parties for:

- Guarantees in favour of associates for bank overdrafts and other obligations for € 16,057 thousand (31 December 2015: € 21,027 thousand);
- Guarantees in favour of Factoring Agencies amounting to € 2,104 thousand (unchanged compared to 31 December 2015), to ensure correct fulfilment of factoring contracts;
- other sureties granted to third parties: i) to ensure the correct fulfilment of contract obligations in place with customers amounting to € 225,516 thousand (31 December 2015: € 237,556 thousand); ii) guarantees against financial obligations amounting to € 2,225 thousand (31 December 2015: € 2,227 thousand); iii) to replace security deposits required to activate utilities or to execute lease agreements, as well as for VAT refunds from Inland Revenue Agency, for a total amount of € 4,657 thousand (31 December 2015: € 2,098 thousand).

Guarantees given within the Senior Secured Notes

The Parent Company MFM S.p.A. and the subsidiaries Servizi Ospedalieri S.p.A. and H2H Facility Solutions S.p.A. have issued, in favour of the bondholders the following collaterals:

- first-recorded pledge on the shares held by MFM S.p.A. in H2H Facility Solutions S.p.A. and in Servizi Ospedalieri S.p.A., equal to 100% of the capital of the same;
- assignment as security of receivables from private customers claimed by MFM S.p.A. and H2H Facility Solutions S.p.A.. At 31 December 2016 the receivables assigned as security amounted to € 68,285 thousand (€ 75,459 thousand at 31 December 2015);

- execution of a deed of pledge on the current accounts held with Unicredit S.p.A., which were credited with the amounts collected from private customers assigned as security. The balance of these current accounts at 31 December 2016 was equal to € 13,627 thousand (€ 6,415 thousand at 31 December 2015);
- the release by Servizi Ospedalieri S.p.A. and H2H Facility Solutions S.p.A. of a personal security for an overall maximum amount of € 48,411 thousand and € 16,907 thousand, respectively, at 31 December 2016.

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 Group. At 31 December 2016 no events of default had occurred.

Contingent liabilities

As at the date of approval of the Consolidated Financial Statements at 31 December 2016, no contingent liabilities had arisen for the MFM Group which had not been recognised in the accounts, in addition to the information already reported in the Notes to the 2016 Consolidated Financial Statements, to which reference should be made, and for which the Management believes that the related financial risks can be regarded as possible but unlikely.

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

MFM S.p.A. is the entity liable to compensate the aggrieved party for damages in criminal proceedings before the Court of Ivrea regarding a fire which broke out in the former Olivetti area at Scarmagno, in the Province of Turin, on 19 March 2013. The charges are causing a fire by negligence and violations of safety regulations against three MFM S.p.A. employees, the owner of one of MFM's sub-contractors and the owner of the firm which stocked material whose combustion is alleged to have led to the fire spreading over a vast area. At the hearing on 14 October 2015, MFM S.p.A. was summoned as liable in civil law by the plaintiffs jointly and severally with the other persons allegedly responsible and ordered to pay all the financial and non-financial damages under Article 538 of the Italian Code of Criminal Procedure, also on a provisional basis or, subordinately, to settle such damages in another venue. During 2016 hearings continued to be held before the Court of Ivrea, until the Court of first instance's ruling was issued on 24 February 2017, whereby the defendants were acquitted "for not having committed the crime".

The insurance companies involved paid the injured parties over € 38 million in damages and then formalised their application to recover the sum from both the individual persons charged and their employers, including MFM S.p.A.. The claim for damages amount to about € 50 million in all, including the claims from the owners of the properties affected and the above insurance company claims.

After careful consideration of the facts available and following the decision of acquittal at first instance , the Directors have deemed that the risk is possible but absolutely not probable.

Naples Public Prosecutor's Office investigation into the tender for awarding cleaning services at a local hospital

On 3 April 2017 the Naples Public Prosecutor's Office served a search order against some executives of the Company, which was executed at the registered office of the same. These executives are involved in the investigation started by the Naples Public Prosecutor's Office as to the tender for awarding cleaning services at a local hospital. The executives are charged, among other things, with the offence of corruption pursuant to Articles 319 and 319-*bis* of the Italian Criminal Code, which is potentially relevant pursuant to Legislative Decree 231 of 2001.

We have learned from the press that there is a request for application for disqualifying precautionary measures against the Company on the part of the Naples Public Prosecutor's Office in relation to which the Company has not yet received any notice to date. On the contrary, on 13 April 2017 the Judge for Preliminary Investigations of the Court of Naples, who had previously taken a precautionary measure (obligation to stay pursuant to Article 283 of the Italian Code of Criminal Procedure) against the Company's executive who was the only one to be investigated and who was a Company's function manager at the time of the facts being contested, ordered the revocation of the precautionary measure at the end of the custodial interrogation.

The Company declares that it is completely extraneous to the offences charged to its executives and has taken actions, within the normal relations with the control bodies, to define any appropriate in-depth analysis to be conducted.

32. TRANSACTIONS WITH RELATED PARTIES

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

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

The Parent Company not only provides technical-production services relating to the core business, but also administrative and IT services for certain Group companies.

The Parent Company also has some administrative, financial and lease service contracts in place with its parent company Manutencoop Società Cooperativa.

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

- e-Digital Solutions S.r.l. signed a contract with associate Roma Multiservizi S.p.A. on the basis of which it is committed to providing an Information System service. The contract, expiring on 31 December 2017, makes provision for an annual consideration of € 815 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 € 1,723 thousand, to be paid in 12 monthly instalments. The contract is currently being renewed.
- The affiliate company Manutencoop Immobiliare S.p.A. leased to Sicura S.r.l. the property located in Vicenza (VI), at via Zamenhof no. 363, for use as offices/warehouse. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 390 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 grant 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 terminating said contracts.
- Manutencoop Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the MFM Group, to preparing pay packets.
- MFM S.p.A. signed agreements with Manutencoop Cooperativa and its subsidiaries for the provision of tax consultancy services.

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

The MFM Group is subject to the management and coordination activities of Manutencoop Società Cooperativa and, pursuant to art. 2497-bis, paragraph 4 of the Italian Civil Code, the key figures of the latest set of approved financial statements are provided below:

	31 December 2015	31 December 2014
BALANCE SHEET		
ASSETS		
A) Subscribed capital, unpaid	42	104
B) Fixed assets	316,953	337,710
C) Current assets	42,257	53,040
D) Accrued income and prepaid expenses	1,811	2,033
TOTAL ASSETS	**361,063**	**392,887**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A)) Shareholders' equity:		
Share capital	7,198	8,660
Reserves	246,997	252,875
Profit/(Loss) for the year	(25,884)	(5,879)
B) Provisions for risks and charges	1,252	4,774
C) Employee Severance Indemnity	1,700	2,035
D) Payables	129,096	129,685
E) Accrued expenses and deferred income	705	736
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**361,063**	**392,887**
MEMORANDUM ACCOUNTS	**175,213**	**162,179**
INCOME STATEMENT		
A) Value of production	35,014	42,415
B) Cost of production	(34,594)	(41,993)
C) Financial income and costs	(4,881)	(4,718)
D) Value adjustments to financial assets	(20,434)	(2,755)
E) Non-recurring income and costs	151	65
Income taxes for the year	(1,140)	1,108
Profit/(Loss) for the year	**(25,884)**	**(5,879)**

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

On 30 November 2016 the Extraordinary Shareholders' Meeting of MFM S.p.A. approved the new Articles of Association, whereby the ordinary management and control system was adopted pursuant to articles 2380 and ff. of the Italian Civil Code, to replace the previous "two-tier" system which provided for the simultaneous presence of a Management Board as the governing body and a Supervisory Board as control body. Therefore, there was the appointment of a new Board of Directors (the members of which already acted in the previous Management Board) and of a Board of Statutory Auditors with control functions.

Fees paid to members of governing and control bodies, which acted during 2016, are shown below, as well as those paid to executives with strategic responsibilities in the Parent Company, including for roles held in other Group companies:

	31 December 2016	31 December 2015
Board of Directors/Management Board		
Short-term benefits	703	995
Post-employment benefits	0	0
Total Board of Directors/Management Board	**703**	**995**
Executives with strategic responsibilities		
Short-term benefits	2,527	3,456
Post-employment benefits	120	116
Total other executives with strategic responsibilities	**2,647**	**3,572**
Board of Statutory Auditors / Supervisory Board		
Short-term benefits	375	328
Total Board of Statutory Auditors / Supervisory Board	**375**	**328**

The table below reports the fees accounted for in the 2016 consolidated income statement for audit and non-audit services rendered by Ernst & Young S.p.A. and by other entities in its network:

	31 December 2016	31 December 2015
Audit services	586	591
Certification services	0	133
Other services	30	0
TOTAL FEES DUE TO THE INDEPENDENT AUDITORS	**616**	**724**

Other services concerned activities to support the start-up of operations in international markets.

33. MANAGEMENT OF FINANCIAL RISKS

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

In 2013 the Parent Company issued secured high-yield bond due August 2020, which radically revised the composition of the sources of financing. The bond issue that has been described has then rationalised 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 other financial instruments that are traditionally used by the Group Companies are made up of:

- short-term loans and revolving non-recourse and recourse factoring transactions targeted at funding working capital. Starting from the end of 2015 and during 2016 assignments with recourse were effected with Unicredit Factoring, while in early 2016 a 3-year contract was signed with Banca Farmafactoring for assignments with recourse;
- the very short-term credit facilities used for contingent cash requirements;
- medium/long-term loans with a multi-year repayment plan to cover investments in fixed assets and acquisitions of companies and business units.

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

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

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

The table below shows the hierarchy for each class of financial asset measured at fair value at 31 December 2016 and 31 December 2015.

		Hierarchy				Hierarchy		
	31 December 2016	Level 1	Level 2	Level 3	31 December 2015	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss								
Financial receivables, securities and other non-current financial assets	**101**	101			**162**	162		
- of which securities	***101***	*101*			***162***	*162*		
Available-for-sale financial assets								
Financial receivables and other current financial assets	**0**				**0**			
- of which hedging derivatives	***0***				***0***			
- of which non-hedging derivatives	***0***				***0***			
Total FINANCIAL Assets	**101**	**101**			**162**	**162**		

The other financial assets posted in the Statement of financial position are not measured at fair value.

The Group has no financial liabilities measured at fair value at 31 December 2016 and 31 December 2015. During the period under consideration there were no transfers between fair value measurement levels. There were no changes in allocation of financial assets that led to a different classification of asset.

The Group does not hold instruments to warrant amounts receivable to mitigate credit risk. The carrying amount of financial assets, therefore, represents its potential credit risk.

Classes of financial assets and liabilities

The following table shows the classification of financial assets and liabilities recorded in the consolidated Financial Statements of the MFM Group, as required by IFRS 7, and the associated economic effects for the year ended 31 December 2016:

	31 December 2016	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	3,850	3,850	
Non-current financial assets	11,769		11,769
Other non-current assets	2,323		2,323
Total non-current financial assets	**17,942**	**3,850**	**14,092**
Current financial assets			
Trade receivables and advances to suppliers	456,095		456,095
Current tax receivables	3,500		3,500
Other current assets	25,932		25,932
Current financial assets	2,387		2,387
Cash and cash equivalents	174,992		
Total current financial assets	**662,906**	**0**	**487,914**
TOTAL FINANCIAL ASSETS	**680,848**	**3,850**	**502,006**
Financial income (costs)	**2,462**	**498**	**1,964**

	31 December 2016	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	305,482		305,482
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	50		50
Total non-current financial liabilities	**305,532**	**0**	**305,532**
Current financial liabilities			
Trade payables and advances from customers	346,308		346,308
Current tax payables	1,363		1,363
Other current liabilities	85,909		85,910

	31 December 2016	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Bank borrowings and other financial liabilities	52,839		52,839
Total current financial liabilities	**486,419**	**0**	**486,420**
TOTAL FINANCIAL LIABILITIES	**791,951**	**0**	**791,952**
Financial income (costs)	**(31,601)**	**0**	**(31,601)**

The same information for the year ended 31 December 2015 is shown below:

	31 December 2015	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	3,502	3,502	
Non-current financial assets	15,657		15,657
Other non-current assets	2,180		2,180
Total non-current financial assets	**21,339**	**3,502**	**17,837**
Current financial assets			
Trade receivables and advances to suppliers	519,194		519,194
Current tax receivables	23,430		23,430
Other current assets	31,138		31,138
Current financial assets	5,257		5,257
Cash and cash equivalents	114,391		
Total current financial assets	**693,410**	**0**	**579,019**
TOTAL FINANCIAL ASSETS	**714,749**	**3,502**	**596,856**
Financial income (costs)	**525**	**(459)**	**984**

	31 December 2015	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	311,686		311,686
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	28		28
Total non-current financial liabilities	**311,714**	**0**	**311,714**
Current financial liabilities			
Trade payables and advances from customers	380,215		380,215
Current tax payables	0		0
Other current liabilities	94,572		94,572
Bank borrowings and other financial liabilities	48,563		48,563

	31 December 2015	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Total current financial liabilities	523,350	0	523,350
TOTAL FINANCIAL LIABILITIES	835,064	0	835,064
Financial income (Costs)	(34,066)	0	(34,066)

Liquidity risk

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

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

During the previous year, following the considerable fine issued by the Competition Authority, the Group has reviewed its financial planning in order to create the conditions for meeting this potential extraordinary outflow of cash. To this end, on 23 February 2016, MFM S.p.A. and Servizi Ospedalieri S.p.A. entered into a factoring maturity contract, without recourse (pro-soluto), with Banca Farmafactoring S.p.A. in relation to the assignment of receivables from entities in the National Health System, for an annual cumulative amount of up to € 100 million. It is a committed credit line with a term of three years.

Price risk

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

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

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

Credit risk

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

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

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

Fair value

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

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

	Carrying Amount		Fair value	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Financial assets				
Cash and cash equivalents	174,992	114,391	174,992	114,391
Receivables and other current financial assets	2,387	5,257	2,387	5,257
Other minority interests	3,850	3,502	3,850	3,502
Non-current financial receivables	11,769	15,657	11,769	15,657
Financial liabilities				
Loans:				
- Variable rate loans	23,846	42,332	23,846	42,332
- Fixed rate loans	328,197	303,435	328,197	303,435
Other current financial liabilities	6,278	14,482	6,278	14,482

Interest rate risk

With the bond issue launched in 2013, the Management restructured the Group's financial structure, definitely strengthening a mix between short- and medium/long-term debt in favour of the latter. The Senior Secured Notes was launched at a discount of 98.713%, with a fixed-rate coupon of 8.5% to be settled on a six-monthly basis and due in 2020. The proceeds from the Notes have been used to repay a significant portion of the loans that were previously in place, in addition to the derivative contracts.

As early as 2015 the Group's Management deemed it appropriate to rebalance the mix between short- and medium-to-long term debt, through the repurchase of an additional quota of the bond issue (June 2015) and the use of current account overdrafts, the execution of short- and very short-term (hot money) bank loan agreements and assignments of receivables. However, the financial cost of the Group's debt mainly remains fixed.

The other financial instruments of the Group exposed to interest rate risks are those listed in note 15 (to which reference is made) such as Loans (other than the Senior Secured Notes), as well as financial statement items recorded under *Cash and cash equivalents, and Receivables and other current financial assets* (note 10) and *Non-current financial assets* (note 7).

Interest rate sensitivity analysis

The structure of the consolidated debt is affected, to a marginal extent, by the changes in market rates, as it is mainly based on the bond issue described above, for which the Group has set the cost for its recourse to credit market at the rate of return it ensures on the coupons. For the remaining amount, the Group makes recourse to variable rate loans, which are linked to the EURIBOR performance.

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

	Increase / Decrease	Effect of the profit (loss), gross of taxes
Financial year ended 31 December 2016	+ 150 bps	(896)
	- 30 bps	179
Financial year ended 31 December 2015	+ 150 bps	(1,424)
	- 30 bps	285

Exchange rate risk

The Group operates predominantly in the national market, where it is not exposed to exchange rate risks.

Capital management

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

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

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

	31 December 2016	31 December 2015
Employee termination indemnity	17,043	18,424
Interest-bearing loans	305,489	345,767
Trade payables and advances from customers	346,308	380,215
Other current payables	85,909	94,572
Other current financial liabilities	52,832	14,482
Cash and cash equivalents	(174,992)	(114,391)
Other current financial assets	(2,387)	(5,257)
Total Net Debt	**630,202**	**733,811**
Group shareholders' equity	323,137	289,585
Undistributed net profit (loss)	(33,649)	45,412
Total capital	**289,488**	**334,997**
EQUITY AND NET DEBT	**919,690**	**1,068,808**
INDEBTEDNESS RATIO	68.5%	68.7%

The debt ratio substantially remained stable compared to the previous year since, against a decrease of € 45.5 million in the capital as a result of the allocation of the 2015 loss to reserves, a reduction was recorded in net debt for € 103.6 million.

34. SUBSEQUENT EVENTS

*Amendments to regulations governing "*Oneri di sistema*"*

MFM S.p.A. holds some major contracts for energy services for which operating payables relating to "*Oneri di Sistema*" had been recognised for a total amount of € 6.2 million during 2015. During 2016 the Group reviewed the measurements of these charges for some sites which had previously not been considered eligible for concessions; therefore no additional charges on the energy contracts involved were recognised in 2016.

On 23 February 2017 the Chamber of Deputies finally approved Decree Law 244 of 30 December 2016, the "*Milleproroghe*" Decree, and converted it into law. Specifically, the amendments affect the current regulations governing "*Oneri di sistema*" and in particular "the following paragraphs are repealed: paragraph 5 of Article 33 of Law 99 of 23 July 2009, as well as paragraphs 1 to 7 and paragraph 9 of Article 24 of Decree Law 91 of 24 June 2014, as amended and converted by law 116 of 11 August 2014. The effects (if any) of repealed rules also cease to apply, which have not yet been felt".
In short, the rule was repealed, which, except for the RIUs (Reti Interne di Utenza, Internal Utility Networks), general *oneri di sistema* are calculated by making reference to energy consumption. According to the previous Bersani Decree (Legislative Decree 79/99), *oneri di sistema* are payable according to the energy withdrawn from the grid and, accordingly, any entity that does not withdraw energy from the grid,

because it produces electricity on its own account, is exempt from the payment of said charges. Therefore, according to the new regulations, the management of MFM S.p.A. believes that no additional *Oneri di Sistema* must be recognised during 2017, also given that payment obligations have ceased to apply to those relating to previous years. On the other hand, this case will remedy some distorting effects of the complex regulations governing energy self-production until 31 December 2017, which would have wrongly changed the regulatory framework for investments already made, in particular in industrial districts, thus frustrating their sustainability. Furthermore, a general reform of the relevant Regulations is desirable and expected during 2018.

Other events after the year-end

On 23 March 2017 AGCM notified MFM S.p.A. of the initiation of a preliminary investigation procedure against the main operators of the Facility Management market in order to establish whether these companies implemented any possible understanding restricting competition, concerning the coordination of the procedures to participate in the tender launched by Consip in 2014 for awarding the Facility Management services to be rendered to the properties that are mainly intended for office use on the part of the Public Authorities ("FM4 Tender"). For more comprehensive information, reference should be made to note 13.

On 3 April the Naples Public Prosecutor's Office served a search order against some executives of the Company, which was executed at the registered office of the same. These executives are involved in the investigation started by the Naples Public Prosecutor's Office as to the tender for awarding cleaning services at a local hospital.

For more details, reference should be made to note 31.

