ANNUAL REPORT

AT 31 DECEMBER 2017

2017

MANUTENCOOP

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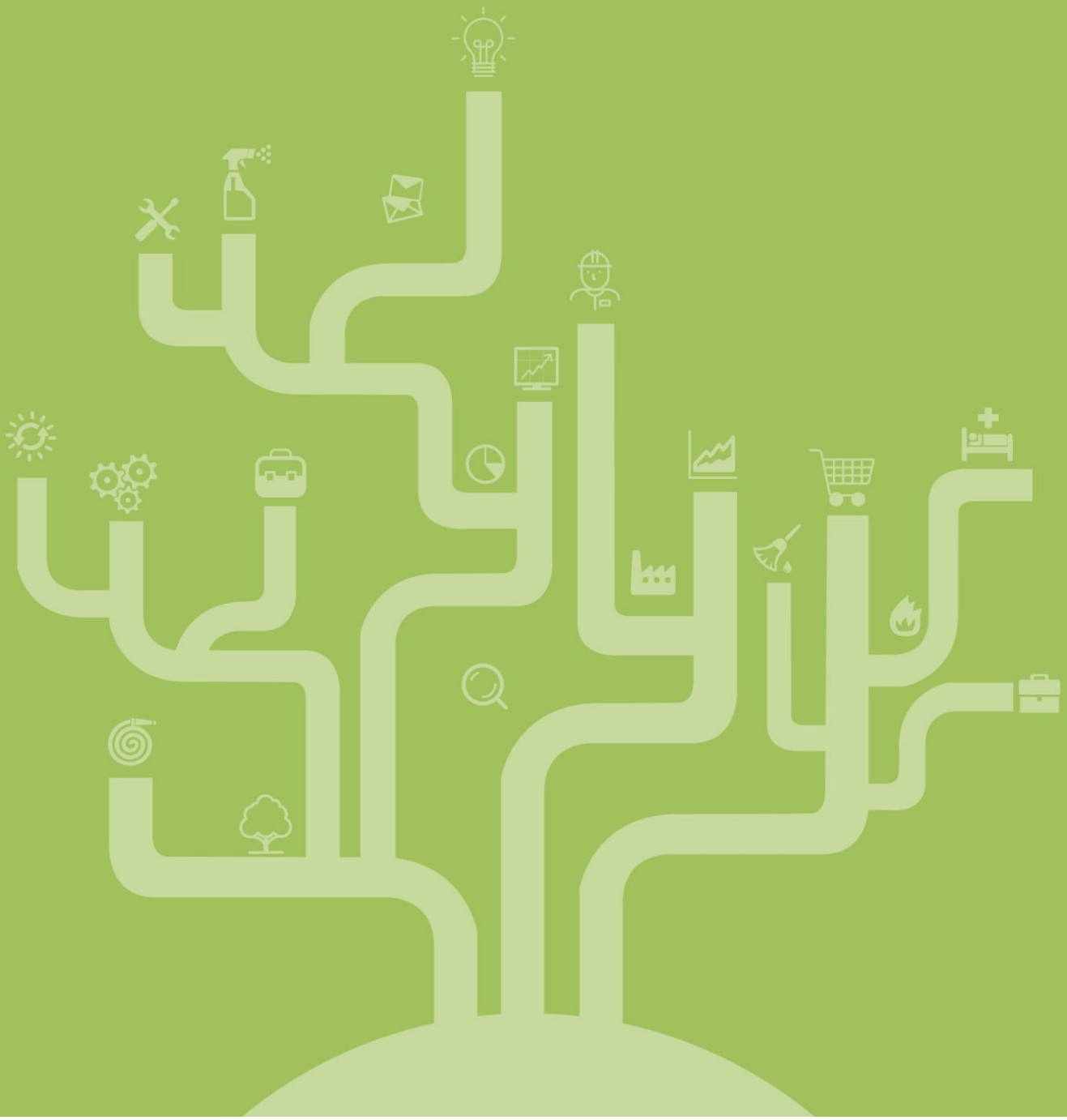
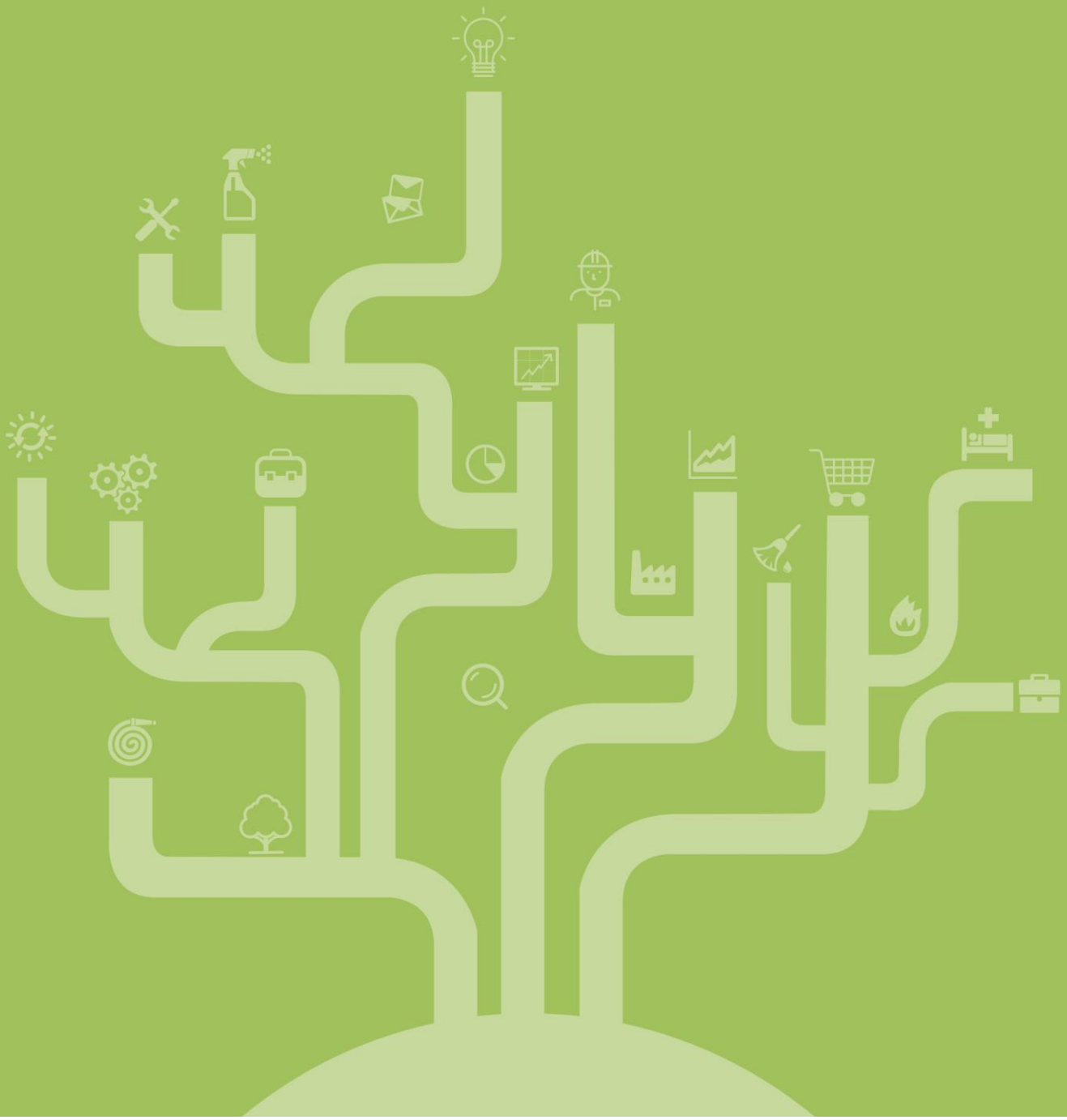