Zola Predosa, 19 April 2017

The Chairman of the Board of Directors

Marco Canale

ANNEX I

GROUP COMPANIES

PARENT COMPANY

Name	Registered Office	City
Manutencoop Facility Management S.p.A.	Via Poli n. 4	Zola Predosa (BO)

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Name	Registered Office	City	% held	Type
Alessandria Project Value S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
CO.GE.F. Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	80%	Subsidiary
Consorzio Igiene Ospedaliera Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	66.66%	Subsidiary
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Evimed S.r.l.	Via Zamenhof 363	Vicenza	90%	Subsidiary
e-Digital Services S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Ferraria Soc. cons. a r.l.	Via Poli 4	Zola Predosa (BO)	69%	Subsidiary
Global Oltremare Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
H2H Facility Solutions S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
ISOM Lavori Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	62.71%	Subsidiary
ISOM Gestione Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	52.97%	Subsidiary
KANARIND Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	62.43%	Subsidiary
Leonardo S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
Logistica Sud Est Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Manutencoop International FM S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Manutencoop France S.a.r.l.	4 place Louis Armand-Tour de l'Horloge	Paris	100%	Subsidiary
MCF servizi Integrati Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Palmanova Servizi Energetici Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Protec S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
S.AN.CO S.c.a.r.l.	Via A. Saffi, 51	Bologna	100%	Subsidiary
S.AN.GE S.c.a.r.l.	Viale Sarca 336 – Strada Privata Breda – Edificio 12	Milan	89%	Subsidiary
San Gerardo Servizi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Servizi Brindisi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	52%	Subsidiary
Servizi Ospedalieri S.p.A.	Via Calvino 33	Ferrara	100%	Subsidiary
Servizi Sanitari Sicilia Soc.Cons. a r.l.	Via Calvino 33	Ferrara	70%	Subsidiary
Servizi Taranto Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60.08%	Subsidiary

Name	Registered Office	City	% held	Type
Sicura S.p.A.	Via Zamenhof 363	Vicenza	85%	Subsidiary
Telepost S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Yougenio S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary

JOINT VENTURES ACCOUNTED FOR UNDER THE EQUITY METHOD

Name	Registered Office	City	% held	Type
AMG S.r.l.	SS Laghi di Avigliana 48/a	frazione Roata Raffo Busca (CN)	50%	Joint Venture
Cardarelli Soc.cons.r.l.	S.S. Appia 7 bis Km. 11,900 Zona A.s.i. Aversa Nord	Carinaro (CE)	60%	Joint Venture
CO. & MA. Soc. Cons. a r.l.	Via del Parco n. 16	Tremestieri Etneo (CT)	50%	Joint Venture
DUC Gestione Sede Unica Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	49%	Joint Venture
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	Üniversiteler Mahallesi, Bilkent Plaza, A3 Blok, n. 4	Çankaya/ Ankara	50%	Joint Venture
Legnago 2001 Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	50%	Joint Venture
Malaspina Energy Soc.cons.r.l.	Via Varesina 118	Lurate Caccivio (CO)	50%	Joint Venture
Servizi Sportivi Brindisi Soc.cons.r.l.	Via Licio Giorgieri 93	Rome	50%	Joint Venture

ASSOCIATES AND OTHER COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

Name	Registered Office	City	% held	Type
Alisei S.r.l. in liquidation	Via Cesari 68/1	Modena	100%	in liquidation
Bologna Gestione Patrimonio Soc.Cons. r.l. in liquidation	Via della Cooperazione 9	Bologna	27.58%	in liquidation
Bologna Global Strade Soc.Cons. r.l.	Via Zanardi n372	Bologna	51%	Associate
Bologna Multiservizi Soc.Cons. r.l.	Via Del Lavoro 23/4	Casalecchio di Reno (BO)	39%	Associate
Bologna Più' Soc.Cons.r.l in liquidation	Via M.E. Lepido 182/2	Bologna	25.68%	in liquidation
Centro Europa Ricerche S.r.l.	Via G. Zanardelli n. 34	Rome	21.38%	Associate
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	Via Poiano 22	Imola (BO)	60%	in liquidation
Como Energia Soc.Cons. r.l.	Via Pietro Strazzi 2	Como	30%	Associate
Consorzio Polo Sterilizzazione Integrata a r.l.	Via Facciolati 84	Padova	60%	Associate
Consorzio Sermagest Soc.Cons. a r.l. in liquidation	Via Filippo Corridoni 23	Rome	60%	in liquidation
F.lli Bernard S.r.l.	Stradella Aquedotto 21	Bari	20%	Associate
Gico System S.r.l.	Via Finelli 8	Calderara di Reno (BO)	20%	Associate
Global Provincia Di Rimini Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	42.40%	in liquidation

Name	Registered Office	City	% held	Type
Global Riviera Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	30.66%	Associate
Global Vicenza Soc.Cons. a r.l.	Via Grandi 39	Concordia Sulla Secchia (MO)	41.25%	Associate
Gymnasium Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	68%	in liquidation
GRID Modena S.r.l.	Via Divisione Acqui, 129	Modena (MO)	23%	Associate
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi 18	Turin	24.75%	Associate
Livia Soc.Cons. a r.l. in liquidation	Via Roma 57/B	Zola Predosa (BO)	34.10%	in liquidation
Logistica Ospedaliera Soc. Cons. a r.l	Via C. Alberto Dalla Chiesa 23/I	Caltanissetta (CL)	45%	Associate
Newco Duc Bologna S.p.A.	Via M.E. Lepido 182/2	Bologna	24.90%	Associate
Palazzo della Fonte S.c.p.a.	Via Calamandrei, 255	Arezzo (AR)	33.30%	Associate
Progetto ISOM S.p.A.	Via Poli 4	Zola Predosa (BO)	36.98%	Associate
Roma Multiservizi S.p.A.	Via Tiburtina 1072	Rome	45.47%	Associate
San Martino 2000 Soc.Cons. a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Savia Soc.Cons. a r.l.	Via B. Vanzetti 1	Forlì	49.11%	Associate
Società Consortile Adanti Manutencoop a r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	in liquidation
Serena S.r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	in liquidation
Se.Ste.Ro S.r.l.	Via San Pietro 59/B	fraz. Castellina - Soragna (PR)	25%	Associate
Servizi Napoli 5 Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	45%	Associate
Servizi Sanitari Treviso Soc.Cons.a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Sesamo S.p.A.	Via C. Pisacane 2	Carpi (MO)	20.91%	Associate
Simagest 2 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	90%	in liquidation
Simagest 3 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	89.99%	in liquidation
Synchron Nuovo San Gerardo S.p.A.	Via Poli 4	Zola Predosa (BO)	35.82%	Associate
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi 18	Turin	25%	Associate
Tower Soc.Cons. a r.l. in liquidation	Via Zanardi 372	Bologna	20,17%	Associate

ANNEX II

VALUATION OF INVESTMENTS USING THE EQUITY METHOD

	%	Net Book Value Dec 31, 15	Changes of the year					Net Book Value Dec 31, 16	Book Value	Investment Provision
			Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves			
Alisei S.r.l. in liquidation	100%	(65)				(8)		(72)	0	(72)
A.M.G. S.r.l.	50%	2,257			82			2,339	2,339	
Bologna Gestione Patrimonio Soc. Cons. a. r.l. in liquidation	27.58%	6						6	6	
Bologna Global Strade Soc. Cons. a. r.l.	51%	0	51					51	51	
Bologna Multiservizi Soc. Cons. a r.l.	39%	4						4	4	
Bologna Più Soc. Cons. a r.l.	25.68%	5						5	5	
Cardarelli Soc. Cons. a r.l.	60%	5						5	5	
Centro Europa Ricerche S.r.l.	21.38%	0	69					69	69	
Co. & Ma. Soc. Cons. a r.l.	50%	5						5	5	
Como Energia Soc. Cons. a r.l.	30%	11						11	11	
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	60%	6						6	6	
Consorzio Polo sterilizzazione Integrata	60%	23			(22)			1	1	
Consorzio Sermagest in liquidation	60%	0						0	0	
DUC Gestioni Soc.Cons. a r.l.	49%	10						10	10	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	50%	391			(163)			228	228	
F.lli Bernard S.r.l.	20%	1.239			66			1,305	1,305	
GICO Systems S.r.l.	20%	79			71			150	150	
Global Provincia di Rimini Soc.Cons. a r.l.	42.40%	4						4	4	
Global Riviera Soc.Cons. a r.l.	30.66%	9						9	9	
Global Vicenza Soc.Cons. a r.l.	41.25%	4						4	4	
Gymnasium soc. Cons. a r.l. in liquidation	68%	7						7	7	
GRID Modena S.r.l.	23%	24	6		(6)			24	24	
IPP S.r.l.	25%	434			(45)			389	389	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34.10%	3						3	3	
Logistica Ospedaliera Soc. Cons. a r.l	45%	5						5	5	
Malaspina Energy Soc. Cons. a r.l.	50%	50	(50)					0	0	
Newco DUC Bologna S.p.A.	24.90%	387			89		(51)	425	425	
Palazzo della Fonte S.c.p.a.	33.30%	8,000						8,000	8,000	
Progetto ISOM S.p.A.	36.98%	1,143			(151)		394	1,385	1,385	
ROMA Multiservizi S.p.A.	45.47%	6,540			1,581		(58)	8,063	8,063	
San Martino 2000 Soc.Cons. a	40%	4						4	4	

	%	Net Book Value Dec 31, 15	Changes of the year Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves	Net Book Value Dec 31, 16	Book Value	Investment Provision
r.l.										
Savia soc.cons.a.r.l.	49.11%	5						5	5	
Società Consortile Adanti Manutencoop a r.l. in liquidation	50%	10						10	10	
SE.SA.MO. S.p.A.	20.91%	1,724			281			2,005	2,005	
Se.Ste.Ro S.r.l.	25%	139			(16)			123	123	
Serena S.r.l.	50%	9						9	9	
Servizi L'Aquila Soc. Cons. a r.l. in liquidation	60%	0	0					0	0	
Servizi Napoli 5 Soc. Cons. a r.l.	45%	5						5	5	
Servizi Sanitari Treviso (SE.SA.TRE)	40%	8						8	8	
Servizi Sportivi Brindisi Soc. Cons. a r.l.	50%	5						5	5	
Simagest 2 Soc.Cons.a r.l. in liquidation	90%	45						45	45	
Simagest 3 Soc.Cons.a r.l. in liquidation	89.99%	45						45	45	
Synchron Nuovo San Gerardo S.p.A.	35.82%	4,808			(77)			4,731	4,731	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000						1,000	1,000	
Tower Soc.Cons. a r.l.	20.17%	20						20	20	
NET BOOK VALUE		**28,419**	**77**	**-**	**894**	**(8)**	**285**	**30,462**	**30,534**	**(72)**

ANNEX III

RELATED PARTY TRANSACTIONS

PARENT COMPANY

		Reven ues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Manutencoop Società Cooperativa	31-dec-15	184	32,893		15	31-dec-15	74	18,384	6,421	145
	31-dec-16	153	32,278		498	31-dec-16	60	2,659	4,770	1,771

ASSOCIATES AND JOINT-VENTURES

		Reven ues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Alisei s.r.l. in liquidation	31-dec-15					31-dec-15	3			1
	31-dec-16					31-dec-16	3			1
AMG S.r.l.	31-dec-15		254	2		31-dec-15	19	502	162	
	31-dec-16		234	1		31-dec-16	1		117	
Bologna Gestione Patrimonio Soc.Cons. a r.l. in liquidation	31-dec-15	36	65			31-dec-15	175		50	
	31-dec-16					31-dec-16			50	
Bologna Multiservizi Soc.Cons. a r.l.	31-dec-15		250			31-dec-15	195		1.619	
	31-dec-16	63	247			31-dec-16	276		1.491	
Bologna Più Soc.Cons.a r.l. in liquidation	31-dec-15					31-dec-15	(2)	39	13	
	31-dec-16					31-dec-16	(2)	3	3	
Bologna Global Strade Soc. Cons. a r.l	31-dec-15					31-dec-15				
	31-dec-16	2.674	4.788			31-dec-16	572	336	1.395	
Cardarelli Soc. Cons. a r.l.	31-dec-15		2.132			31-dec-15			1.042	
	31-dec-16		1.547			31-dec-16			793	
Centro Europa Ricerche S.r.l.	31-dec-15					31-dec-15				
	31-dec-16	8				31-dec-16				
Como Energia Soc.Cons.a r.l.	31-dec-15		878			31-dec-15			900	
	31-dec-16		932			31-dec-16			1.461	

		Revenues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consorzio Imolese Pulizie soc.Cons. in liquidation	31-dec-15					31-dec-15	49	36	48	
	31-dec-16					31-dec-16		36	12	
Consorzio Leader Soc. Cons. a r.l. in liquidation	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
Consorzio Polo Sterilizzazione Integrata a r.l.	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
Consorzio Sermagest Soc.Cons.a r.l in liquidation	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
CO.& MA. Soc. Cons. a r.l	31-dec-15	360	1.263			31-dec-15	360	20	2.287	
	31-dec-16	360	1.383			31-dec-16		20	1.007	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31-dec-15	6.104	2.824			31-dec-15	5.799		997	
	31-dec-16	6.716	2.987			31-dec-16	3.403		437	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	31-dec-15	78			10	31-dec-15	188	2	54	267
	31-dec-16	215	11			31-dec-16	496	1.175	(20)	256
Fr.lli Bernard s.r.l.	31-dec-15	29	1			31-dec-15	58	50		
	31-dec-16	12				31-dec-16	70	50		
Gestlotto 6 Soc. cons. a r.l in liquidation	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
Gico Systems S.r.l.	31-dec-15	6	980			31-dec-15	9		624	
	31-dec-16	14	646			31-dec-16	49		380	
Global Provincia di RN Soc.Cons.a r.l. in liquidation	31-dec-15					31-dec-15	25	70	18	
	31-dec-16					31-dec-16		70	13	
Global Riviera Soc.Cons.a r.l.	31-dec-15		12			31-dec-15	55		(105)	
	31-dec-16		52			31-dec-16	55		(53)	
Global Vicenza Soc.Cons. a r.l.	31-dec-15	228	1.420			31-dec-15	34	570	933	
	31-dec-16	103	866			31-dec-16	144	748	594	
Grid Modena S.r.l.	31-dec-15		12			31-dec-15	2			
	31-dec-16					31-dec-16				
Gymnasium Soc. cons. a r.l in liquidation	31-dec-15					31-dec-15	1	7	33	5
	31-dec-16					31-dec-16	1	8	33	5
HEADMOST in liquidation	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
IPP S.r.l.	31-dec-15	423	250			31-dec-15	313	60	152	
	31-dec-16	361	199			31-dec-16	177	60	96	
Legnago 2001 Soc. Cons. r.l.	31-dec-15		4			31-dec-15	216		84	
	31-dec-16		4			31-dec-16	158		41	
Livia Soc. cons. a r.l.	31-dec-15			22		31-dec-15				
	31-dec-16		8			31-dec-16			8	
Logistica Ospedaliera	31-dec-15		426			31-dec-15			140	

		Revenues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Soc. Cons. a r.l.	31-dec-16		412			31-dec-16			24	
Malaspina Energy Soc. Cons. a r.l.	31-dec-15		39	4		31-dec-15	1,047	180	91	
	31-dec-16		15	3		31-dec-16				
Newco DUC Bologna S.p.A	31-dec-15					31-dec-15			25	
	31-dec-16		7			31-dec-16			33	
Palazzo della Fonte S.c.p.a.	31-dec-15	3,994				31-dec-15	723			
	31-dec-16	4,009				31-dec-16	804			
P.B.S. Soc.Cons. a r.l. in liquidation	31-dec-15		(39)			31-dec-15		1		
	31-dec-16					31-dec-16				
Progetto ISOM S.p.A.	31-dec-15	233	371	24		31-dec-15	13,630	1,802	131	
	31-dec-16	257	78	120		31-dec-16	17,325	1,922	203	
Progetto Nuovo Sant'Anna S.r.l.	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
Roma Multiservizi S.p.A.	31-dec-15	1,582	1,971		4	31-dec-15	516		1,330	462
	31-dec-16	3,326	1,584			31-dec-16	2,416		980	
San Martino 2000 Soc.Cons. r.l.	31-dec-15	1,708	3,509			31-dec-15	717		675	
	31-dec-16	1,610	3,436			31-dec-16	573		423	
Savia Soc. Cons. a r.l	31-dec-15		1,202			31-dec-15	18		965	
	31-dec-16		1			31-dec-16			314	
Serena S.r.l. - in liquidation	31-dec-15					31-dec-15		3	1	
	31-dec-16					31-dec-16		3		
Servizi l'Aquila Soc.Cons. a r.l. in liquidation	31-dec-15					31-dec-15				
	31-dec-16	0	5			31-dec-16				
Servizi Luce Soc. Cons. a r.l.	31-dec-15	35	1,542			31-dec-15	339		(93)	
	31-dec-16					31-dec-16				
Servizi Marche Soc. Cons. r.l. in liquidation	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
Servizi Napoli 5 Soc.Cons. a r.l.	31-dec-15	1,395	1,282			31-dec-15	2,076		1,287	
	31-dec-16	1,414	1,318			31-dec-16	1,944		1,311	
Se.Sa.Mo. S.p.A.	31-dec-15	5,161		27		31-dec-15	2,608	606	6	
	31-dec-16	5,182		25		31-dec-16	1,486	618	6	
SESATRE S.cons. a r.l.	31-dec-15	15	4,526	19		31-dec-15	(14)	1,221	1,475	
	31-dec-16	16	4,419	9		31-dec-16	4	524	1,687	
Se.Ste.Ro S.r.l.	31-dec-15	15	501			31-dec-15	46		921	
	31-dec-16					31-dec-16	46		815	
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation	31-dec-15					31-dec-15	20	75	4	2
	31-dec-16					31-dec-16		75	13	2
S.I.MA.GEST3 Soc. Cons. r.l in liquidation	31-dec-15					31-dec-15			3	
	31-dec-16					31-dec-16			3	

		Reven ues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Società Consortile Adanti Manutencoop in liquidation	31-dec-15					31-dec-15				
	31-dec-16	25	52			31-dec-16	37		63	
Steril Piemonte Soc. cons. a.r.l	31-dec-15	(1)	727	3		31-dec-15	11	578	334	
	31-dec-16		696	1		31-dec-16	7	576	267	
Synchron Nuovo San Gerardo S.p.A.	31-dec-15	7,979	631	78		31-dec-15	7,915	2,123	646	
	31-dec-16	5,246	433	173		31-dec-16	10,173	2,333	658	
Tower Soc.Cons. a r.l. in liquidation	31-dec-15					31-dec-15		11		
	31-dec-16					31-dec-16	33	17	(11)	

SUBSIDIARIES OF MANUTENCOOP COOPERATIVA

		Reven ues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Cerpac S.r.l. in liquidation	31-dec-15					31-dec-15	1			
	31-dec-16					31-dec-16	1			
Manutencoop Immobiliare S.p.A.	31-dec-15	10	2,483			31-dec-15	6		114	
	31-dec-16	10	2,382			31-dec-16	6		(47)	
Nugareto Società Agricola Vinicola S.r.l.	31-dec-15	9	52			31-dec-15	8		39	
	31-dec-16	7	43			31-dec-16	16		42	
Segesta servizi per l'Ambiente S.r.l.	31-dec-15	17				31-dec-15	9			
	31-dec-16	17				31-dec-16	17			

ASSOCIATES OF MANUTENCOOP COOPERATIVA OR OTHER RELATED PARTIES

		Reven ues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consorzio Karabak Società Cooperativa	31-dec-15	62	2			31-dec-15	11		2	
	31-dec-16	123	1			31-dec-16	23		1	
Consorzio Karabak 2 Società Cooperativa	31-dec-15	3	1			31-dec-15			1	
	31-dec-16	80	1			31-dec-16			1	
Consorzio Karabak 3 Società Cooperativa	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				

		Revenues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consorzio Karabak 4 Società Cooperativa	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16			1	
Consorzio Karabak 5 Società Cooperativa	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
Consorzio Karabak 6 Società Cooperativa	31-dec-15		1			31-dec-15		1		
	31-dec-16					31-dec-16				
Sacoa S.r.l.	31-dec-15	75	20			31-dec-15	50		8	
	31-dec-16	81	19			31-dec-16	58		8	

		Revenues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
TOTAL	**31-dec-15**	**29,740**	**62,484**	**179**	**29**	**31-dec-15**	**37,310**	**26,340**	**23,437**	**882**
	31-dec-16	**32,082**	**61,084**	**332**	**498**	**31-dec-16**	**40,432**	**11,233**	**19,423**	**2,035**

ANNEX IV

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

	For the year ended 31 December			
	2016		2015	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**114,391**		**113,382**
CASH FLOW FROM CURRENT OPERATIONS:		**64,778**		**55,676**
Profit before taxes for the year	47,219		(24,450)	
Profit (loss) from discontinued operation	1,052		(2,887)	
Capital gain on disposal of discontinued operation	(1,409)		2,225	
Amortization, depreciation, write-downs and (write-backs) of assets	32,713		32,513	
Accrual (reversal) of provisions for risks and charges	(10,107)		51,561	
Employee termination indemnity provision	889		838	
Share of net profit of associates, net of dividends collected	(1,688)		940	
Financial charges (income) for the period	28,257		32,891	
Net interest received (paid) in the period	(26,471)		(32,639)	
Income tax paid in the period	5,299		(5,072)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	(1,507)		(243)	
Cash flow relating to the assignment of receivables without recourse for taxes under tax consolidation regime, included in changes in other operating assets	(9,471)			
USES OF PROVISIONS FOR RISKS AND CHARGES AND PAYMENTS OF THE EMPLOYEE TERMINATION INDEMNITY:		**(10,175)**		**(14,012)**
Payments of Employee termination indemnity	(2,672)		(2,769)	
Utilization of provisions	(7,503)		(11,244)	
CHANGE IN ADJUSTED NWOC:		**13,193**		**55,588**
Decrease (increase) of inventories	381		(92)	
Decrease (increase) of trade receivables	58,123		54,552	
Increase (decrease) of trade payables and advances from customers	(33,828)		1,060	
Adjustments:				
Change in the amount of trade receivables assigned without recourse to Factoring agencies and not yet collected by the latter	(11,484)		69	
INDUSTRIAL AND FINANCIAL CAPEX:		**(25,247)**		**(17,047)**
(Purchase of intangible assets, net of sales)	(6,857)		(6,502)	
(Purchase of property, plant and equipment)	(23,677)		(17,389)	

	For the year ended 31 December			
	2016		2015	
Proceeds from sales of property, plant and equipment	835		793	
(Acquisition of investments)	(505)		848	
Decrease (increase) of financial assets	(490)		(932)	
Net cash used in business combinations	0		(408)	
Net cash from assets held for sale	9,274		4,932	
Reclassifications:				
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	(3,411)		1,685	
Payables for acquisition of equity investments and business combinations	(415)		(433)	
CHANGE IN ADJUSTED NET FINANCIAL LIABILITIES:		**12,426**		**(49,089)**
Proceeds from non-current borrowings	0		10,000	
Repayment of non-current borrowings	0		(80,000)	
Payment of financial lease liabilities	(570)		(804)	
Proceeds from/(repayment of) short term bank debt	(22,207)		21,180	
Other changes in financial debt	18,386		1,615	
Adjustments:				
Change in the amount of receivables assigned without recourse to Factoring agencies and not yet collected by the latter	11,484		(69)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of Profit or Loss	1,507		243	
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	3,411		(1,685)	
Payables for acquisition of equity investments and business combinations	415		433	
OTHER CHANGES:		**5,625**		**(29,747)**
Decrease (increase) of other current assets	4,804		(985)	
Increase (decrease) of other current liabilities	(8,621)		(28,742)	
Dividends paid	(25)		(20)	
Change in scope of consolidation	(4)		0	
Reclassification:				
Cash flow relating to the assignment of receivables without recourse for taxes under tax consolidation regime, included in changes in other operating assets	9,471		0	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**174,992**		**114,391**

MANUTENCOOP

2016

ANNUAL REPORT

AT 31 DECEMBER 2016

INDIPENDENT AUDITOR’S REPORT

Manutencoop Facility Management S.p.A.

Consolidated financial statements as at December 31, 2016

Independent auditor’s report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010

EY S.p.A.
Via Massimo D'Azeglio, 34
40123 Bologna

Tel: +39 051 278311
Fax: +39 051 236666
ey.com

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
Manutencoop Facility Management S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Manutencoop Facility Management Group, which comprise consolidated statement of financial position as at 31/12/2016, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in Shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Manutencoop Facility Management S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Manutencoop Facility Management Group as at 31/12/2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw attention:

- to Note 13-*Provisions for Risks and Charges* to the consolidated financial statements which describes the assessment performed by the Directors with reference to the fine levied on Manutencoop Facility Management S.p.A. by the Italian Competition Authority on January 20, 2016, to the further risks involved and to the related effects on the financial statements;
- to Note 31-*Commitments and Contingent Liabilities* to the consolidated financial statements which reports on the investigation notified by the Public Prosecutor's Office of Naples to some executives of Manutencoop Facility Management S.p.A. on April 3, 2017.

Our opinion is not qualified in respect of these matters.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations with the consolidated financial statements. The Directors of Manutencoop Facility Management S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. In our opinion the Report on is consistent with the consolidated financial statements of Manutencoop Facility Management Group as at 31/12/2016.

Bologna, April 21, 2017

EY S.p.A.
Signed by: Marco Menabue, partner

This report has been translated into the English language solely for the convenience of international readers.

MANUTENCOOP

2016
ANNUAL REPORT

AT 31 DECEMBER 2016

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

STATEMENT OF FINANCIAL POSITION

(in Euro)	NOTE	31 December 2016	31 December 2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	8,918,779	9,341,160
Property, plant and equipment under lease	4	0	188,308
Goodwill	5 – 6	293,238,288	293,238,288
Other intangible assets	5	23,740,211	23,906,956
Investments in Subsidiaries, Joint-ventures, Associates	7	148,529,984	143,527,606
Other investments	7	3,277,263	2,867,956
Non-current financial assets	8	57,732,248	61,371,788
Other non-current assets	9	2,023,298	1,904,067
Deferred tax assets	33	16,595,365	14,044,649
TOTAL NON-CURRENT ASSETS		**554,055,436**	**550,390,779**
CURRENT ASSETS			
Inventories	10	688,787	883,556
Trade receivables and advances to suppliers	11	356,862,846	398,477,272
Current tax receivables		1,680,713	12,254,336
Other current assets	12	16,957,298	19,401,849
Current financial assets	13	11,174,866	27,215,347
Cash and cash equivalents	14	137,963,376	84,542,561
TOTAL CURRENT ASSETS		**525,327,886**	**542,774,921**
Assets classified as held for sale		0	0
TOTAL ASSETS CLASSIFIED AS HELD FOR SALE		0	**0**
TOTAL ASSETS		**1,079,383,322**	**1,093,165,700**

(in Euro)	NOTE	31 December 2016	31 December 2015
SHAREHOLDERS' EQUITY			
Share capital		109,149,600	109,149,600
Share premium reserve		145,018,390	145,018,390
Reserves		84,480,438	84,641,382
Retained earnings		(40,447,610)	3,808,981
Profit/(Loss) for the year		26,411,797	(44,256,591)
TOTAL SHAREHOLDERS' EQUITY	15	**324,612,615**	**298,361,762**
NON-CURRENT LIABILITIES			
Employee termination indemnity	16	9,865,136	10,959,553
Non-current provisions for risks and charges	17	40,254,079	54,567,712
Non-current debt	18	305,063,209	303,434,978
Deferred tax liabilities	33	10,229,997	9,709,503
Other non-current liabilities		22,000	0
TOTAL NON-CURRENT LIABILITIES		**365,434,420**	**378,671,745**
CURRENT LIABILITIES			
Current provision for risks and charges	17	9,469,022	13,864,398
Trade payables and advances from customers	19	238,763,917	264,403,905
Other current liabilities	20	71,579,699	77,750,359
Bank borrowings, including current portion of long-term debt, and other financial liabilities	18	69,523,649	60,113,530
TOTAL CURRENT LIABILITIES		**389,336,287**	**416,132,193**
Liabilities directly associated with non-current assets held for sale		**0**	**0**
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		**0**	**0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,079,383,322**	**1,093,165,700**

STATEMENT OF PROFIT OR LOSS

(in Euro)	NOTE	For the year ended	
		31 December 2016	31 December 2015
REVENUES			
Revenue from sales and services	21	698,360,595	725,700,487
Other revenue	22	1,405,765	1,931,191
TOTAL REVENUE		**699,766,360**	**727,631,679**
OPERATING COSTS			
Costs of raw materials and consumables	23	(89,930,303)	(101,864,140)
Change in inventories of finished and semi-finished products		(55,000)	
Costs for services and use of third party assets	24	(237,656,733)	(243,753,899)
Personnel costs	25	(312,840,768)	(319,482,623)
Other operating costs	26	(6,434,023)	(11,116,356)
Amortization, depreciation and write-backs of assets	27	(13,742,314)	(10,828,684)
Accrual of provisions for risks and charges		10,504,354	(55,197,463)
TOTAL OPERATING COSTS		**(650,154,787)**	**(742,243,165)**
OPERATING INCOME		**49,611,574**	**(14,611,486)**
FINANCIAL INCOME AND EXPENSES			
Dividend and income (loss) from sale of investments	28	8,282,518	10,893,540
Financial income	29	5,727,309	6,497,394
Financial charges	30	(30,121,028)	(34,489,228)
Gains / (losses) on exchange rate		2	(4,302)
Profit (Loss) before taxes		**33,500,374**	**(31,714,081)**
Income taxes	32-33	(8,141,000)	(11,256,392)
Profit (Loss) from continuing operations		**25,359,374**	**(42,970,473)**
Profit (loss) from discontinued operations	31	1,052,423	(1,286,118)
NET PROFIT (LOSS) FOR THE PERIOD		**26,411,797**	**(44,256,591)**

STATEMENT OF OTHER COMPREHENSIVE INCOME

(in Euro)	NOTE	For the year ended 31 December 2016	For the year ended 31 December 2015
Profit/(Loss) for the year		**26,411,797**	**(44,256,591)**
Other components of the comprehensive income, which will be subsequently reclassified under profit/loss for the year:			
Gain/(loss) on Cash Flow Hedge		0	0
Income taxes		0	0
Net effect of actuarial gains/(Losses)			
Other components of the comprehensive income for the year, which will be subsequently reclassified under profit/loss for the year		**0**	**0**
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	25	(160,944)	359,118
Income taxes	15		(101,098)
Net effect of actuarial gains/(Losses		**(160,944)**	**258,020**
Other components of the comprehensive income for the year, which will not be subsequently reclassified under profit/loss for the year			
Total profit (loss) in the statement of comprehensive income, net of taxes		**(160,944)**	**258,020**
Total comprehensive income (loss), net of taxes		**26,250,853**	**(43,998,571)**

STATEMENT OF CASH FLOW

(In thousands of Euro)	For the year ended	
	31 December 2016	**31 December 2015**
Net profit (loss) from continuing operations for the period	**25,359**	**(42,970)**
Income taxes for the year	8,141	11,256
Profit (loss) before taxes	**33,500**	**(31,714)**
Profit(loss) for the year from discontinued operations	1,052	(1,286)
Amortization, depreciation, write-downs and (write-backs) of assets	13,742	10,829
Accrual (reversal) of provisions for risks and charges	(10,504)	55,197
Employee termination indemnity provision	213	190
Payments of employee termination indemnity	(1,468)	(1,124)
Utilization of provisions for risks and charges	(8,704)	(10,719)
Financial charges (income) for the year	24,394	27,996
Operating cash flows before movements in Working Capital	**52,225**	**49,269**
Decrease (increase) of inventories	250	289
Decrease (increase) of trade receivables and advances to suppliers	46,810	38,708
Decrease (increase) of other current assets	3,457	(7)
Increase (decrease) of trade payables and advances from customers	(30,264)	(3,489)
Increase (decrease) of other current liabilities	(7,367)	(20,542)
Change in working capital	**12,886**	**14,958**
Net interest received (paid) in the year	(25,555)	(30,349)
Income tax paid in the year	4,764	1,287
Net cash flow from operating activities	**44,321**	**35,166**
(Net purchase of intangible assets)	(5,666)	(6,408)
(Purchase of property, plant and equipment)	(1,789)	(914)
Proceeds from sales of property, plant and equipment	213	47
(Purchase) Disposal of investments	(6,654)	81
(Decrease) increase of financial assets	22,832	16,351
Net cash used in business combinations	2,328	0
Net cash flow used in investing activities	**11,264**	**9,158**
Proceeds from non-current borrowings	0	10,000
Repayment of non-current borrowings	0	(80,000)
Proceeds from /(repayment of) short term bank debt	2,149	26,747
Proceeds from /(repayment of) intercompany loans	(6,627)	1,440
Proceeds from /(repayment of) other loans	2,314	(10,610)
Net cash flow from (used in) financing activities	**(2,164)**	**(52,422)**

(In thousands of Euro)	For the year ended	
	31 December 2016	31 December 2015
Changes in cash and cash equivalents	**53,420**	**(8,099)**
Cash and cash equivalents at the beginning of the period	84,543	92,641
Changes in cash and cash equivalents	53,420	(8,099)
Cash and cash equivalents at the end of the period	**137,963**	**84,543**
Details of cash and cash equivalents:		
Cash and cash equivalents and Current bank accounts - assets	137,963	84,543
TOTAL CASH AND CASH EQUIVALENTS	**137,963**	**84,543**

SUPPLEMENTARY INFORMATION

(in thousands of Euro)	For the year ended	
	31 December 2016	31 December 2015
Interest paid	(28,750)	(33,209)
Interest received	3,196	2,861
Dividends received	8,268	12,099

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Euro)	Share capital	Share premium reserve	Reserves	Retained Earnings	Result of the year	Total Sharehol-ders' Equity
At 1 January 2015	**109,150**	**145,018**	**71,451**	**3,809**	**12,932**	**342,360**
Allocation of profits			12,932		(12,932)	
Comprehensive profit/(loss) for the year			258		(44,257)	**(43,999)**
At 31 December 2015	**109,150**	**145,018**	**84,641**	**3,809**	**(44,257)**	**298,362**
Allocation of profits				(44,257)	44,257	
Comprehensive profit/(loss) for the year					26,412	**26,412**
Other changes			(161)			**(161)**
At 31 December 2016	**109,150**	**145,018**	**84,480**	**(40,448)**	**26,412**	**324,613**

GENERAL INFORMATION

Manutencoop Facility Management S.p.A. presents its financial statements (separate financial statements based on the definition used by IAS 27) according to the accounting standards IAS/IFRS.
Manutencoop Facility Management S.p.A.'s Separate Financial Statements for the year ended 31 December 2016 were submitted by the Board of Directors' meeting held on 19 April 2017 and were approved by a resolution passed by the Shareholders' Meeting on 27 April 2017.
The Company also presents the Consolidated Financial Statements, which are attached hereto, as expressly required by statutory provisions.

At 31 December 2016 the Company was 59.765% owned by Manutencoop Società Cooperativa, with registered office in Zola Predosa (BO), which in turn exercises management and coordination activities over the Group. Furthermore, on 1 July 2013 the company acquired an additional stake of 7.028% with retention of title ("riserva di proprietà"), whereby it is vested with related financial and administrative rights, pursuant to and for the purposes of article 1523 of the Italian Civil Code.

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 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 2016 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.
After considering the possible areas of doubt regarding the continuation of business, including any other market risk associated with the pending proceedings described in notes 17 and 34 of the Explanatory Notes to the Separate Financial Statements, the Directors decided to prepare the financial statements on the going concern basis.
The Statement of financial position sets forth assets and liabilities distinguishing between current and non-current. The Statement of Profit or Loss classifies costs by nature, while the Statement of 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 2016 have been presented in Euro. 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 2016 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 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 2016

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, within the limits of its stake, 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 IAS16 and IAS41*. This amendment explains that biological assets used in agriculture (e.g. fruit trees) continue to be subject to the requirements of IAS 16 while their products (e.g. the fruit gathered) continue to be subject to the requirements of IAS 41.

- *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.
- *Amendments to IAS1 – Presentation of Financial Statements.* The amendments provide clarifications on the requirements of materiality of IAS1 and of elements recognised in the OCI Statement and in the Statement of Financial Position, which may be further disaggregated. Furthermore, it is clarified that the share of OCI of equity-accounted associates and joint ventures should be reported in aggregate as single line items, based on whether or not it will subsequently be reclassified to the Statement of Profit/loss for the year.

The adoption of the new Standards and Interpretations described above has had no impact at all on the 2016 Financial Statements.

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

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.

IFRS15 – Revenues from contracts with customers (applicable from the financial years that will end after 1 January 2018). The new standard replaces the previous IAS11 – Construction contracts, IAS18 – Revenue, IFRIC13 – Customer Loyalty Programme, IFRIC15 – Agreements for the construction of real estate, IFRIC18 – Transfers of Assets from Customers, SIC31 – Barter Transactions Involving Advertising Services. This standard provides a model for the recognition and measurement of all revenues from sales of non-financial assets, including the disposals of property, plant and equipment or intangible assets. The general principle is that the entity must recognise revenue in the amount corresponding to the consideration to which it expects to be entitled for transferring goods or providing a service to a customer. Guidelines are laid down for identifying the contract, the performance obligations and the transaction price. If there are multiple services, suggestions are also given regarding the allocation of their prices. Finally, the criteria for accounting for the revenue when the performance obligation has been satisfied are explained and suggestions are made for accounting for the incremental costs of obtaining the contract if these costs are directly attributable to its performance. Finally, the standard provides guidance on its application to specific issues such as licences, guarantees, right of withdrawal, agency relationships, termination of contracts. The standard is applicable according to a full retrospective approach or a modified retrospective approach. Furthermore, in April 2016 the IASB issued some amendments to IFRS15, containing some clarifications on its application, which also became applicable from 1 January 2018.

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.

IFRS16 – Leases (applicable from the financial years that will end after 1 January 2019). The scope of application of the new standard includes all lease agreements, subject to some exceptions. A lease is an agreement that grants the right to use an asset ("the underlying asset") for a certain period of time against the payment of a consideration. The method to account for all leases is based on the model provided for in IAS 17, while excluding any lease that involves goods of little value (e.g.: computers) and short-term contracts (e.g.: with a term of less than 12 months). Therefore, a liability must be recognised as at the date on which the lease is stated in the accounts, for the rentals to be paid and the asset in relation to which the entity has a right to use, accounting for financial charges and the asset's amortisation/depreciation separately. The liability may be recalculated (for example, due to amendments to contract terms and conditions or due to a change in indexes to which the payment of rentals for use is linked) and this change must be accounted for on the underlying asset. In fact, as regards the lessor, the accounting method is substantially unchanged with respect to the provisions laid down under the current IAS17. The standard must be applied on a modified retrospective basis, while early adoption is permitted at the same time as IFRS15.

Some amendments to existing standards have also been issued which will be applicable for periods commencing on or after 1 January 2017:

- *Amendments to IAS7 – Statement of Cash Flows.* These amendments give indications on the disclosures to be provided in relation to the liabilities that arise from financing activities, including any cash and non-cash changes (such as, for example, foreign exchange gains or losses).
- *Amendments to IAS12 – Recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value*. An entity must establish whether tax regulations restrict the tax deduction from which the temporary difference arises. Furthermore, the amendments give indications on how an entity should calculate future taxable income and explain the circumstances in which taxable income can ensure the recoverability of these assets.
- *Amendments to IFRS2– Clarifications of classification and measurement of share-based payment transactions.* These amendments clarify the effects of vesting conditions on the measurement of a share-based and cash-settled payment transaction. Furthermore, they provide clarifications relating to the classification of a share-based payment with net settlement, which might give rise to withholding tax obligations. Finally, accounting rules are laid down for the case in which any amendment to the terms and conditions of a share-based payment transaction changes the classification of the latter from cash-settled to equity-settled.
- *Amendments to IFRS4 – Insurance contracts.* These amendments concern the introduction of the new standard on financial instruments (IFRS9) in the phase of transition to the new standard which will replace IFRS4. They also provide for two options for the entities that deliver insurance services: temporary exception and overlay approach.
- *Amendments to IAS40 – Transfers of Investment property.* These amendments clarify when an entity should transfer a property, including properties under construction or development, to or from the category of "investment property". A change in the intended purpose cannot occur as a result of a simple change in the Management's intention.

Improvements to IFRS

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.

As early as 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). These improvements have 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*. The amendments will be obligatory applicable as from the financial years that will end after 1 January 2016.

Finally, the last series of improvements, which was issued in December 2016, concerned the elimination of the short-term exemptions required for the First Time Adoption under IFRS1, the classification and measurement of investments at fair value through profit or loss according to *IAS 28 – Investments in Associates and Joint Ventures*, as well as clarifications on the scope of disclosures required by *IFRS12 – Disclosures of Interests in Other Entities*. The amendments will be obligatory applicable as from the financial years that will end after 1 January 2017 and 1 January 2018.

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, 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.

Provisions for risks and charges and Allowance for doubtful accounts

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

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 2016, the carrying amount of the goodwill stood at € 293,238 thousand (31 December 2015: € 293,238 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.

Recognition of revenues and costs relating to contract work in progress

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

Deferred tax assets, in particular relating to the likelihood of these being reversed in the future

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

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

The cost of defined-benefit pension plans and of any other post-employment medical benefit, as well as the present value of the defined-benefit liability, are determined on the basis of actuarial assumptions. Actuarial

assessments require various assumptions to be made which can differ from actual developments in the future. These assumptions also include the calculation of the discount rate, future pay rises, the mortality rate and future increases in pensions.
Owing to the complexity of the assessment and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All the assumptions are reviewed on an annual basis. For more details, reference is made to note 16.

2.4 Summary of the main accounting criteria

Equity investments in joint ventures

The Company participates in various 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 item of the financial position 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 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 item '(amortisation, impairment losses) 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: > legal duration of the right; > 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, impairment losses) 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 FIFO 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. 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 position 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 a receivable carried at amortised cost have 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.

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;
- design 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 recognised 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 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 recognized 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

On 18 September 2015 the Extraordinary Shareholders' Meeting resolved the merger of MACO S.p.A. and Società Manutenzione Illuminazione S.p.A. (merged companies) by incorporation into the controlling company Manutencoop Facility Management S.p.A. (merging company). The deed of merger was signed by the parties on 16 December 2015 with statutory, accounting and tax effects from 1 January 2016. The companies' share capital was wholly held by MFM S.p.A..
The transaction was carried out between parties subject to joint control and, therefore, it did not fall within the scope of application of IFRS 3. The accounting effects have been calculated by applying the general principle of continuity of values as required by Assirevi Preliminary Guideline OPI 2.
Below is a table that summarises the effects arising from the merger by incorporation of subsidiaries:

(in thousands of Euro)	**1 January 2016 Manutencoop Facility Management S.p.A. BEFORE MERGER**	**1 January 2016 MACO S.p.A.**	**1 January 2016 Società Manutenzione Illuminazione S.p.A.**	**1 January 2016 Manutencoop Facility Management S.p.A. AFTER MERGER**
NON-CURRENT ASSETS				
Property, plant and equipment	9,341	1	14	9,356
Property, plant and equipment under lease	188			188
Goodwill	293,238			293,238
Other intangible assets	23,907			23,907
Investments in Subsidiaries, Joint-ventures, Associates	143,528	852	8	144,387
Other investments	2,868		10	2,878

(in thousands of Euro)	1 January 2016 Manutencoop Facility Management S.p.A. BEFORE MERGER	1 January 2016 MACO S.p.A.	1 January 2016 Società Manutenzione Illuminazione S.p.A.	1 January 2016 Manutencoop Facility Management S.p.A. AFTER MERGER
Non-current financial assets	61,372	620		61,992
Other non-current assets	1,904		18	1,922
Deferred tax assets	14,045	112	538	14,695
TOTAL NON-CURRENT ASSETS	**550,391**	**1,585**	**589**	**552,564**
CURRENT ASSETS				
Inventories	884	55		939
Trade receivables and advances to suppliers	398,477	604	7,956	406,764
Current tax receivables	12,254	1,833	1,845	15,933
Other current assets	19,402	151	1,180	20,733
Current financial assets	27,215			15,387
Cash and cash equivalents	84,543	52	403	84,997
TOTAL CURRENT ASSETS	**542,775**	**2,695**	**11,384**	**544,754**
Assets classified as held for sale	0			0
TOTAL ASSETS CLASSIFIED AS HELD FOR SALE	**0**	**0**	**0**	**0**
TOTAL ASSETS	**1,093,166**	**4,280**	**11,973**	**1,097,318**
SHAREHOLDERS' EQUITY				
Share capital	109,150	120	120	109,150
Share premium reserve	145,018	0	0	145,018
Reserves	84,641	172	1,202	84,641
Retained earnings	3,809	0	(334)	6,977
Profit/(Loss) for the year	(44,257)	(547)	(2,621)	(47,424)
TOTAL SHAREHOLDERS' EQUITY	**298,362**	**(255)**	**(1,633)**	**298,362**
NON-CURRENT LIABILITIES				
Employee termination indemnity	10,960			10,960
Non-current provisions for risks and charges	54,568		13	54,581
Non-current debt	303,435			303,435
Deferred tax liabilities	9,710			9,709
Other non-current liabilities	0			0
TOTAL NON-CURRENT LIABILITIES	**378,672**	**0**	**13**	**378,685**
CURRENT LIABILITIES				
Current provision for risks and charges	13,864	385	101	12,462
Trade payables and advances from customers	264,404	1,302	3,322	268,756
Current tax payables	0		(32)	(32)
Other current liabilities	77,750	21	1,197	78,968

(in thousands of Euro)	1 January 2016 Manutencoop Facility Management S.p.A. BEFORE MERGER	1 January 2016 MACO S.p.A.	1 January 2016 Società Manutenzione Illuminazione S.p.A.	1 January 2016 Manutencoop Facility Management S.p.A. AFTER MERGER
Bank borrowings, including current portion of long-term debt, and other financial liabilities	60,114	2,826	9,006	60,117
TOTAL CURRENT LIABILITIES	**416,132**	**4,534**	**13,593**	**420,271**
Liabilities directly associated with non-current assets held for sale	**0**			**0**
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**0**	**0**	**0**	**0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,093,166**	**4,280**	**11,973**	**1,097,318**

In order to ensure the comparability of the Company's 2016 data with those from the previous year, the table below shows the comparison of income statement and balance sheet values already reported in the financial statement schedules, adding a third column that states "consolidated" values at 31 December 2015 between the merging company and the merged companies:

(in thousands of Euro)	31 December 2016 Manutencoop Facility Management S.p.A.	31 December 2015 Manutencoop Facility Management S.p.A.	31 December 2015 "Consolidated" values Manutencoop Facility Management S.p.A. and merged companies
NON-CURRENT ASSETS			
Property, plant and equipment	8,919	9,341	9,356
Property, plant and equipment under lease		188	188
Goodwill	293,238	293,238	293,238
Other intangible assets	23,740	23,907	23,907
Investments in Subsidiaries, Joint-ventures, Associates	148,530	143,528	144,387
Other investments	3,277	2,868	2,878
Non-current financial assets	57,732	61,372	61,992
Other non-current assets	2,023	1,904	1,922
Deferred tax assets	16,595	14,045	14,695
TOTAL NON-CURRENT ASSETS	**554,055**	**550,391**	**552,564**

(in thousands of Euro)	31 December 2016 Manutencoop Facility Management S.p.A.	31 December 2015 Manutencoop Facility Management S.p.A.	31 December 2015 "Consolidated" values Manutencoop Facility Management S.p.A. and merged companies
CURRENT ASSETS			
Inventories	689	884	939
Trade receivables and advances to suppliers	356,863	398,477	406,764
Current tax receivables	1,681	12,254	15,933
Other current assets	16,957	19,402	20,733
Current financial assets	11,175	27,215	15,387
Cash and cash equivalents	137,963	84,543	84,997
TOTAL CURRENT ASSETS	**525,328**	**542,775**	**544,754**
Assets classified as held for sale	0		0
TOTAL ASSETS CLASSIFIED AS HELD FOR SALE	**0**	**0**	**0**
TOTAL ASSETS	**1,079,383**	**1,093,166**	**1,097,318**
SHAREHOLDERS' EQUITY			
Share capital	109,150	109,150	109,150
Share premium reserve	145,018	145,018	145,018
Reserves	84,480	84,641	84,641
Retained earnings	(40,448)	3,809	6,977
Profit/(Loss) for the year	26,412	(44,257)	(47,424)
TOTAL SHAREHOLDERS' EQUITY	**324,613**	**298,362**	**298,362**
NON-CURRENT LIABILITIES			
Employee termination indemnity	9,865	10,960	10,960
Non-current provisions for risks and charges	40,254	54,568	54,581
Non-current debt	305,063	303,435	303,435
Deferred tax liabilities	10,230	9,710	9,709
Other non-current liabilities	22		
TOTAL NON-CURRENT LIABILITIES	**365,434**	**378,672**	**378,685**
CURRENT LIABILITIES			
Current provision for risks and charges	9,469	13,864	12,462
Trade payables and advances from customers	238,764	264,404	268,756
Current tax payables			(32)
Other current liabilities	71,580	77,750	78,968
Bank borrowings, including current portion of long-term debt, and other financial liabilities	69,524	60,114	60,117
TOTAL CURRENT LIABILITIES	**389,336**	**416,132**	**420,271**
Liabilities directly associated with non-current assets held for sale			
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**0**	**0**	**0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,079,383**	**1,093,166**	**1,097,318**

(in thousands of Euro)	31 December 2016 Manutencoop Facility Management S.p.A.	31 December2015 Manutencoop Facility Management S.p.A.	31 December 2015 "Consolidated" values Manutencoop Facility Management S.p.A. and merged companies
REVENUES			
Revenue from sales and services	698,361	725,700	730,539
Other revenue	1,406	1,931	2,348
TOTAL REVENUE	**699,766**	**727,632**	**732,887**
OPERATING COSTS			
Costs of raw materials and consumables	(89,930)	(101,864)	(102,682)
Change in inventories of finished and semi-finished products	(55)	0	0
Costs for services and use of third party assets	(237,657)	(243,754)	(249,970)
Personnel costs	(312,841)	(319,483)	(320,120)
Other operating costs	(6,434)	(11,116)	(11,216)
Amortization, depreciation and write-backs of assets	(13,742)	(10,829)	(11,263)
Accrual of provisions for risks and charges	10,504	(55,197)	(55,317)
TOTAL OPERATING COSTS	**(650,155)**	**(742,243)**	**(750,568)**
OPERATING INCOME	**49,612**	**(14,611)**	**(17,681)**
FINANCIAL INCOME AND EXPENSES			
Dividend and income (loss) from sale of investments	8,283	10,894	10,894
Financial income	5,727	6,497	6,740
Financial charges	(30,121)	(34,489)	(35,020)
Gains / (losses) on exchange rate	0	(4)	(4)
Profit (Loss) before taxes	**33,500**	**(31,714)**	**(35,071)**
Income taxes	**(8,141)**	**(11,256)**	**(10,144)**
Profit (Loss) from continuing operations	**25,359**	**(42,970)**	**(45,215)**
Profit (loss) from discontinued operations	1,052	(1,286)	(2,209)
NET PROFIT (LOSS) FOR THE PERIOD	**26,412**	**(44,257)**	**(47,424)**

4. PROPERTY, PLANT AND EQUIPMENT

The table below shows the changes in property, plant and equipment owned in the year ended 31 December 2016. 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.

	Properties	Plant and equipment	Properties under lease	Plant and equipment under lease	Total
At 1 January 2016, net of accumulated depreciation and impairment	**427**	**8,914**	**139**	**49**	**9,529**
Additions from business combinations		5			**5**
Additions from acquisitions		1,800			**1,800**
Disposals	(135)	(78)			**(213)**
Depreciation	(30)	(2,126)		(46)	**(2,202)**
Others	139	3	(139)	(3)	**0**
At 31 December 2016	**401**	**8,518**	**0**	**0**	**8,919**
At 1 January 2016					
Historical cost	2,166	56,525	284	391	**59,366**
Accumulated depreciation and impairment losses	(1,739)	(47,610)	(145)	(342)	**(49,837)**
NET BOOK VALUE	**427**	**8,915**	**139**	**49**	**9,529**
At 31 December 2016					
Historical cost	2,166	57,885			**60,051**
Accumulated depreciation and impairment losses	(1,765)	(49,367)			**(51,132)**
NET BOOK VALUE	**401**	**8,518**	**0**	**0**	**8,919**

The increases in the year mainly refer to the purchase of equipment used for cleaning and sanitation services, exhibition stands and investments in co-generation 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 a net amount of € 213 thousand, mainly relate to the sale of the premises for warehouse use located in the municipal district of Genoa thus achieving a capital loss of 15 thousand.

The table below shows the movements in property plant and equipment owned in the year ended 31 December 2015; 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.

	Properties	Plant and equipment	Properties under lease	Plant and equipment under lease	Total
At 1 January 2015, net of accumulated depreciation and impairment	**485**	**10,447**	**147**	**106**	**11,186**
Additions from acquisitions		914			**914**
Disposals	(32)	(15)			**(47)**
Depreciation	(26)	(2,432)	(9)	(56)	**(2,523)**
At 31 December 2015	**427**	**8,914**	**139**	**49**	**9,529**
At 1 January 2015					
Historical 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**
At 31 December 2015					
Historical cost	2,166	56,525	284	391	**59,366**
Accumulated depreciation and impairment losses	(1,739)	(47,611)	(145)	(342)	**(49,837)**
NET BOOK VALUE	**427**	**8,914**	**139**	**49**	**9,529**

5. OTHER INTANGIBLE ASSETS

The table below shows the changes in intangible assets in the year ended 31 December 2016. 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.

	Other intangible assets	Goodwill	Total
At 1 January 2016, net of accumulated amortisation and impairment losses	**23,907**	**293,238**	**317,145**
Additions from acquisitions	5,667		**5,667**
Disposals	(1)		**(1)**
Amortization	(5,833)		**(5,833)**
At 31 December 2016	**23,740**	**293,238**	**316,978**
At 1 January 2016			
Cost	70,180	293,238	**363,418**
Accumulated amortization and impairment losses	(46,273)		**(46,273)**
NET BOOK VALUE	**23,907**	**293,238**	**317,145**
At 31 December 2016			

	Other intangible assets	Goodwill	Total
Cost	75,846	293,238	**369,084**
Accumulated amortization and impairment losses	(52,106)		**(52,106)**
NET BOOK VALUE	**23,740**	**293,238**	**316,978**

Other intangible assets, amounting to € 23,740 thousand at 31 December 2016, 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 (€ 5,667 thousand) were due almost entirely to the investments in software used in the corporate IT systems. The backlog entered under other intangible assets amounted to € 3,352 thousand at 31 December 2016. 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.

At 31 December 2016 goodwill amounted to € 293,238 thousand and it had no showed changes compared to the previous year.

In 2016 the portion of amortization of intangible assets amounted to € 5,833 thousand, compared to € 4,189 thousand in the previous year. During the financial year, neither revaluation nor impairment of intangible assets were recognised.

The table below shows the changes that occurred in intangible assets in the year ended 31 December 2015.

	Other intangible assets	Goodwill	Total
At 1 January 2015, net of accumulated amortization and impairment	**21,688**	**293,238**	**314,926**
Additions from acquisitions	6,408		**6,408**
Amortization	(4,189)		**(4,189)**
At 31 December 2015	**23,907**	**293,238**	**317,145**
At 1 January 2015			
Cost	63,772	293,238	**357,010**
Accumulated amortization and impairment losses	(42,084)		**(42,084)**
NET BOOK VALUE	**21,688**	**293,238**	**314,926**
At 31 December 2015			
Cost	70,180	293,238	**363,418**
Accumulated amortization and impairment losses	(46,273)		**(46,273)**
NET BOOK VALUE	**23,907**	**293,238**	**317,145**

6. IMPAIRMENT TEST OF GOODWILL

At 31 December 2016 goodwill amounted € 293,238 thousand, unchanged compared to the previous year. Pursuant to IAS 36, goodwill is not amortised, but is tested for any possible impairment on an annual basis, or more frequently, should specific events or circumstances arise which provide evidence of an impairment loss. The impairment test, prepared by the Management and presented to the Board of Directors at the time of the approval of the draft financial statements, was carried out through the comparison between the net book value and the recoverable value of the individual CGUs/SBUs.
The cash flows of the CGU Facility Management, used for the impairment test were taken from the Business Plan relating to the period from 2017 to 2021 approved by the Board of Directors on 16 December 2016.

The estimated value in use of Facility Management SBU is based on the following assumptions:

- the expected future cash flows based on cash flow projections were obtained through:
  - Determination of the value of the forecast gross margins according to the projection of the backlog of existing service contracts, augmented by the assumption of new portfolio acquisitions.
  - estimates of changes in Net Working Capital 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 NOPLAT equal to 2021 EBIT adjusted by the average expected depreciation and amortisation and investments, net of a nominal tax rate. As regards long-term growth rates an assumption of 1% was considered.
- the expected future cash flows were discounted back at a discount rate (WACC) of 7.20% (2015: 7.35%). 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 facility management. In addition, in order to reflect the uncertainty of the current economy and the future market conditions, the cost of the equity component of the WACC rate was increased with a risk premium of 200 basis points in each period of time.

For all CGU/SBU analysed, the analysis confirmed that the recoverable value of the same exceeds the associated carrying amount, therefore not requiring any write-downs on a prudential basis, a “Worst Case” was outlined with reference to the WACC and to the growth rates applied. In simulating nil or negative growth rates, also in combination with WACC exceeding by two percentage points those applied equal to 9.20%, 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 ***Name***	**Registered office**	**Share Capital Held**
Alessandria Project Value s.r.l.	Zola Predosa (BO)	100%
ALISEI S.r.l. in liquidation	Modena (MO)	100%
Co.Ge.F. Soc.Cons. a r.l.	Zola Predosa (BO)	80%
Consorzio Igiene Ospedaliera Soc.Cons. a r.l.	Zola Predosa (BO)	67%
Consorzio Imolese Pulizie Soc. Cons. r.l. in liquidation	Imola (BO)	60%
Consorzio Sermagest Servizi Manutentivi Gestionali in liquidation	Rome (RM)	60%
Consorzio Servizi Toscana Soc.Cons. a r.l.	Zola Predosa (BO)	60%
E-Digital Services s.r.l.	Zola Predosa (BO)	100%
Ferraria Soc. Cons. a r.l.	Zola Predosa (BO)	69%
Global Oltremare Soc. Cons. a r.l.	Zola Predosa (BO)	60%
Gymnasium Soc.Cons. a r.l. in liquidation	Zola Predosa (BO)	68%
H2H Facility Solutions S.p.A.	Zola Predosa (BO)	100%
ISOM Gestione Soc. Cons. a r.l.	Zola Predosa (BO)	53%
ISOM Lavori Soc. Cons. a r.l.	Zola Predosa (BO)	63%
Kanarind Soc. Cons. a r.l.	Zola Predosa (BO)	62%
Logistica Sud Est Soc. Cons. a r.l.	Zola Predosa (BO)	60%
M.S.E. Soc. Cons. r.l. (*)	Zola Predosa (BO)	45%
Manutencoop International F.M. s.r.l.	Zola Predosa (BO)	100%
MCF Servizi Integrati Soc. Cons. a r.l.	Zola Predosa (BO)	60%
Palmanova servizi energetici Soc.Cons. a r.l.	Zola Predosa (BO)	60%
S.AN.CO. Soc. Cons. a r.l.	Bologna (BO)	100%
S.AN.GE Soc. Cons. a r.l.	Milan (MI)	89%
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation	Zola Predosa (BO)	90%
S.I.MA.GEST3 Soc. Cons. r.l in liquidation	Zola Predosa (BO)	90%
San Gerardo Servizi Soc. Cons. a r.l.	Zola Predosa (BO)	60%
Servizi Brindisi Soc.Cons. a r.l.	Zola Predosa (BO)	52%
Servizi Ospedalieri S.p.A.	Ferrara (FE)	100%
Servizi Taranto Soc. Cons. a r.l.	Zola Predosa (BO)	60%
Sicura S.p.A.	Vicenza (VI)	85%
Telepost S.p.A.	Zola Predosa (BO)	100%
(*) Indirect 11% quota held by E-Digital Services s.r.l.		

JOINT VENTURES ***Name***	**Registered Office**	**Share Capital Held**
Cardarelli Soc. Cons. a r. l.	Carinaro (CE)	60%
CO. & MA. Società Consortile a r.l.	Tremestieri Etneo (CT)	50%
DUC Gestione Sede Unica Soc.Cons. a r.l.	Zola Predosa (Bo)	49%
Legnago 2001 Soc.Cons. a r.l.	Zola Predosa (BO)	50%
Servizi Sportivi Brindisi Soc. Cons. a r.l.	Rome	50%
SCAM S.r.l. - Soc.Cons. Adanti Manutencoop a r.l. in liquidation	Zola Predosa (Bo)	50%
Serena S.r.l. in liquidation	Zola Predosa (Bo)	50%

ASSOCIATES ***Name***	**Registered Office**	**Share Capital Held**
Bologna Gestione Patrimonio Soc. Cons. a r.l.	Bologna (BO)	28%
Bologna Global Strade soc.cons. r.l.	Sasso Marconi (BO)	51%
Bologna Multiservizi soc.cons. a r.l.	Casalecchio di Reno (BO)	39%
Bologna Più Soc.Cons. a r.l.	Bologna (BO)	26%
Centro Europa Ricerche s.r.l.	Rome	21%
Como Energia Soc.Cons. a r.l.	Como	30%
Gico Systems S.r.l.	Zola Predosa (BO)	20%
Global Provincia di Rimini Soc.Cons. a r.l. in liquidation	Zola Predosa (Bo)	42%
Global Riviera Soc.Cons. a r.l.	Zola Predosa (Bo)	23%
Global Vicenza soc.cons. a r.l.	Concordia sulla Secchia (MO)	41%
Grid Modena S.r.l.	Modena	23%
Livia Soc. Cons. a r.l. in liquidation	Zola Predosa (Bo)	34%
Logistica Ospedaliera Soc. Cons a r.l.	Caltanissetta (CL)	45%
Newco DUC Bologna S.p.A.	Bologna (BO)	25%
Progetto ISOM S.p.A.	Zola Predosa (BO)	37%
Roma Multiservizi S.p.A.	Rome	45%
Savia Soc. Cons. a r.l.	Forlì (FC)	49%
Se.Sa.Mo. S.p.A.	Carpi (Mo)	21%
Servizi Napoli 5 Soc. Cons. a r.l.	Zola Predosa (Bo)	45%
Synchron Nuovo San Gerardo S.p.A.	Zola Predosa (Bo)	36%
TOWER Soc. Cons. a r.l. in liquidation	Bologna (BO)	20%

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

SUBSIDIARIES	Balance as at 01/01/2016	Business combinations	Increase	Decrease/ write-down	Reclassification	Balance as at 31/12/2016
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.	0					0
Servizi Brindisi s.cons. a r.l.	5					5
Co.Ge.F. s. cons. a r.l.	8					8
Palmanova servizi energeticis. cons. a r.l.	6					6
Servizi l'Aquila s.cons.r.l.	12			(12)		-
Sicura S.p.A.	32,866		1,818			34,684
Consorzio Igiene Ospedaliera s. cons. a r.l.	7					7
H2H Facility 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.	7					7
Manutencoop International s.r.l.	50		2,000	(1,983)		67
E-Digital Services s.r.l.	10		2,000			2,010
San Gerardo servizi soc.cons.	6					6
M.S.E. società consortile r.l.	0		5			5
Alessandria Project Value s.r.l.	0		281			281
TOTAL SUBSIDIARIES	**133,781**	**0**	**6,103**	**(1,995)**	**0**	**137,890**

	Balance as at 01/01/2016	Business combinations	Increase	Decrease/ write-down	Reclassifi-cation	Balance as at 31/12/2016
JOINT-VENTURES						
CO. & MA. Società Consortile a r.l.	5					5
Cardarelli Soc. Cons. a r. l.	6					6
Consorzio Leader Soc. Cons. a.r.l.	0					0
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)		0
SCAM società consortile r.l.	0	10				10
Serena s.r.l.	0	8				8
TOTAL JOINT-VENTURES	**81**	**18**		**(50)**	**-**	**49**

ASSOCIATES	Balance as at 01/01/2016	Business combinations	Increase	Decrease/ write-down	Reclassifi-cation	Balance as at 31/12/2016
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
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
Livia Soc. Cons. a r.l.	3					3
Savia Soc.Cons. a r.l.	5					5
Progetto Isom S.p.A.	2,420					2,420
Grid Modena S.r.l.	23					23
Logistica Ospedaliera Soc. Cons a r.l.	5					5
Synchron Nuovo San Gerardo S.p.A.	2,135	785				2,920
Tower soc. cons. r.l.	0	20				20
Centro Europa Ricerche s.r.l.	0				69	69
Bologna Global Strade soc. cons. r.l.	0		51			51

ASSOCIATES	Balance as at 01/01/2016	Business combinations	Increase	Decrease/ write-down	Reclassifi-cation	Balance as at 31/12/2016
TOTAL ASSOCIATES	9,667	805	51	0	69	10,593
TOTAL SUBSIDIARIES, JOINT-VENTURES, ASSOCIATES	143,528	823	6,154	(2,045)	69	148,530

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

Sicura S.p.A.

The increase of € 1,818 thousand, relates to the purchase of an additional stake of 5% of the share capital of the subsidiary, with a consequent increase in the stake held from 80% to 85%, which took place on 12 July 2016.

Manutencoop International F.M. S.r.l.

The increase of € 2,000 thousand relates to a payment for setting aside a reserve on account of future capital increase, as per the resolution passed by the Board of Directors on 14 November 2016. During the year a write-down of the equity investment was accounted for in an amount of € 1,983 thousand, equal to the loss for the year regarded as permanent.

E-Digital Services s.r.l.

The increase of € 2,000 thousand relates to payments for setting aside a reserve on account of future capital increase, which was resolved by the Management Board on 29 February 2016.

Malaspina Energy Soc. cons. a r.l.

The decrease of € 50 thousand relates to the transfer of the entire stake to Yousave S.p.A., as per the agreement signed on 28 October 2016.

Synchron Nuovo San Gerardo S.p.A.

The increase of € 785 thousand was generated from the merger by incorporation of MACO S.p.A., which held a minority interest, with a consequent increase in the stake held by Manutencoop Facility Management S.p.A. from 26.16% to 35.78%.

Centro Europa Ricerche s.r.l.

The reclassification, equal to € 69 thousand from “Other equity investments” to “Equity investments in associates”, arose following the increase in the quota up to 21.38%.

Bologna Global Strade soc. cons. a r.l.

The increase of € 51 thousand relates to the acquisition of a quota equal to 51% on 11 March 2016. The consortium company is active in the sector of services of maintenance of the road network in the municipal district of Bologna.

Other investments

	31 December 2016	31 December 2015
Other investments	3,277	2,868
TOTAL	**3,277**	**2,868**

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 refers to:

- Increase equal to € 840 thousand for the subscription of the capital of Consorzio Integra soc.coop;
- Decrease equal to € 280 thousand for the liquidation of Covedi S.r.l.;
- Write-down equal to Euro 123 thousand of the investment Consorzio Cooperative Costruzioni.

8. NON-CURRENT FINANCIAL ASSETS

	31 December 2016	31 December 2015
Non-current financial assets	57,732	61,372
TOTAL	**57,732**	**61,372**

The balance is mainly composed of loans granted to associate and affiliate companies. Some of these are non-interest bearing loans as they are disbursed pro-quota by each member of the consortium and, therefore, they are discounted on the basis of their expected residual term, applying as the reference interest rate the Eurirs plus a spread. The nominal value of non-interest bearing loans at year-end amounted to € 1,442 thousand, while the discount fund amounted to € 120 thousand.

During the year an increase was recorded, equal to € 1,209 thousand, as a result of the disbursement of shareholder loans to Bologna Global Strade soc.cons.r.l. for € 336 thousand, to Progetto Isom S.p.A. for € 120 thousand, to Synchron Nuovo San Gerardo S.p.a for € 212 thousand and of the loan to Synchron Nuovo San Gerardo S.p.A., equal to € 541 thousand, for merger by incorporation of MACO S.p.A..
On 30 December 2016 the remaining balance was collected for the receivable for escrowed sums relating to the transfer price of MIA S.p.A., which took place in December 2014, in line with the fulfillment of some contract conditions.

9. OTHER NON-CURRENT ASSETS

	31 December 2016	31 December 2015
Other receivables and non-current financial assets	2,023	1,904
TOTAL	**2,023**	**1,904**

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.

10. INVENTORIES

	31 December 2016	31 December 2015
Raw materials (valued at cost)	689	884
TOTAL	**689**	**884**

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 services.

11. TRADE RECEIVABLES, ADVANCES TO SUPPLIERS

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

	31 December 2016	of which related parties	31 December 2015	of which related parties
Trade receivables, gross	295,169	56	325,679	334
Allowance for doubtful accounts	(22,647)		(17,502)	
Advances to suppliers	2,587	20	2,453	
Trade receivables due from third parties	**275,109**	**76**	**310,631**	**334**
Inventories of contract work in progress	16,770		16,960	
Contract work in progress	**16,770**		**16,960**	
Trade receivables from parent companies	59	59	74	74
Trade receivables from subsidiaries	49,454	49,454	53,093	53,093
Trade receivables from joint ventures	3,598	3,598	7,421	7,421
Trade receivables from associates	11,834	11,834	10,275	10,275
Trade receivables from affiliates	40	40	24	24
Trade receivables from Manutencoop Group	**64,985**	**64,985**	**70,887**	**70,887**
TRADE REEIVABLES AND ADVANCES TO SUPPLIERS	**356,863**	**65,060**	**398,477**	**71,221**

The balance of trade receivables and advances to suppliers, which also includes inventories of contract work in progress, amounted to € 356,863 thousand as at 31 December 2016, showing a decrease of € 41,614 thousand compared to the amount of € 398,477 thousand recorded as at 31 December 2015.

The change is mainly due to the decrease in gross trade receivables, which amounted to € 295,169 thousand at 31 December 2016 (31 December 2015: € 325,679 thousand), against the related adjustment provisions that showed a balance of € 22,647 thousand at 31 December 2016 (31 December 2015: € 17,502 thousand). The reduction was mainly due to the assignments of receivables without recourse carried out during 2016 against the contract that was entered with Banca Farmafactoring S.p.A. on 23 February 2016, concerning receivables from the National Health System. It is a committed credit line with a term of three years. During 2016 assignments were made in a nominal amount of € 26,545 thousand, subject to derecognition according to IAS 39 in consideration of the characteristics of the transactions, against interest discount costs of € 510 thousand. At 31 December 2016 the balance of receivables assigned without recourse but not yet collected by Banca Farmafactoring amounted to € 8,285 thousand, to which must be added an amount of €904 thousand relating to assignments without recourse that were made in previous financial years to Credit Agricole and that were discontinued as early as from the 2013 financial year.

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.

With respect to non-performing receivables which are difficult to fully recover, a specific write-down provision was set aside, amounting to € 22,647 thousand at 31 December 2016 (at 31 December 2015: € 17,502 thousand) deemed suitable with respect to known disputes at the balance sheet date.

	31 December 2015	Increases	Business combinations	Uses	Releases	Others	31 December 2016
Allowance for doubtful accounts	17,502	3,525	1,842	(681)	(161)	619	22,647

“Other changes” include the provision for the write-down of default interest.
For details on the terms and conditions relating to receivables from related parties, reference should be made to note 35.

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

	Total	Trade receivables reaching maturity	Overdue trade receivables				
			< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	after 120 days
31 December 2016	271,662	189,929	15,248	6,530	3,982	4,584	51,389
31 December 2015	308,177	225,233	15,891	13,198	6,251	4,116	43,489

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

12. OTHER CURRENT ASSETS

	31 December 2016	31 December 2015
Receivables due from employees	542	530
Advances to supplier	993	740
Due from social security institutions	1,714	2,220
Due from parent company	7	5
Due from subsidiaries	230	253
Due from associates	751	570
Due from INPDAP	2,174	2,175
Due from INAIL	698	392
Due from VAT	2,606	953
Sundry receivables from others	4,298	9,649
Due from tax authorities	2,944	1,916
OTHER CURRENT ASSETS	**16,957**	**19,402**

The amount of € 2,174 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 miscellaneous receivables are recognized net of the provision for doubtful accounts of € 976 thousand, which was increased by an amount of € 309 thousand during 2016, allocated following an analysis of the individual receivables, also taking into account maturity and recoverability.

The change, compared to the previous year, was essentially attributable to the collection of a total amount of € 5,597 thousand during the last quarter of 2016, following the settlement of the dispute relating to sums entered as receivables from a customer as early as in 2013 on account of VAT required in the application of the principle of recourse laid down in article 93, paragraph 1, of Decree Law 1 of 24 January 2012, as converted by Law 27 of 24 March 2012, following the objections raised by the Tax Authority concerning the misapplication of reduced VAT rates during an audit that was completed with the issue of two PVCs (*Processi Verbali di Constatazione*, Reports on findings). Subsequently MFM S.p.A. also filed formal notices of acceptance of the PVCs, which were followed by a voluntary tax correction ("*ravvedimento operoso*") concerning the tax years after the audit, with an additional tax payment, which was also claimed from the customer on the basis of the same principle of recourse. The subsequent dispute was settled by means of an arbitration award dated August 2016, in the application of the arbitration clause laid down in the contracts, which fully acknowledged the payment of the amounts required by way of recourse for VAT (overall € 5,597 thousand) to MFM S.p.A., even in consideration of the payment of an amount of € 1,680 thousand to the customer by way of compensation, which was entered under Other operating costs as at 31 December 2016.

Furthermore, this item includes the receivables arising from the VAT settlements (€ 2,606 thousand compared to € 953 thousand at 31 December 2015).

The same item had also been recognizing, since 2012, receivables of € 1,701 thousand from the Tax Authorities on account of refund following the petition submitted for the deduction of IRAP (Local Production Activities) tax from the IRES (Corporate Income) tax base by companies not adhering to the National Tax Consolidation agreement with Manutencoop Società Cooperativa, but which were merged by incorporation into MFM S.p.A. in 2010. These receivables were assigned without recourse to Banca Farmafactoring during the period.

13. CURRENT FINANCIAL ASSETS

	31 December 2016	31 December 2015
Global Prov. Rimini Soc. Cons. a r.l.	70	70
Consorzio Imolese Pulizie Soc. cons. a r.l.	36	36
Gymnasium Soc.cons. a r.l.	8	7
Gestlotto6 Soc.cons. a r.l.	5	5
Bologna Più Soc. Cons. a r.l.	3	39
Se.Sa.Mo S.p.A.	12	-
Malaspina Soc. Cons. r.l.	117	4
PBS Soc. Cons. r.l.	-	1
Financial receivables from non-consolidated companies	**250**	**162**
Società Manutenzione Illuminazione S.p.A.	-	9,006
MACO S.p.A.	-	2,823
Servizi Ospedalieri S.p.A.	2,050	5,772
S.AN.GE Soc. Cons. a r.l.	4,137	3,957
Manutencoop International F.M. s.r.l.	1,772	-
E-Digital Services s.r.l.	2	-
Receivables from intercompany financial current accounts	**7,961**	**21,557**
Servizi Ospedalieri S.p.A.	1,143	1,143
H2H Facility Solutions S.p.A.	599	599
Receivables for interest on long-term loans	**1,742**	**1,742**
Karabak Soc. Cons. a r.l.	2	2
Dividends to be collected	**2**	**2**
Receivables from others	**1,220**	**3,752**
TOTAL CURRENT FINANCIAL ASSETS	**11,175**	**27,215**

Current accounts held with Group Companies are mainly classified in this item, according to which the financial relations are settled. The balance in these accounts accrues interest at the 3-month or 6-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.

The item "current financial assets" came to € 11,175 thousand. The change during the year is mainly due to:

- A decrease of € 9,006 thousand of the balance of the intercompany current financial account, held with Società Manutenzione Illuminazione S.p.A. as a result of the merger by incorporation of the same;
- A decrease of € 2,823 thousand of the balance of the intercompany current financial account held with MACO S.p.A. as a result of the merger by incorporation of the same;
- A decrease of € 3,721 thousand in the balance of the intercompany financial current account held with subsidiary Servizi Ospedalieri S.p.A.;
- A decrease of € 3,738 thousand of "Receivables from others", mainly due to the collection of escrowed sums following the transfer of the investment in MIA, which took place in May 2016 following the fulfilment of some contract conditions;
- An increase of € 1,772 thousand due to the opening of the intercompany financial current account held with subsidiary Manutencoop International F.M. S.r.l.;
- An increase in the balance of pledged current accounts dedicated to the operation of the service within the scope of assignments of trade receivables without recourse with Banca Farmafactoring, equal to € 269 thousand;
- An increase of € 950 thousand due to the recognition of the earnout obtained from the transfer of Società Manutenzione Illuminazione S.p.A., which is expected to be collected during the next financial year.

14. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Bank deposits on demand and cash on hand	104,931	56,160
National consortia – financial current accounts	33,033	28,383
CASH AND CASH EQUIVALENTS	**137,963**	**84,543**

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

Some financial current accounts are in place with some national consortia, such as Consorzio Cooperativo Finanziario Per Lo Sviluppo (C.C.F.S.), Consorzio Nazionale Servizi (C.N.S.) and Consorzio Integra, having the nature of available current accounts on which interest accrues.

The fair value of cash and cash equivalents is € 137,963 thousand (2015: € 84,543 thousand).

15. SHARE CAPITAL AND RESERVES

	31 December 2016	31 December 2015
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 2016 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.

	Share premium reserve	Legal Reserve	Other reserves	Total reserves	Retained profits/losses
At 1 January 2015	**145,018**	**17,736**	**53,714**	**216,469**	**3,809**
Allocation of profits of previous years		647	12,286	**12,932**	
Comprehensive profit/(loss)			258	**258**	
At 31 December 2015	**145,018**	**18,383**	**66,258**	**229,660**	**3,809**
Allocation of profits of previous years		-		**0**	(44,257)
Comprehensive profit/(loss)				**0**	
Other transactions			(161)	**(161)**	
At 31 December 2016	**145,018**	**18,383**	**66,097**	**229,499**	**(40,448)**

Comprehensive profit/(loss) amounting to € 161 thousand includes actuarial gains recognised in the measurement of the staff severance pay pursuant to IAS 19.

Nature and purpose of other reserves

				Summary of utilization in 3 previous years	
NATURE/DESCRIPTION	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	18,383	**B**			
Extraordinary Reserve	73,229	**B,C**			
Other reserves	(7,132)				
Profits/-Losses carried forward	(40,448)	**B,C**			
Profits/-Losses for the year	26,412				
TOTAL	**324,613**				
Non-distributable portion	127,533				
Remaining distributable portion	197,079				
KEY					
Possibility of use:					
A: for share capital increase					
B: to cover losses					
C: for distribution to shareholders					

16. 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.

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

	31 December 2016	31 December 2015
Curtailment	0	0
Interest expenses on benefit obligation	213	190
Net cost of the benefit recognized through profit or loss	**213**	**190**
Net actuarial (gains)/ losses recognized in equity	161	(359)
TOTAL NET BENEFIT COST	**374**	**(169)**

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:

	31 December 2016	31 December 2015
Opening balance of the present value of the defined benefit obligation	**10,959**	**12,352**
Increases/ (decreases) for personnel acquired in the business combinations	-	-
Increases/ (decreases) for transfer	(280)	(85)
Benefits paid	(1,188)	(1,139)
Curtailment	-	-
Interest expenses on benefit obligation	213	190
Net actuarial gains (losses) recognised in the year	161	(359)
CLOSING BALANCE OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION	**9,865**	**10,959**

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

	2016	2015
Discount rate	1.50%	2.00%
Inflation rate	1.20%	1.50%
Turnover	11.50% before the age of 50-1.50% after the age of 50	11.50% before the age of 50-1.50% after the age of 50
Discount rate	1.50%	2.,00%

The discount rates used to assess the TFR obligation are defined on the basis of curves of rates of return of high-quality fixed-interest securities, the amounts and maturity dates of which correspond to the amounts and maturity dates of the payments of expected future benefits. In 2015 the discount rate was equal to 1.5% (2015: 2.0%).

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

	Discount rate	Actuarial assumptions	Employee termination indemnity
Financial year ended 31 December 2016	+ 0.25 bps	+ 0.06 pps	9,628
	- 0.25 bps	- 0.06 pps	10,112
Financial year ended 31 December 2015	+ 0.25 bps	+ 0.06 pps	10,716
	- 0.25 bps	- 0.06 pps	11,212

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:

	2016	2015
Executives	41	41
Office workers	785	918
Manual workers	13,877	13,786
Employees	**14,703**	**14,745**

In 2016, the average number of leased personnel employed, including those shown in the table, stood at 437 (2015: 476).

17. PROVISIONS FOR RISKS AND CHARGES

The breakdown of the provisions for risks and charges in 2016 is shown below:

	Risks on job orders	Pending disputes	Bonuses for employees	Investment risks	Employee benefits for termination of employment	Tax disputes	Employee legal proceedings	Other risks and charges	Total
At 1 January 2016	**7,058**	**51,475**	**898**	**2,329**	**3,285**	**478**	**2,834**	**75**	**68,432**
Provisions	1,455	2,623		8	1,400		1,173	74	6,733
Business combinations	486			(1,888)				13	(1,389)
Uses	(1,298)	(274)	(839)		(3,285)		(1,061)	(51)	(6,808)
Unused and reversed	(339)	(16,388)	(59)				(446)	(13)	(17,245)
Other	57	(57)	0						0
At 31 December 2016	**7,419**	**37,379**	**(0)**	**449**	**1,400**	**478**	**2,501**	**98**	**49,723**
Current 2016	*7,118*			*448*	*1,400*	*478*		*24*	9,469
Non-current 2016	*300*	*37,379*					*2,501*	*74*	40,254
At 31 December 2016	***7,418***	***37,379***		***448***	***1,400***	***478***	***2,501***	***98***	***49,723***
Current 2015	*6,799*		*898*	*2,329*	*3,285*	*478*		*75*	*13,864*
Non-current 2015	*259*	*51,475*					*2,834*		*54,568*
At 31 December 2015	***7,058***	***51,475***	***898***	***2,329***	***3,285***	***478***	***2,834***	***75***	***68,432***

Provision for risks on job orders

The provision of € 1,455 thousand is to cover risks relating to certain job orders in progress for charges that are likely to be incurred, against customer disputes. The provisions made represent the best estimate on the basis of knowledge possessed at the reporting date.

The use of the provision, equal to € 1,298 thousand, mainly relates to the calculation of the costs of the consortium company Palmanova Servizi Energetici for the approval of the 2015 financial statements for € 427 thousand.

Provision for pending disputes

At the end of the financial year, the company assesses the risk of having to pay future compensation in the event of unsuccessful legal disputes with customers, suppliers and employees. The provision was adjusted by an amount of € 2,623 thousand. In 2016 some disputes were settled, which originated uses of € 274 thousand, while releases mainly refer to the partial release of the provision set aside at 31 December 2016 for the fine imposed on the Company by the Italian Competition Authority (“AGCM”), taking account of the correlated proceedings brought by CONSIP for the termination of the Agreements.

On 20 January 2016 the Competition Authority (the “Authority”) considered that it had found a breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012 and levied a fine of € 48,510 thousand against the Parent Company MFM S.p.A. which has rejected the arguments on which the charge was based and has lodged an appeal against the Authority’s order with the Lazio Regional Administrative Court (*Tribunale Amministrativo Regionale, TAR*).
On 14 October 2016 it ruled by partially granting the appeal filed by MFM S.p.A. and referring the papers to the Authority for a new calculation of the fine, with the recommendation to reduce both the related taxable base, thus limiting it to the contracted tender amount, and the percentage to be applied to the abovementioned amount, from 15% to 5%. In any case, MFM S.p.A., challenged the trial judgment before the Council of State; on 28 February 2017 the latter handed down its ruling, confirming the judgment issued by the Lazio Regional Administrative Court. However, MFM S.p.A. is intended to challenge the Council of State’s ruling, filing an appeal with the Supreme Court. On 23 December 2016 the Authority, in enforcing the Lazio Regional Administrative Court’s ruling, published a new order, recalculating the fine at € 14,700 thousand, which was also challenged by MFM S.p.A. before the Lazio Regional Administrative Court.
As a result of the Competition Authority fine ruling, on 4 February 2016 Consip S.p.A. initiated a procedure to terminate the Agreements entered into within the tender in question, also informing the Company that it would consider the possibility of excluding it from future tenders for “work of the same type” (including pursuant to article 38, paragraph 1, letter f) of Legislative Decree).
On 23 November 2016 Consip S.p.A. gave MFM S.p.A. notice of the final termination of the agreements, expressly stating that it would confiscate the part of the final guarantee deposit (performance bond) which remained after the deposit had been partially released considering the work done normally up to the termination date. It also notified the intention to report the events to the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) and to the Public Prosecutor’s Office. Although ANAC issued an unfavourable opinion, which was considered to be unlawful and was promptly challenged by the Company), MFM S.p.A. considers that the termination of the agreement does not entail the automatic termination of existing contracts with individual schools but that termination is a mere right on the schools’ part, which has not yet been exercised by any of them in relation to the abovementioned order.

Finally, on 2 December 2016 Consip S.p.A. formally notified the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) and the Public Prosecutor’s Office of its accusations against MFM S.p.A..
On 7 January 2017 the Company served a writ of summons on the entity, asking the Ordinary Court of Rome to establish the unlawfulness of the notice of termination of the agreements and order Consip S.p.A. to compensate for any damage suffered by the company.

The Directors have obtained the opinion of the Company's lawyers and, while placing reliance on the case for the defence, have adopted a conservative approach in calculating the estimate of the amount to recognise in the accounts for this dispute, in which they see some uncertain factors. Therefore, in view of the uncertainty surrounding the final outcome of the hearing at which the merits of the case are to be considered, they decided that setting aside the amount of the fine in full, in the Consolidated Financial Statements at 31 December 2015 (€ 48.5 million) is the solution which is the most coherent with the requirements of IAS 37 for the purposes of recognising provisions for risks and charges.

When closing the Financial Statements at 31 December 2016, in the light, among other things, of the appeals lodged by the parties, on which the competent courts have already ruled, the Directors recalculated the risk of outflows related to the Competition Authority fine as a maximum amount of € 14.7 million, with the consequent reversal of the excess sum set aside in the Financial Statements at 31 December 2015.

The tender performance bond (initially equal to € 24.5 million) might also be partially enforced if the Company loses the case against Consip S.p.A.. In the Consolidated Financial Statements at 31 December 2015 this risk had been regarded as possible but not probable. After the Regional Administrative Court's judgment of 14 October 2016, which was confirmed by the Council of State's judgment of 1 March 2017 and which substantially reduced the fine that had previously been imposed while not accepting the Company's argument that it was completely extraneous to the accusations, the Directors made an adjustment of the provisions for future charges in the Financial Statements at 31 December 2016, also taking account of the risk of enforcement of the abovementioned performance bond. MFM S.p.A. could submit sound arguments against the enforcement of the bond in court, but in any case the maximum estimated liability, which is the part of the bond which would remain after its partial release owing to the work carried out normally until termination, is € 17.5 million. As a result, the release of the provision for legal disputes is equal to a total of € 16.3 million.

On 23 March 2017 AGCM notified MFM S.p.A. of the initiation of a preliminary investigation procedure against CNS – Consorzio Nazionale Servizi Società Cooperativa, Dussmann Service, S.r.l., Engie Servizi S.p.A. (formerly Cofely Italia S.p.A.), ManitalIdea S.p.A., MFM S.p.A., Romeo Gestioni S.p.A. and STI S.p.A. in order to establish whether these companies implemented any possible understanding restricting competition, concerning the coordination of the procedures to participate in the tender launched by Consip in 2014 for awarding the Facility Management services to be rendered to the properties that are mainly intended for office use on the part of the Public Authorities ("FM4 Tender").

To date AGCM has started preliminary investigations only. The Company firmly rejects the arguments holding an alleged collusive agreement with the other companies involved in the proceedings. The Directors believe that in no case are the requirements met in terms of probability, as well as of reliable estimate, required by the international accounting standards to set aside a provision for risks.

With reference to the events referred to above, the Directors also believe that: (i) the risk of being excluded from future Consip tenders for “work of the same type”, as a result of the specific clause mentioned above, which is regarded as probable, should not entail significant effects, given that it should be limited to possible Consip tenders that should mainly concern school cleaning services, which at present do not fall within the scope of the pipeline of the tenders still being awarded; (ii) the risk of being excluded from public tenders (including, but not limited to, the tenders launched by Consip) at the initiative of the contracting authority or upon appeal by a competitor appears to be not probable; in fact, despite a context that is significantly affected by new laws and more restrictive approaches with respect to previous rules, the Company believes, also according to the opinions provided by its own legal counsels, that the risk may mainly arise from delays in awarding some tenders attributable to situations of further worsening of the disputes connected with the participation in or the awarding of said tenders; (iii) to date the risk of the Company being temporarily excluded from public tenders as a result of an order issued by the ANAC can be reasonably regarded as not probable, in consideration of the defence arguments discussed with the Company’s legal counsels, which may be submitted both upon participation in the ANAC procedure and at the time of any possible appeal filed with administrative courts, if required. ANAC shall complete its preliminary investigations within 180 days from the opening of the same, which has not yet occurred to date.

The Directors believe that there are no significant uncertainties for the purposes of assessing whether the Company meets the going-concern principle, as they fully rely on the arguments discussed with its own legal counsels and have also considered the financial soundness of the Company and of the Group, as well as the substantial amount of contracts that had already been gained as at the reporting date.

The Directors also point out that, despite the objective riskiness to estimate the impact of the risk factors described above and their possible interactions, the stress tests conducted by the Company on the cash flows expected in the Group’s Business Plan, which was approved by the board’s meeting held on 16 December 2016, confirm that the book values recognised in the accounts may be recovered, also with reference to significantly worse scenarios.

Bonuses for employees

This provision included accruals for future payments in relation to the bonus system adopted by the Group in favour of the top and middle management. As early as in the course of 2014 this incentive plan was not applied while in 2016 there was the payment of the remaining amounts set aside until 31 December 2015.

Provision for investment risks

The provision for investments risks, amounting to € 449 thousand, includes the provision to cover any future losses of Alisei S.r.l. in liquidation in an amount of € 73 thousand and S.AN.CO soc. cons. r.l. in an amount of € 376 thousand.

During the 2016 financial year the provision reported a decrease of € 1,888 thousand for the use of the amounts set aside in previous financial years following the merger by incorporation of MACO S.p.A. and Società Manutenzione Illuminazione S.p.A..

Provision for termination employee benefits

This provision has been set aside to include the estimated charges payable to employees for severance employee costs, within the context of the various reorganisation projects that involved the Company.
At 31 December the Company continued the plan started by adjusting the remaining provision by an additional amount of € 1,400 thousand. During the year uses were made in an amount of € 3,311 thousand.

Tax dispute provision

The provision did not record any change compared to the previous year.

Provision for employee legal proceedings

The provision for risks related to employee legal proceedings, amounting to € 2,501 thousand, refers to the best estimation of liabilities as at 31 December 2016, whose risk is deemed to be likely, connected to ongoing labour law disputes.

Other provisions for risks and charges

The provision, equal to € 98 thousand, includes the best estimate of future charges on some contracts on the basis of the information available as at the reporting date.

18. LOANS AND OTHER FINANCIAL LIABILITIES

The items non-current Loans and Loans and other current financial liabilities include both the non-current and current portion of loans and from other current financial debts such as, for example, the debt for the acquisition of investments or business units.

The details are shown below:

	31 December 2016	within 1 year	after 1 year within 5 years	after 5 years
Senior Secured Notes	294,648		294,648	
C.C.F.S. Loan	10,000		10,000	
Debt for the acquisition of investments / business units	6	6		
Current account overdrafts, advance payments and hot money	11,724	11,724		
Financial current accounts – Parent Company/Subsidiaries	25,569	25,569		
Share capital to be paid into investee companies	420	5	415	
Prepaid financial expenses	(47)	(47)		
Accrued financial expenses	10,681	10,681		
Obligations from assignments of receivables with recourse	20,805	20,805		
Due to factoring agencies	782	782		
FINANCIAL LIABILITIES	**374,587**	**69,523**	**305,063**	**0**

Below is the breakdown of financial liabilities at 31 December 2015:

	31 December 2015	within 1 year	after 1 year within 5 years	after 5 years
Senior Secured Notes	293,435		293,435	
C.C.F.S. Loan	10,000		10,000	
Debt for the acquisition of investments / business units	6	6		
Current account overdrafts, advance payments and hot money	27,411	27,411		
Financial current accounts Parent Company/Subsidiaries	19,555	19,555		
Share capital to be paid into investee companies	5	5		
Prepaid financial expenses	(52)	(52)		
Accrued financial expenses	10,645	10,645		
Obligations from assignments of receivables with recourse	2,543	2,543		
FINANCIAL LIABILITIES	**363,548**	**60,113**	**303,435**	**0**

Senior Secured Notes

On 2 August 2013 the Company issued secured High Yield bonds (Senior Secured Notes) due 1 August 2020, reserved for institutional investors. The proceeds of the transaction were used to repay most of the existing bank loans and replace the revolving programmes for the assignment of trade receivables without recourse. The bonds, which are listed on the Euro MTF Market of the Luxembourg Stock Exchange and on the Extra MOT Pro Segment of the Italian Stock Exchange, was issued for a nominal value of € 425 million, with an issue price below par by 98.713%, with a fixed annual 8.5% coupon on a six-monthly settlement basis. At 31 December 2016 the nominal value of the debt amounted to € 300 million, given the buy-back transactions carried out during 2014 and 2015, for nominal portions of € 45 million and € 80 million, respectively. None of the Notes purchased (nominal value € 125 million) were cancelled; they were deposited in a securities account with Unicredit S.p.A. and are reported in the Statement of Financial Position as a straight reduction of total financial debt since, from the accounting point of view, they constitute the repayment of a debt. A part of these securities (amounting to a nominal value of € 14 million) was pledged against committed credit line of € 10 million, due 2018, obtained from CCFS.

At 31 December 2016, the portion of the accrued expenses amounted to €10,681 thousand, related almost entirely to the interest accrued on that date on the bond.
The medium- and long-term debt, which amounted to € 294,648 thousand, was equal to the residual amount of the loan as at 31 December 2016 for € 300,000 thousand, net of any additional charges incurred for the bond issue and of the discount on the loan, accounted for according to the amortised cost method under IAS39 and stated for an overall amount of € 5,352 thousand at 31 December 2016.

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.

C.C.F.S. loan

On 6 August 2015 the Parent Company entered into a loan agreement with CCFS of € 10,000 thousand, due August 2018. The loan has a fixed interest rate, net of a spread with quarterly settlement and is backed by a pledge over the Notes for € 14 million, as reported above.

Current account overdrafts, advance payments and hot money

This item showed a balance of € 11,724 thousand at 31 December 2016, against an amount of € 27,411 thousand at the end of the previous year.
Bank overdrafts and advances on current accounts are not backed by guarantees. Their management is linked to temporary reductions in liquidity, within the flows of receipts and payments on the reporting date.

Financial current accounts Parent Company/Subsidiaries

This item mainly refers to intragroup financial current accounts held with subsidiary H2H Facility Solutions S.p.A. for € 21,923 thousand.
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.

Share capital to be paid into investee companies

This item, equal to € 420 thousand, at 31 December 2016, reported an increase of € 415 thousand during 2016 for the subscription of the capital of Consorzio Integra not yet paid up in full.

Obligations from assignments of receivables with recourse

During 2015 the Company entered into an agreement for the assignment with recourse of trade receivables with Unicredit Factoring S.p.A., concerning receivables from Public Authorities. The assignments took place in more than one tranche starting from the last quarter of 2015. During 2016 assignments were made at a nominal value of receivables of € 51,796 thousand, while the amount of receivables assigned but not yet collected by the factor at 31 December 2016 amounted to € 20,805 thousand.

Due to factoring agencies

This item includes receipts from customers on receivables assigned within the factoring of trade receivables without recourse, which was entered into with Banca Farmafactoring S.p.A., in relation to which the Parent Company MFM performs the service of receipts. The amounts collected (equal to € 2,744 thousand at 31 December 2016) were transferred to the factor in the first days of the subsequent financial year.

19. TRADE PAYABLES AND ADVANCES FROM CUSTOMERS

The table below sets forth the breakdown of the item as at 31 December 2016 and 31 December 2015:

	31 December 2016	of which related parties	31 December 2015	of which related parties
Trade payables	183,279	11	209,288	1,189
Trade payables to Associates and Joint-ventures	10,324	10,324	12,239	12,239
Trade payables to Subsidiaries	29,463	29,463	27,002	27,002
Trade payables to Parent companies	4,542	4,542	5,503	5,503
Trade payables to Affiliates	37	37	96.60415	97
Payables to customers for work to be performed	11,119		10,275	
TRADE PAYABLES AND ADVANCES FROM CUSTOMERS	**238,764**	**44,377**	**264,404**	**46,029**

At 31 December 2016 trade payable and advances from customers amounted to €238,764 thousand against € 264,404 thousand at 31 December 2015.

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

20. OTHER CURRENT LIABILITIES

The table below sets forth the breakdown of the item as at 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
Payables to employees	40,058	41,463
Payables to social security	6,229	6,366
Tax payables	7,165	7,900
Collections on behalf of ATI (“*Associazione temporanea di Imprese*”)	6,017	10,477
Other payables to Subsidiaries	276	155
Other payables to Parent Company	54	122
Other payables to Associates	0	462
Payables to directors and statutory auditors	88	150
Property collection on behalf of customers	2,176	2,176
Other payables	9,516	8,472
Accrued expenses and prepaid income	0	6
OTHER CURRENT LIABILITIES	**71,580**	**77,750**

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 generated in the previous years and settled at the moment of collection of the receivables.

21. SALES AND SERVICE REVENUES

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
Integrated services - system and building maintenance	143,851	148,726
Cleaning and sanitation services	311,830	307,939
Heat management	101,239	112,886
Construction work, building restructuring	50,296	57,909
Plant construction work	14,843	19,263
Landscaping services	3,474	3,445
Porterage services	5,508	5,235
Asset management	603	603.42294
Cemetery services	398	762
Other services	66,317	68,933
SALES AND SERVICE REVENUES	**698,361**	**725,700**

22. OTHER OPERATING REVENUES

The breakdown of the item is shown below for the years ended 31 December 2016 and 2015:

	31 December 2016	31 December 2015
Reimbursement of damages	499	439
Gains on sales of property, plant and machinery	48	13
Grants	556	477
Other revenues	302	1,003
OTHER REVENUES	**1,406**	**1,931**

As at 31 December 2016, the balance was € 1,406 thousand, compared to € 1,931 thousand in 2015.
The item "Other Revenue" is mainly made up of the recovery of costs for seconded personnel.
An amount of € 556 thousand was recognised as operating grants, mainly relating to employee training projects.

23. COSTS OF RAW MATERIALS AND CONSUMABLES

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
Change in inventories of raw materials	(219)	(289)
Fuel consumption	(41,382)	(53,202)
Consumption of raw materials	(41,119)	(41,733)
Purchase of auxiliary materials and consumables	(5,448)	(5,021)
Other purchases	(1,763)	(1,618)
COSTS OF RAW MATERIALS AND CONSUMABLES	**(89,930)**	**(101,864)**

As at 31 December 2016 the item amounted to € 89,930 thousand compared to € 101,864 thousand in 2015.

24. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
Third-party services	(123,151)	(128,787)
Professional services	(31,057)	(29,032)
Consortia services	(52,326)	(54,721)
Utilities	(2,652)	(2,732)
Rent expense	(9,559)	(10,032)
Other personnel expenses	(5,575)	(5,295)
Transport	(59)	(69)
Equipment maintenance and repair	(4,398)	(4,298)
Insurance and sureties	(3,469)	(3,761)
Travel expenses and reimbursement of expenses	(1,681)	(1,952)
Advertising and marketing	(17)	(161)
Rentals and other	(2,715)	(2,333)
Directors' and Statutory Auditors' fees	(319)	(294)
Bank services	(128)	(113)
Bonuses and commissions	(22)	(5)
Other services	(529)	(169)
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**(237,657)**	**(243,754)**

For the year ended 31 December 2016, the item recorded € 237,657 thousand, against € 243,754 thousand in 2015, marking a decrease of € 6,097 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.

25. PERSONNEL COSTS

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
Wages and salaries	(207,443)	(208,899)
Social security charges	(63,837)	(65,491)
Temporary and leased personnel	(25,772)	(28,591)
Other current benefits	(1,359)	(1,525)
CURRENT BENEFITS	**(298,410)**	**(304,505)**
Employment termination indemnity	(226)	(196)
Other subsequent benefits		
DEFINED BENEFITS	**(226)**	**(196)**
Payments to employee pension funds	(12,327)	(12,434)
DEFINED BENEFITS	**(12,327)**	**(12,434)**
EMPLOYMENT TERMINATION BENEFITS	**(1,878)**	**(2,347)**
PERSONNEL COSTS	**(312,841)**	**(319,483)**

The financial year ended 31 December 2016, showed a balance of € 312,841 thousand against a balance of € 319,483 thousand in 2015. The portion of termination indemnity paid to the INPS and to supplementary pension funds is recognised under current benefits.

26. OTHER OPERATING COSTS

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
Other operating costs	(1,705)	(8,144)
Fines and penalties	(2,907)	(1,483)
Taxes other than income taxes	(1,741)	(1,486)
Capital losses on disposals of assets	(35)	(3)
Losses on receivables	(46)	-
OTHER OPERATING COSTS	**(6,434)**	**(11,116)**

At 31 December 2016 “Other operating costs” amounted to € 6,434 thousand (€ 11,116 thousand at 31 December 2015). The change compared to the previous year was mainly due to the decrease in “other

operating costs" item, following regulatory changes concerning the "*oneri di sistema*" arising from some energy contracts.

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

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
Amortization intangible assets	(5,833)	(4,189)
Write-down of equity investments in Group companies	(1,989)	(1,381)
Write-downs of trade receivables	(3,525)	(2,645)
Write-downs of other assets	(355)	(93)
Depreciation of property, plant and equipment	(2,156)	(2,458)
Depreciation leased property, plant and equipment	(46)	(65)
Transfer of bad debt provision	161	2
AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**(13,742)**	**(10,829)**

The item Amortization/depreciation, write-downs and write-backs of assets passed from € 10,829 thousand at 31 December 2015 to € 13,742 thousand in 2016.
The item 'Write-down of the Group's Companies equity investments' of € 1,989 thousand mainly includes the value adjustment recognised on Manutencoop International F.M. S.r.l. for € 1,983 thousand.
Higher net write-downs of receivables were also recognised (€ 3,525 thousand at 31 December 2016 against € 2,645 thousand at 31 December 2015).

28. DIVIDENDS, INCOME AND CHARGES FROM DISPOSAL OF EQUITY INVESTMENTS

	31 December 2016	31 December 2015
TOTAL DIVIDENDS, INCOME AND CHARGES FROM DISPOSAL OF EQUITY INVESTMENTS	8,283	10,894

The item accrued in the year is mainly made up of:

- Dividends from subsidiaries and associates for € 7,944 thousand;
- Dividends from non-Group companies for € 325 thousand;

- Capital gain from the disposal of investments for € 14 thousand which was realised by the transfer to Yousave S.p.A. of the investment in Malaspina Energy Soc. cons. a r.l..

The details as at 31 December 2016 are shown below, compared with 2015:

Company	31 December 2016	31 December 2015
Telepost S.p.A.	1,685	3,030
Manutencoop Private Sector Solutions S.p.A.	659	1,997
Servizi Ospedalieri S.p.A.	5,600	6,040
TOTAL DIVIDENDS, INCOME AND CHARGES FROM DISPOSAL OF EQUITY INVESTMENTS - GROUP COMPANIES	**7,944**	**11,067**

Company	31 December 2016	31 December 2015
Progetto Nuovo S.Anna S.r.l.	79	(406)
CO.M.I. S.r.l.	-	15
Genesi Uno S.p.A.	237	216
Consorzio CIICAI	8	-
Consorzio Nazionale Servizi	-	1
Malaspina Soc. Cons. a r.l.	14	-
TOTAL DIVIDENDS, INCOME AND CHARGES FROM DISPOSAL OF EQUITY INVESTMENTS	**338**	**(174)**

29. FINANCIAL INCOME

The breakdown of the item is shown below for the years ended 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
Interest on trade receivables	449	210
Interest on loans and intercompany current accounts	5,338	5,717
Interest from discounting of non-interest bearing loans	30	355
Interest on bank current accounts	13	57
Capital gains on securities	0	2
Other financial income	(102)	157
FINANCIAL INCOME	**5,727**	**6,497**

30. FINANCIAL CHARGES

	31 December 2016	31 December 2015
Loans	(26,594)	(28,988)
Other financial charges	(1,801)	(4,764)
Financial charges on Group financial accounts	(809)	(737)
Financial costs from securitisation	(917)	-
FINANCIAL CHARGES	**(30,121)**	**(34,489)**

In 2016 Financial charges recorded a decrease equal to € 4,368 thousand compared to the previous financial year. The main change relates to the charges relating to the bond issue, which, as in note 18, was the object of a Tender Offer for the repurchase of quotas in a nominal amount of € 80 million during 2015, which was followed by savings of € 2,871 thousand on the financial charges of coupons paid.

31. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

In the Financial Statements at 31 December 2016, and at 31 December 2015, the Company recognised some income statement items realised on “Discontinued operations”, pursuant to IFRS5. These income and costs have been excluded from the perimeter of “Continuing operations” and are recognized under a single item of the Statement of Profit or Loss as “Profit (loss) from discontinued operations”, in accordance with IFRS5.

Profit (loss) from discontinued operations

Below is the breakdown of profit (loss) from discontinued operations:

	31 December 2016	31 December 2015
Capital losses from discontinued operations		(1,303)
Capital gain from the sale of MIA S.p.A.	185	
Earn-out on the transfer of the SMAIL business	1,200	
PROFIT (LOSS) BEFORE TAXES FROM DISCONTINUED OPERATIONS	**1,385**	**(1,303)**
Income taxes from discontinued operations:		
- related to the capital gain (capital losses) from discontinued operations	(3)	17
- related to discontinued operations	(330)	
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**1,052**	**(1,286)**
Basic earnings per share from discontinued operations	0.000002	(0.000012)
Diluted earnings per share from discontinued operations	0.000002	(0.000012)

At 31 December 2016 discontinued operations generated an overall profit, net of tax, equal to € 1,052 thousand, broken down as follows:

- An amount of € 970 thousand (€1,200 thousand, net of a tax effect of € 330 thousand) relating to the payment of the earn-out on the transfer of SMAIL S.p.A. that took place in 2014, as a result of the fulfilment of some contract conditions, and the collection of which is expected during the next 12 months;
- An amount of € 182 thousand (€ 185 thousand, net of a tax effect of € 3 thousand) relating to the positive adjustment applied following the partial collection of the receivable for escrowed sums relating to the sale of MIA S.p.A. that took place in December 2014.

The result of discontinued operations for the period ended 31 December 2015 was a loss of € 1,286 thousand, determined by charges accrued in 2016, relating to the transfer of the investment in MIA S.p.A..

Net cash flows generated from/(used in) discontinued operations

In 2016 discontinued operations generated the following cash outflows, compared with the cash flows generated during the same period of 2015:

	31 December 2016	31 December 2015
Residual transfer price of Energyproject S.r.l. (2014)	76	50
Net cash flow from MIA S.p.A.'s transfer (2014)		(18)
Deferred transfer price of MIA S.p.A. (2014)	8,948	
Net transfer price relating to the transfer of SMAIL S.p.A. (2015)		4,900
Collection of Earn-Out amounts on the sale of SMAIL S.p.A. (2015)	250	
CASH FLOW FROM INVESTMENTS	**9,274**	**4,932**

The cash flows reported at 31 December 2016 mainly related to the collection of an amount of € 3,948 thousand and € 5,000 thousand on 9 May 2016 and 30 December 2016 respectively, relating to the receivable for escrowed sums on 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) which took place on 30 December 2014. The transfer agreement provided that 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.

Furthermore, 2016 saw the collection of additional portions of the remaining receivable for the transfer of Energyproject S.r.l., which took place during 2014 (€76 thousand at 31 December 2016 against € 50 thousand at 31 December 2015). Finally, in accordance with the contract provisions, an amount of € 250 thousand was collected from the abovementioned Earn-Out that MFM S.p.A. (the merging company of SMAIL S.p.A.) obtained on the sale of the business during 2015.

32. TAXES

The breakdown of the income taxes is shown below for the years ended 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
Current IRES tax	7,578	5,971
Current IRAP tax	2,572	3,492
(Income)- charges from tax consolidation	(623)	(2,266)
Adjustment to current taxes of previous years	(7)	200
Current taxes	**9,520**	**7,398**
Prepaid/deferred IRES tax	(1,365)	3,678
Prepaid/deferred IRAP tax	(25)	42
Prepaid/deferred taxes relating to previous years	11	139
Prepaid/(deferred) taxes	**(1,379)**	**3,859**
CURRENT, PREPAID AND DEFERRED TAXES	**8,141**	**11,256**

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 2016 and 31 December 2015 to pre-tax profit is as follows:

Reconciliation between theoretical and actual IRES tax rate	31 December 2016	%	31 December 2015	%
Pre-tax profit (continuing and discontinued operations)	34,885		(33,017)	
Ordinary rate applicable		27.50%		27.50%
Effect of increases (decreases):				
- Temporary differences	8,791		5,731	
- Permanent differences	(17,176)		40,699	
IRES taxable income	26,501		13,413	
ACTUAL RATE/TAX (CONTINUING AND DISCONTINUING OPERATIONS)	**7,288**	**22.68%**	**3,689**	**N.D.**

Reconciliation between theoretical and actual IRAP tax rate	31 December 2016	%	31 December 2015	%
Pre-tax profit (continuing and discontinued operations)	34,885		(33,017)	
Ordinary rate applicable		2.30%		2.30%
		2.68%		2.68%
		2.93%		2.93%
		3.90%		3.90%
		4.73%		4.73%
		4.82%		4.82%
		4.97%		4.97%
Effect of increases (decreases):				
- Labour cost	312,840,768		319,483	
- Balance from financial management	16,111,200		17,103	
- Other differences between taxable base and pre-tax result	(303,007,013)		(220,679)	
IRAP taxable income	**25,979,840**		**82,889**	
- of which at 2.30%	1,196		1,771	
- of which at 2.68%	233		493	
- of which at 2.93%	235		391	
- of which at 3.90%	35,187		48,365	

Reconciliation between theoretical and actual IRAP tax rate	31 December 2016	%	31 December 2015	%
- of which at 4.73%	1,040		1507.29787	
- of which at 4.82%	20,113		26,892	
- of which at 4.97%	2,827		3,470	
ACTUAL RATE/TAX (CONTINUING AND DISCONTINUING OPERATIONS)	**2,572**	**0.01%**	**3,492**	**N.D.**

33. DEFERRED TAXES

The breakdown of the prepaid and deferred taxes as at 31 December 2016 and at the end of the previous year is shown below:

	Equity Tax Effect				Economic Tax Effect	
Prepaid and deferred taxes	31 December 2016	31 December 2015 Manutencoop Facility Management S.p.A.	31 December 2015 MACO S.p.A.	31 December 2015 Società Manutenzione Illuminazione S.p.A.	31 December 2016	31 December 2015
Prepaid taxes:						
Multi-year costs	114	179			65	136
Presumed losses on receivables	4,445	3,674		425	(346)	567
Provisions for risks and charges	4,169	4,157	107	36	130	855
Write-downs on asset items	504	882			378	339
Fees of Directors, Statutory Auditors and Independent Auditors	65	70	5	54	64	53
Amortization	2	1		1	(1)	0
Interest expense	6,302	4,110			(2,192)	1,965
Employee benefits and length of service bonuses	29	43			13	(10)
Substitute tax	0	0			0	0
Restructuring fund	0	247			247	244

Prepaid and deferred taxes	Equity Tax Effect				Economic Tax Effect	
	31 December 2016	31 December 2015 Manutencoop Facility Management S.p.A.	31 December 2015 MACO S.p.A.	31 December 2015 Società Manutenzione Illuminazione S.p.A.	31 December 2016	31 December 2015
Cash cost deduction	8	7			(1)	6
Other temporary differences	958	676		23	(259)	362
TOTAL PREPAID TAXES	**16,595**	**14,046**	**112**	**541**	**(1,900)**	**4,517**
Deferred taxes:						
Tax amortisation	0				0	0
Lease for tax purposes	0	(39)			(39)	(8)
Goodwill amortisation	(8,230)	(7,627)			604	(296)
Purchase Price Allocation (PPA)	(1,806)	(1,873)			(67)	(310)
Capital gains - deferred taxation	0	(10)			(10)	1
Other temporary differences	(194)	(162)			32	(45)
TOTAL DEFERRED TAXES	**(10,230)**	**(9,710)**			**521**	**(658)**
NET PREPAID/(DEFERRED) TAXES	**6,365**	**4,336**			**(1,379)**	**3,859**

34. COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees given

The Company has the following contingent liabilities as at 31 December 2016:

- sureties for bank overdrafts and to secure the obligations of subsidiaries and associates for a maximum amount of € 17,186 thousand (2015 : € 18,802 thousand);
- 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 € 189,329 thousand (2014: € 189,442 thousand);

- guarantee in favour of Factoring Financial Institutions to ensure correct fulfilment of factoring contracts equal to € 1,500 thousand;
- other guarantees granted to third parties for an amount equal to € 5,707 thousand.

The Company has issued, in favour of the bondholders, described under note 18, the following collaterals:

- first-recorded pledge on the shares held by H2H Facility 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 2016 the receivables were equal to € 62,071 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 2016 the current account reported a balance of € 8,880 thousand;
- an assignment of receivables as security, which arise from shareholders' loans (Proceeds Loan) disbursed to H2H Facility Solutions S.p.A. (€ 16,907 thousand), Servizi Ospedalieri S.p.A. (€ 32,274 thousand) and of any and all proceeds arising therefrom.

All Guarantees (assignment of receivables as security and establishment of a pledge over current accounts) 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, H2H Facility 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 2016 no events of default had occurred.

Contingent liabilities

As at the date of approval of the Separate Financial Statements at 31 December 2016, no contingent liabilities had arisen for the Company which had not been recognised in the accounts, in addition to the information already reported in the Notes to the 2016 Separate Financial Statements, to which reference should be made, and for which the Management believes that the related financial risks can be regarded as possible but unlikely.

Claim for damages for the burning in the former "Area Olivetti" in Scarmagno, in the Province of Turin

MFM S.p.A. is the entity liable to compensate the aggrieved party for damages in criminal proceedings before the Court of Ivrea regarding a fire which broke out in the former Olivetti area at Scarmagno, in the Province of Turin, on 19 March 2013. The charges are causing a fire by negligence and violations of safety regulations against three MFM S.p.A. employees, the owner of one of MFM's sub-contractors and the owner of the firm which stocked material whose combustion is alleged to have led to the fire spreading over a vast area. At the hearing on 14 October 2015, MFM S.p.A. was summoned as liable in civil law by the plaintiffs jointly and severally with the other persons allegedly responsible and ordered to pay all the financial and non-financial damages under Article 538 of the Italian Code of Criminal Procedure, also on a provisional basis or, subordinately, to settle such damages in another venue. During 2016 hearings continued to be held before the Court of Ivrea, until the Court of first instance's ruling was issued on 24 February 2016, whereby the defendants were acquitted "for not having committed the crime".
The insurance companies involved paid the injured parties over € 38 million in damages and then formalised their application to recover the sum from both the individual persons charged and their employers, including MFM S.p.A.. The claim for damages amount to about € 50 million in all, including the claims from the owners of the properties affected and the above insurance company claims.
After careful consideration of the facts available and following the decision of acquittal at first instance , the Directors have deemed that the risk is possible but absolutely not probable.

Naples Public Prosecutor's Office investigation into the tender for awarding cleaning services at a local hospital

On 3 April the Naples Public Prosecutor's Office served a search order against some executives of the Company, which was executed at the registered office of the same. These executives are involved in the investigation started by the Naples Public Prosecutor's Office as to the tender for awarding cleaning services at a local hospital. The executives are charged, among other things, with the offence of corruption pursuant to Articles 319 and 319-*bis* of the Italian Criminal Code, which is potentially relevant pursuant to Legislative Decree 231 of 2001.
We have learned from the press that there is a request for application for disqualifying precautionary measures against the Company on the part of the Naples Public Prosecutor's Office in relation to which the Company has not yet received any notice to date. On the contrary, on 13 April 2017 the Judge for Preliminary Investigations of the Court of Naples, who had previously taken a precautionary measure (obligation to stay pursuant to Article 283 of the Italian Code of Criminal Procedure) against the Company's executive who was

the only one to be investigated and who was a Company's function manager at the time of the facts being contested, ordered the revocation of the precautionary measure at the end of the custodial interrogation. The Company declares that it is completely extraneous to the offences charged to its executives and has taken actions, within the normal relations with the control bodies, to define any appropriate in-depth analysis to be conducted.

35. 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-16	152	30,343		407	59	685	4,542	54
	31-Dec-15	184	30,102	0	15	74	11,065	5,503	137
TOTAL PARENT COMPANY	**31- Dec-16**	**152**	**30,343**	**-**	**407**	**59**	**685**	**4,542**	**54**
	31- Dec-15	**184**	**30,102**	**0**	**15**	**74**	**11,065**	**5,503**	**137**

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-16					3			1
	31- Dec-15					3			1
Co.Ge.F. soc.cons.a r.l.	31- Dec-16	1,547	1,365			1,463		1,203	
	31- Dec-15	2,264	2,014			1,589		1,295	
Cons. Igiene Ospedaliera Soc.Cons.a r.l.	31- Dec-16	842	413			910		804	
	31- Dec-15	881	357			518		448	
Cons. Imolese Pulizie Soc.Cons.a r.l.	31- Dec-16						36	12	
	31- Dec-15					49	36	48	
Cons. Servizi Toscana Soc.Cons.a r.l.	31- Dec-16	58	141			280		107	
	31- Dec-15	75	119			206		77	
Gestlotto 6 Soc.Cons.a r.l.	31- Dec-16						5		
	31- Dec-15		6				5		

SUBSIDIARIES		Revenues	Costs	Financial Income	Financial Expenses	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Global Oltremare Soc.Cons.a.r.l.	31- Dec-16		11			57		189	
	31- Dec-15		10			57		430	
Ferraria Soc.Cons.a r.l.	31- Dec-16	3,360	3,862			2,606	0	2,452	
	31- Dec-15	2,591	3,143			1,467	0	1,274	
Sicura S.p.A	31- Dec-16	620	1,767		45	158	20	1,257	2,066
	31- Dec-15	839	1,768			438	20	1,120	
Gymnasium Soc.Cons.a r.l.	31- Dec-16					1	8	33	5
	31- Dec-15					1	7	33	5
Isom Gestione Soc.Cons.a.r.l.	31- Dec-16	8,310	5,308			11,320		2,950	
	31- Dec-15	7,690	4,326		6	6,411		1,461	
Isom Lavori Soc.Cons.a.r.l.	31- Dec-16	2,735	2,633			2,284		2,397	
	31- Dec-15	8,200	7,691			5,411		4,759	
MACO S.p.A.	31- Dec-16								
	31- Dec-15	57		102		27	2,837	10	
H2H Facility Solutions S.p.A.	31- Dec-16	3,597	27	1,506	735	4,357	17,244	140	22,722
	31- Dec-15	3,683	184	1,499	569	4,648	17,176	266	17,878
Manutenzione Installazione Ascensori S.p.A.	31- Dec-16								
	31- Dec-15	6							
Palmanova servizi energetici soc.cons. r.l.	31- Dec-16	328	754			535		697	
	31- Dec-15	316	878			137		(25)	
S.AN.CO. Soc. Conso a r.l.	31- Dec-16	66	(128)			182	861	(128)	
	31- Dec-15	66				2,802	861	(86)	
S.AN.GE Soc. Cons. a r.l.	31- Dec-16	20,896	12,224	150		9,957	4,137	6,202	29
	31- Dec-15	20,690	12,062	151		3,938	3,957	2,638	29
Servizi Brindisi soc.cons.a r.l.	31- Dec-16		(9)			264	0	(107)	
	31- Dec-15		(2)			264	0	25	
Servizi Ospedalieri S.p.A.	31- Dec-16	2,031	71	3,118		1,010	34,936	78	
	31- Dec-15	2,523	845	3,388		940	38,526	711	
Servizi Taranto Soc. Cons. a r.l.	31- Dec-16	1,644	3,984			449		1,748	56
	31- Dec-15	1,837	3,354			972		2,353	56
Simagest 2 Soc.Cons.a r.l.	31- Dec-16						75	13	2
	31- Dec-15					20	75	4	2

SUBSIDIARIES		Revenues	Costs	Financial Income	Financial Expenses	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Simagest 3 Soc.Cons.a r.l.	31- Dec-16							3	
	31- Dec-15							3	
Società Manutenzione Illuminazione S.p.A.	31- Dec-16								
	31- Dec-15	319		395		222	9,033	14	
Telepost S.p.A.	31- Dec-16	878	279		30	293	30	80	891
	31- Dec-15	2,116	488		154	500	30	159	1,730
Logistica Sud-Est Soc. Cons. a r.l.	31- Dec-16	828	1,816			47		641	
	31- Dec-15	788	1,746			509		957	
e-DIGITAL SERVICES S.r.l.	31- Dec-16	232	2,029	1		128	20	872	59
	31- Dec-15					0	1		
San Gerardo Servizi Soc. Cons. a r.l.	31- Dec-16	7,141	3,659			4,767		1,179	3
	31- Dec-15	5,444	2,925			4,795		1,918	185
MANUTENCOOP INTERNATIONAL F.M. S.r.l.	31- Dec-16	461		41		484	1,772		19
	31- Dec-15					0	1		
Protec S.r.l.	31- Dec-16	12				20			
	31- Dec-15	18				5			
Evimed S.r.l.	31- Dec-16	24	185			15		171	
	31- Dec-15	50	262			15		201	
Firing S.r.l.	31- Dec-16								
	31- Dec-15	19	4						
MCF Servizi Integrati Soc. Cons. a r.l.	31- Dec-16	6,928	9,116			5,048		4,777	
	31- Dec-15	7,055	9,013			5,592		4,856	
KANARIND Soc. Cons.rl	31- Dec-16	7,101	5,875			2,212		1,114	
	31- Dec-15	7,174	6,120			11,593		2,995	
Leonardo S.r.l.	31- Dec-16	41	236			25		193	
	31- Dec-15	51	152			15		109	
Servizi L'Aquila Soc. Cons. a r.l.	31- Dec-16		5						
	31- Dec-15	97	209			55		122	
Alessandria Project Value S.r.l.	31- Dec-16								
	31- Dec-15								
YOUGENIO S.r.l.	31- Dec-16	200				200			
	31- Dec-15								

SUBSIDIARIES		Revenues	Costs	Financial Income	Financial Expenses	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
M.S.E. Soc. Cons. a r.l.	31- Dec-16	378	388			378		388	
	31- Dec-15								
TOTAL SUBSIDIARIES	**31- Dec-16**	**70,258**	**56,009**	**4,815**	**809**	**49,453**	**59,145**	**29,463**	**25,852**
	31- Dec-15	**74,850**	**57,676**	**5,535**	**729**	**53,197**	**72,565**	**28,177**	**19,886**

JOINT VENTURE		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-16		1,547					793	
	31- Dec-15		2,132					1,042	
DUC Gestione Sede Unica Soc.Cons.a r.l.	31- Dec-16	6,716	2,987		0	3,403		437	
	31- Dec-15	6,104	2,824		0	5,799		997	
Legnago 2001 Soc.Cons.a r.l.	31- Dec-16		4			158		41	
	31- Dec-15		4			216		84	
Malaspina Energy Soc. Cons. a r.l.	31- Dec-16								
	31- Dec-15		39	4		1,047	180	91	
SCAM Soc.Cons. a r.l.	31- Dec-16	25	52			37		63	
	31- Dec-15								
Serena s.r.l. in liquidation	31- Dec-16						3		
	31- Dec-15								
CO. & MA.Soc. Cons. a r.l	31- Dec-16	360	1,383				20	1,007	
	31- Dec-15	360	1,263			360	20	2,287	
TOTAL JOINT VENTURE	**31- Dec-16**	**7,101**	**5,974**	**0**	**0**	**3,598**	**23**	**2,342**	**0**
	31- Dec-15	**6,464**	**6,262**	**4**	**0**	**7,421**	**200**	**4,500**	**0**

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-16							50	
	31- Dec-15	36	65			175		50	

ASSOCIATES		Revenues	Costs	Financial Income	Financial Expenses	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Bologna Multiservizi soc.cons.a r.l.	31- Dec-16	63	247			276		1,491	
	31- Dec-15		250			195		1,619	
Bologna Più Soc.Cons. r.l. in liquidation	31- Dec-16					(0)	3	3	
	31- Dec-15					(2)	39	13	
Como Energia Soc.Cons.a r.l.	31- Dec-16		932					1,461	
	31- Dec-15		878					900	
Gico Systems S.r.l.	31- Dec-16	11	568			46		326	
	31- Dec-15	4	877			6		545	
Global Provincia di RN Soc.Cons.a r.l.	31- Dec-16						70	13	
	31- Dec-15					25	70	18	
Global Riviera Soc.Cons.a r.l.	31- Dec-16		52			55		(53)	
	31- Dec-15		12			55		(105)	
Global Vicenza soc.cons.r.l.	31- Dec-16	103	866			144	748	594	
	31- Dec-15	228	1,420			34	570	933	
Grid Modena S.r.l.	31- Dec-16								
	31- Dec-15		12			2			
Livia soc.cons.r.l.	31- Dec-16		8					8	
	31- Dec-15			22				-	
Logistica Ospedaliera Soc.Cons.a.r.l.	31- Dec-16		412					24	
	31- Dec-15		426					140	
Newco DUC Bologna S.p.A.	31- Dec-16		7					33	
	31- Dec-15							25	
P.B.S. s.c.r.l.	31- Dec-16								
	31- Dec-15		(39)				1		
Progetto Isom S.p.A.	31- Dec-16	257	19	120		88	1,922	19	
	31- Dec-15	231		24		96	1,802		
Roma Multiservizi S.p.A.	31- Dec-16	2,341	1,532			1,996		960	
	31- Dec-15	1,582	1,961			516		1,290	462
Savia Soc. Cons. a r.l.	31- Dec-16		1					314	
	31- Dec-15		1,202					965	
Se.Sa.Mo. S.p.A.	31- Dec-16	5,182		25		1,486	618	6	
	31- Dec-15	5,161		27		2,608	606	6	

ASSOCIATES		Revenues	Costs	Financial Income	Financial Expenses	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Servizi Napoli 5 soc.cons. r.l.	31- Dec-16	1,414	1,318			1,944		1,311	
	31- Dec-15	1,395	1,282			2,076		1,287	
Synchron Nuovo San Gerardo S.p.A.	31- Dec-16	5,246	111	172		5,193	2,331	41	
	31- Dec-15	5,833	122	57		4,663	1,580	55	
CENTRO EUROPA RICERCHE S.r.l.	31- Dec-16	8							
	31- Dec-15								
TOWER Soc. Cons. a r.l. in liquidation	31- Dec-16					33	17	(11)	
	31- Dec-15								
Bologna Global Strade Soc. Cons a r.l.	31- Dec-16	2,674	4,788			572	336	1,395	
	31- Dec-15								
TOTAL ASSOCIATES	**31- Dec-16**	**17,300**	**10,862**	**318**	**0**	**11,834**	**6,044**	**7,982**	**0**
	31- Dec-15	**14,470**	**8,468**	**130**	**0**	**10,451**	**4,669**	**7,740**	**462**

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-16					1			
	31- Dec-15					1			
Manutencoop Immobiliare S.p.A.	31- Dec-16	10	722			6		0	
	31- Dec-15	10	733			6		62	
Nugareto Società Agricola Vinicola S.r.l.	31- Dec-16	7	39			16		37	
	31- Dec-15	9	49			8		35	
Segesta S.r.l.	31- Dec-16	17				17			
	31- Dec-15	17				9			
TOTAL SUBSIDIARIES OF MANUTENCOOP SOC. COOP.	**31- Dec-16**	**34**	**761**			**40**		**37**	
	31- Dec-15	**35**	**782**			**25**		**97**	
Consorzio Karabak Società Cooperativa	31- Dec-16	123	1			23		1	
	31- Dec-15	62	2			11		2	

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**
Consorzio Karabak Due soc.coop	31- Dec-16	80	1			0		1	
	31- Dec-15	3	1			0		1	
Consorzio Karabak Tre soc.coop	31- Dec-16	1	0			0		0	
	31- Dec-15	1				1			
Consorzio Karabak Sei soc.coop	31- Dec-16								
	31- Dec-15		1					1	
Sacoa s.r.l.	31- Dec-16	78	19			52		8	
	31- Dec-15	73	20			42		8	
Consorzio Karabak Quattro coop	31- Dec-16		0					1	
	31- Dec-15								
TOTAL ASSOCIATES OF MANUTENCOOP SOC. COOP.	**31- Dec-16**	**282**	**21**	**0**	**0**	**76**	**0**	**11**	**0**
	31- Dec-15	**139**	**24**	**0**	**0**	**54**	**0**	**12**	**0**

		Revenues	**Costs**	**Financial Income**	**Financial Expenses**	**Trade receivables**	**Financial receivables and others**	**Trade payables**	**Financial payables and others**
TOTAL RELATED PARTIES	**31- Dec-16**	**95,127**	**103,970**	**5,133**	**1,216**	**65,060**	**65,898**	**44,377**	**25,907**
	31- Dec-15	**96,143**	**103,314**	**5,668**	**744**	**71,221**	**88,498**	**46,029**	**20,485**

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.

There are no guarantees in relation to receivables and payables with related parties.

Below are the main contracts that Manutencoop Facility Management S.p.A. has in place within the Group controlled by Manutencoop Società Cooperativa:

- 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 € 1,723 thousand, to be paid in 12 monthly instalments.;
- The affiliate company Manutencoop Immobiliare S.p.A. leased to MFM the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. The 6-year term, tacitly renewable, expired on 14 April 2021. 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 the Subsidiary 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 S.p.A. and the parent company Manutencoop Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Cooperativa, and the operating rules for establishing and 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 signed agreements with Manutencoop Cooperativa and its subsidiaries, for the provision of tax consultancy services;
- Starting from 2004, MFM 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, in the previous year, it was extended to 2016-2019. 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:

	31 December 2015	31 December 2014
STATEMENT OF FINANCIAL POSITION		
ASSETS		
A) Subscribed capital, unpaid	42	104
B) Fixed assets	316,953	337,710
C) Working capital	42,257	53,040
D) Accruals and Deferrals	1,811	2,033
TOTAL ASSETS	**361,063**	**392,887**
LIABILITIES AND SHAREHOLDERS EQUITY		
A) Shareholders' equity:		
Share capital	7,198	8,660
Reserves	246,997	252,875
Profit/(Loss) for the year	(25,884)	(5,879)
B) Provision for risks and charges	1,252	4,774
C) Employee Severance Indemnity	1,700	2,035
D) Payables	129,096	129,685
E) Accruals and Deferrals	705	736
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**361,063**	**392,887**
MEMORANDUM ACCOUNT	**175,213**	**162,179**
INCOME STATEMENT		
A) Value of production	35,014	42,415
B) Cost of production	(34,594)	(41,993)
C) Financial income and charges	(4,881)	(4,718)
D) Financial asset value adjustments	(20,434)	(2,755)
E) Extraordinary income and charges	151	65
Income taxes for the year	(1,140)	1,108
Profit/(Loss) for the year	**(25,884)**	**(5,879)**

36. FEES DUE TO THE MEMBERS OF THE GOVERNING AND CONTROL BODIES AND TO EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

On 30 November 2016 the Extraordinary Shareholders' Meeting of MFM S.p.A. approved the new Articles of Association, whereby the ordinary management and control system was adopted pursuant to articles 2380 and ff. of the Italian Civil Code, to replace the previous "two-tier" system which provided for the simultaneous presence of a Management Board as the governing body and a Supervisory Board as control body. Therefore, there was the appointment of a new Board of Directors (the members of which already acted in the previous Management Board) and of a Board of Statutory Auditors with control functions.

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

	31 December 2016	31 December 2015
MANAGEMENT BOARD		
Short-term benefits	657	995
TOTAL MANAGEMENT BOARD	**657**	**995**
SUPERVISORY BOARD		
Short-term benefits	300	271
TOTAL SUPERVISORY BOARD	**300**	**271**
OTHER STRATEGIC EXECUTIVES		
Short-term benefits	2,527	3,456
Subsequent benefits	120	116
TOTAL OTHER STRATEGIC EXECUTIVES	**2,647**	**3,572**
BOARD OF DIRECTORS		
Short-term benefits	46	0
TOTAL BOARD OF DIRECTORS	**46**	**0**
BOARD OF STATUTORY AUDITORS		
Short-term benefits	10	0
TOTAL BOARD OF STATUTORY AUDITORS	**10**	**0**

The table below reports the fees accrued in 2016 for the audit and non-audit services rendered by the independent auditors and by entities in their network.

	31 December 2016	31 December 2015
Audit services	402	388
Other services	0	2
TOTAL FEES DUE TO THE INDEPENDENT AUDITORS	**402**	**390**

37. 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 Governing Body, 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 issued 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 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 other financial instruments that are traditionally used by the Company are made up of:

- short-term loans and revolving non-recourse and recourse factoring transactions targeted at funding working capital. During the financial year assignments with recourse were effected with Unicredit Factoring and without recourse with Banca Farmafactoring;
- very short-term credit facilities used for contingent cash requirements;
- medium/long-term loans with a multi-year repayment plan to cover investments in fixed assets and acquisitions of companies and business units.

The Company also uses trade payables deriving from operations as financial instruments. The Group'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 2016 and 31 December 2015:

	Hierarchy				Hierarchy			
	31 December 2016	Level 1	Level 2	Level 3	31 December 2015	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			101	101		
securities	101	101			101	101		
Available-for-sale financial assets								
Financial receivables and other current financial assets	0				0	0		
hedging derivatives	0				0	0		
non-hedging derivatives	0				0	0		
TOTAL FINANCIAL ASSETS	**101**	**101**			**101**	**101**		

During 2016 the company did not make recourse to hedging derivatives.

In 2016 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.

Classes of financial assets and liabilities

The following table shows the classification of financial assets and liabilities recorded in the financial statements, as required by IFRS 7, and the associated economic effects for the year closed as at 31 December 2016:

	31 December 2016	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	3,277	3,277	
Non-current financial assets	57,732		57,732
Other non-current assets	2,023		2,023
Total non-current financial assets	**63,033**	**3,277**	**59,756**
Current financial assets			
Trade receivables and advances to suppliers	356,863		356,863
Current tax receivables	1,681		1,681
Other current assets	16,957		16,957
Current financial assets	11,175		11,175
Cash and cash equivalents	137,963		137,963
Total current financial assets	**524,639**	**0**	**524,639**
Total financial assets	**587,672**	**3,277**	**584,395**
Financial income	**5,727**	**0**	**5,727**

	31 December 2016	Financial Liabilities at Fair Value in the Statement of Income	Financial Liabilities measured at amortised cost
Non-current financial liabilities			
Non-current loans	305,063		305,063
Total non-current financial liabilities	**305,063**	**0**	**305,063**
Current financial liabilities			
Trade payables and advances from customers	238,764		238,764
Other current financial liabilities	69,524		69,524
Total current financial liabilities	**308,288**	**0**	**308,288**
Total financial liabilities	**613,351**	**0**	**613,351**
Financial (charges)	**(30,121)**	**0**	**(30,121)**

The same information for the year ended 31 December 2015 is shown below:

	31 December 2015	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	2,694	2,694	
Non-current financial assets	61,372		61,372
Other non-current assets	1,904		1,904
Total non-current financial assets	**65,970**	**2,694**	**63,276**
Current financial assets			
Trade receivables and advances to suppliers	398,477		398,477
Current tax receivables	12,254		12,254
Other current receivables	19,402		19,402
Other current financial assets	27,215		27,215
Cash and cash equivalents	84,543		84,543
Total current financial assets	**541,891**	**0**	**541,891**
Total financial assets	**607,861**	**2,694**	**605,167**
Financial income	**6,497**	**0**	**6,497**

	31 December 2015	Financial Liabilities at Fair Value in the Statement of Income	Financial Liabilities measured at amortised cost
Non-current financial liabilities			
Non-current loans	303,435		303,435
Total non-current financial liabilities	**303,435**	**0**	**303,435**
Current financial liabilities			
Trade payables and advances from customers	264,404		264,404
Short-term loans	60,114		60,114
Total current financial liabilities	**324,517**	**0**	**324,517**
Total financial liabilities	**627,952**	**0**	**627,952**
Financial (charges)	**(34,489)**	**0**	**(34,489)**

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), finance leases and medium/long-term loans.

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 bank indebtedness.

During the previous year, following the considerable fine issued by the Competition Authority, the Company has reviewed its financial planning in order to create the conditions for meeting this potential extraordinary outflow of cash. To this end, on 23 February 2016 it entered into a factoring maturity contract, without recourse (*pro-soluto*), with Banca Farmafactoring S.p.A. in relation to the assignment of receivables from entities in the National Health System, for an annual cumulative amount of up to € 100 million accrued between MFM S.p.A. and the subsidiary Servizi Ospedalieri S.p.A.. It is a committed credit line with a term of three years.

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 arising from changes in prices, even significant, on the Company's profit for the year, would essentially be 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 December 2016	31 December 2015	31 December 2016	31 December 2015
Financial assets				
Cash and cash equivalents	137,963	84,543	137,963	84,543
Receivables and other current financial assets	11,175	27,215	11,175	27,215
Other minority interests	3,277	2,694	3,277	2,694
Non-current financial receivables	57,732	61,372	57,732	61,372
Financial liabilities				
Loans:				
- Variable rate loans	47,293	56,966	47,293	56,966
- Fixed rate loans	305,329	304,080	305,329	304,080
Other current financial liabilities	21,965	2,502	21,965	2,502

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 18).
- Non-current financial assets (note 8).
- Receivables and other current financial assets (note 13).
- Cash and cash equivalents (note 14).

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 2016	+150 bps	(601)
	-30 bps	(492)
Financial year ended 31 December 2015	+150 bps	(78)
	-30 bps	16

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.

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.

	31 December 2016	31 December 2015
Employee termination indemnity	9,865	10,960
Interest-bearing loans	374,587	363,549
Trade payables and other payables	320,574	351,864
Cash and cash equivalents	(137,963)	(84,543)
Net Debt	**567,062**	**641,829**
Capital	109,149	109,149
Reserves and retained earnings	215,463	189,212
Total capital	**324,612**	**298,361**
EQUITY AND NET DEBT	**891,674**	**940,190**
INDEBTEDNESS RATIO	**64%**	**68%**

There was a 4% reduction in the debt ratio compared to 31 December 2015, mainly due to the reduction in net debt, compared to a limited increase of € 26 million in net worth.

38. SUBSEQUENT EVENTS TO THE CLOSE OF THE YEAR

Amendments to regulations governing "Oneri di sistema"

MFM S.p.A. holds some major contracts for energy services for which operating payables relating to "*Oneri di Sistema*" had been recognised for a total amount of € 6.2 million during 2015. During 2016 the Group reviewed the measurements of these charges for some sites which had previously not been considered eligible for concessions; therefore no additional charges on the energy contracts involved were recognised in 2016.

On 23 February 2017 the Chamber of Deputies finally approved Decree Law 244 of 30 December 2016, the "*Milleproroghe*" Decree, and converted it into law. Specifically, the amendments affect the current regulations governing "*Oneri di sistema*" and in particular "the following paragraphs are repealed: paragraph 5 of Article 33 of Law 99 of 23 July 2009, as well as paragraphs 1 to 7 and paragraph 9 of Article 24 of Decree Law 91 of 24 June 2014, as amended and converted by law 116 of 11 August 2014. The effects (if any) of repealed rules also cease to apply, which have not yet been felt".

In short, the rule was repealed, which, except for the RIUs (*Reti Interne di Utenza*, Internal Utility Networks), general *oneri di sistema* are calculated by making reference to energy consumption. According to the previous Bersani Decree (Legislative Decree 79/99), *oneri di sistema* are payable according to the energy withdrawn from the grid and, accordingly, any entity that does not withdraw energy from the grid, because it produces electricity on its own account, is exempt from the payment of said charges. Therefore, according to the new regulations, the management of MFM S.p.A. believes that no additional *Oneri di Sistema* must be recognised during 2017, also given that payment obligations have ceased to apply to those relating to previous years. On the other hand, this case will remedy some distorting effects of the complex regulations governing energy self-production until 31 December 2017, which would have wrongly changed the regulatory framework for investments already made, in particular in industrial districts, thus frustrating their sustainability. Furthermore, a general reform of the relevant Regulations is desirable and expected during 2018.

Other events after the year-end

On 23 March 2017 AGCM notified MFM S.p.A. of the initiation of a preliminary investigation procedure against the main operators of the Facility Management market in order to establish whether these companies implemented any possible understanding restricting competition, concerning the coordination of the procedures to participate in the tender launched by Consip in 2014 for awarding the Facility Management services to be rendered to the properties that are mainly intended for office use on the part of the Public Authorities ("FM4 Tender"). For more comprehensive information, reference should be made to note 17.

On 3 April the Naples Public Prosecutor's Office served a search order against some executives of the Company, which was executed at the registered office of the same. These executives are involved in the investigation started by the Naples Public Prosecutor's Office as to the tender for awarding cleaning services at a local hospital. For more details, reference should be made to note 34.

39. ALLOCATION OF THE PROFIT FOR THE YEAR

The Financial Statements at 31 December 2016 are approved, allocating the profit for the year, equal to € 26,411,796.97, as follows:

- € 1,320,589.85 to legal reserve;
- € 25,091,207.12 to be distributed to the shareholders, subject to full coverage of losses from previous years, amounting to € 44,256,591.14 through the partial use of the Extraordinary Reserve that, following this use, reduces from € 73,229,454.01 to Euro 28,972,862.87.

Zola Predosa, 19 April 2017

The Chairman of the Board of Directors

Marco Canale

MANUTENCOOP

2016

ANNUAL REPORT

AT 31 DECEMBER 2016

INDIPENDENT AUDITOR’S REPORT

Manutencoop Facility Management S.p.A.

Financial statements as at December 31, 2016

Independent auditor’s report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010

EY S.p.A.
Via Massimo D'Azeglio, 34
40123 Bologna

Tel: +39 051 278311
Fax: +39 051 236666
ey.com

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Manutencoop Facility Management S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of Manutencoop Facility Management S.p.A., which comprise statement of financial position as at 31/12/2016, and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in Shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of Manutencoop Facility Management S.p.A. are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Manutencoop Facility Management S.p.A. as at 31/12/2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw attention:

- to Note 17 - *Provisions for Risks and Charges* to the financial statements which describes the assessment performed by the Directors with reference to the fine levied on Manutencoop Facility Management S.p.A. by the Italian Competition Authority on January 20, 2016, to the further risks involved and to the related effects on the financial statements;
- to Note 34 - *Commitments and Contingent Liabilities* to the financial statements which reports on the investigation notified by the Public Prosecutor's Office of Naples to some executives of Manutencoop Facility Management S.p.A. on April 3, 2017.

Our opinion is not qualified in respect of these matters.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations with the financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations with the financial statements. The Directors of Manutencoop Facility Management S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. In our opinion the Report on is consistent with the financial statements of Manutencoop Facility Management S.p.A. as at 31/12/2016.

Bologna, April 21, 2017

EY S.p.A.
Signed by: Marco Menabue, partner

This report has been translated into the English language solely for the convenience of international readers.

MANUTENCOOP

2016

ANNUAL REPORT

AT 31 DECEMBER 2016

MINUTES OF THE SHAREHOLDERS' MEETING

Today, thursady 27 April 2017 at 10:00 a.m at the registered office in Zola Predosa (BO), Via Poli n. 4, regularly called in accordance with the By-Laws, by e-mail on April 10, 2017, the Ordinary Shareholders' Meeting of Manutencoop Facility Management S.p.A. convened.

Pursuant to art. 16 of the By-Laws, the Chairman of the Board of Directors, Mr Marco Canale, chaired the Meeting, noting that:

- for the Board of Directors are present at the meeting place: the Vice Chaiman Mr Giuliano Di Bernardo and the CEO Mr Aldo Chiarini; in audio conference: Mr Folco Gaggioli and Mr Matteo Tamburini;
- for the Board of Statutory Auditors are present at the meeting place: the Chairman of the Board of the Statutory Auditors Mr Germano Camellini and the Standing Auditor Mrs Monica Mastropaolo; in audio conference the Standing Auditor Mr Vieri Chimenti;
- Shareholders hold 109,149,600 shares, representing, in total, 100% of the share capital, and specifically they are, respectively, indicated by their individual participation share, their representatives and the modalities of intervention in the list attached to this report under the letter "A".

The Chairman, noting that the By-Laws does not require the advance deposit of the shares' certificate, established the identity of all parties - expressly including those participating in the teleconference meeting as previously instructed - and that everyone is in the condition to participate at the meeting, follow the discussion and intervene in real time to the same, verified the regularity of the convocation and the legitimacy of the participation of the above mentioned members, then declares the meeting properly established and able to deliberate on the following agenda:

Financial Statement at December 31, 2016, Report on Operations, Report of the Board of Statutory Auditors and Report of the Indipendent Auditors: related and consequent resolutions

The Chairman proposes to the Assembly, which approves, the appointment as Secretary to Mr Claudio Bazzocchi, who is present.

Item 1. Financial Statement at December 31, 2016, Report on Operations, Report of the Board of Statutory Auditors and Report of the Indipendent Auditors: related and consequent resolutions

The Chairman also notes that by last April 12, u.s. all the Shareholders have sent to the Company, to the Statutory Auditors and to the Indipendent Auditors the letter in which they waived under the terms of law ex art. 2429 of the Italian Civil Code on the filing at the registered office of the opinion of the Board of Statutory Auditors and of the Indipendent Auditors.

This waiver was justified by the need to amend the draft of the Separate Financial Statement and the Consolidated Financial Statement approved by the Board of Directors on 24 March 2017, in order to disclose potentially significant subsequent events.
On last April 19 The Board of Directors has integrated the Separate Financial Statement and Consolidated Financial Statement, which on the same date were made available to all shareholders.
On last April 21 the opinion of the Statutory Auditors and of the Indipendent Auditors were also made available to shareholders, and by the same date all shareholders have waived the terms of the law ex art. 2429 of the Italian Civil Code on the filing at the registered office of the Separate Financial Statement.

***

The Chairman, Mr Marco Canale, - omitted to read it with the unanimous consent of all participants, as these documents, as already stated above, are already available to all participants - briefly illustrates the main voices of the Separate Financial Statement as at December 31, 2016, prepared in accordance with the International Financial Reporting Standards (IFRS), and the Report on Operations.
The Chairman continues and then presents the Indipendent Auditor’s Report issued by EY (Ernst & Young) S.p.A. in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010.
At the end of the report of M. Marco Canale, the Chairman of the Board of Statutory Auditors, Mr Germano Camellini - omitted the integral reading always with the unanimous consent of all participants – reads to the Assembly only the final sections of the Statutory Auditor’s Report to the Financial Statement closed at 31 December 2016, issued in accordance with art. 2429 of the Italian Civil Code.
The Chairman finally shows the proposal for the allocation of the profit for the year made by the Board of Directors and contained in the documents above.

***

The Chairman of the Assembly, omitted also in this case the reading with the unanimous consent of all participants, briefly illustrates the Consolidated financial statement at December 31, 2016, also prepared in accordance with the International Financial Reporting Standards (IFRS), and the Report on Operations prepared in a unitary form with Report on Operations of the Separate Financial Statement.
The Chairman then provides the Indipendent Auditor’s Report on the Consolidated Financial Statement at December 31, 2016 issued by the Indipendent auditors Ernst&Young S.p.A. in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010.

***

The Chairman therefore invites all the presents to intervene on the documents submitted.

The Chairman invites the Assembly to approve the draft of the Separate Financial Statement at December 31, 2016, together with the Report on Operations, the Statutory Auditor's Report and the Indipendent Auditor's Report.

The Assembly, with clear and unanimous vote, took note:

- of the Separate Financial Statement at 31 December 2016, together with the Report on Operations, the Opinion of the Statutory Auditors and the Opinion of the Indipendent Auditors, as well as the Consolidated Financial Statement accompanied by the above mentioned Report on Operations and the Opinion of the Indipendent Auditors;
- of the waiver on the terms of the law ex art. 2429 of the Italian Civil Code;

APPROVES

- the Separate Financial Statement at 31 December 2016, together with the Report on Operations;
- the proposal of the allocation of the profit of the year, amounted to Euro 26,411,796.97, as follows:
    - Euro 1,320,589.85 to Legal Reserve
    - Euro 25,091,207.12 to be distributed to shareholders with payment by May 31st, subject to full coverage of losses from previous years, amounting to € 44,256,591.14 through the partial use of the Extraordinary Reserve that, as a result of this use, reduces from € 73,229,454.01 to Euro 28,972,862.87.

***

At 10:35 the Shareholders' meeting is formally dissolved following the approval of this minutes.

The Secretary	**The Chairman**
Claudio Bazzocchi	Marco Canale

Manutencoop Facility Management S.p.A.
Registered office: Zola Predosa (BO)
Via U. Poli no. 4

F.C.– VAT – Bologna Register of Companies
no. 02402671206
Share Capital: € 109,149,600.00 fully paid-up

“The Company is subject to the management and
coordination activities of Manutencoop
Società Cooperativa Zola Predosa (BO)”