INDEX



GENERAL INFORMATION

REGISTERED OFFICE

Via U. Poli, 4
Zola Predosa (Bo)

BOARD OF DIRECTORS

Appointed by the Shareholders' Meeting of 13 October 2017

CHAIRMAN AND CEO
Giuliano Di Bernardo

MEMBERS OF THE BOARD OF DIRECTORS
Aldo Chiarini (ceased to hold office on 23 February 2018)
Laura Duò (appointed on 23 February 2018)
Rossella Fornasari
Paolo Leonardelli
Giuseppe Pinna
Gabriele Stanzani
Matteo Tamburini

GENERAL MANAGER
Andrea Gozzi

BOARD OF STATUTORY AUDITORS

Appointed by the Shareholders' Meeting of 13 October 2017

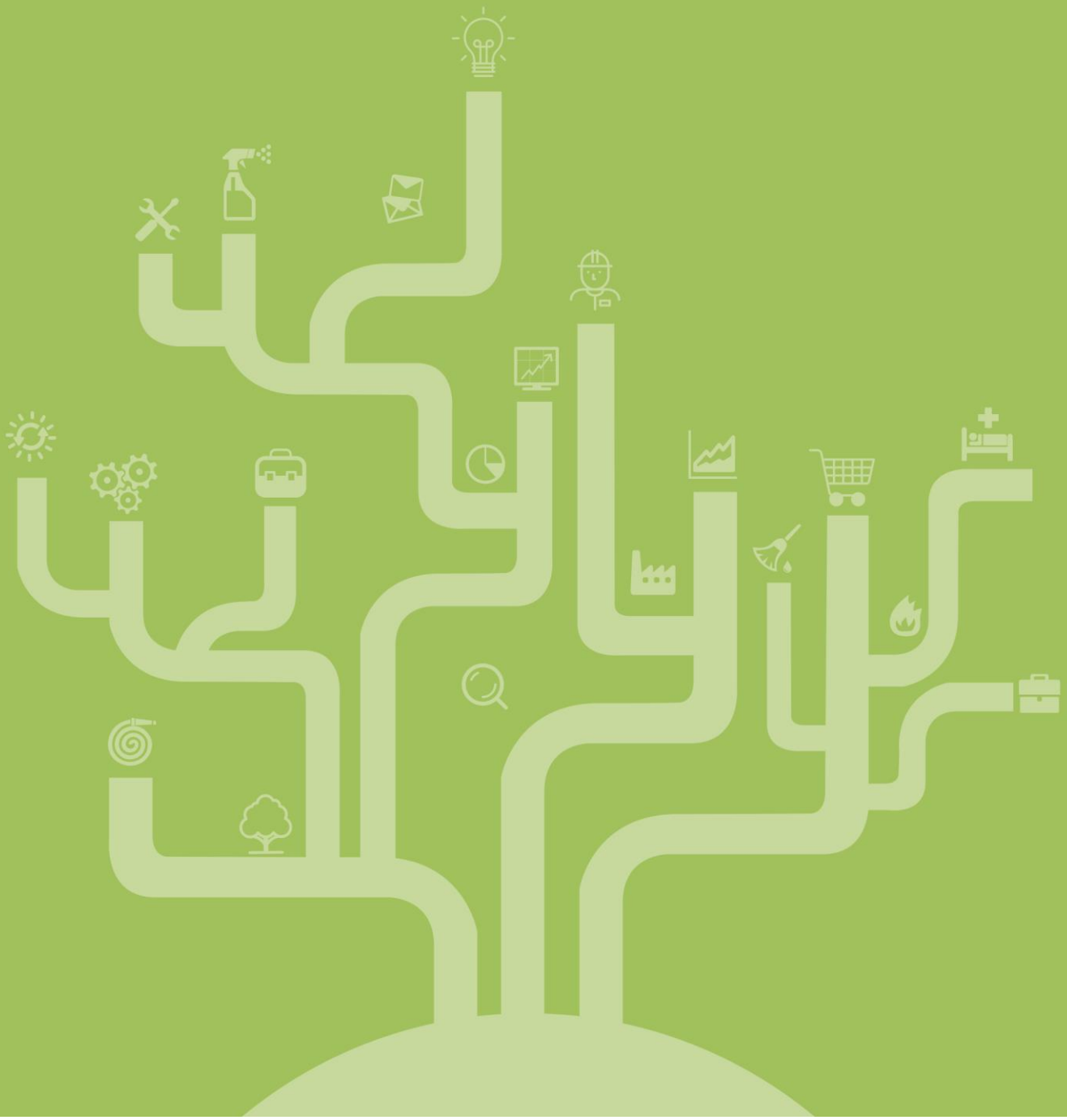
CHAIRMAN
Germano Camellini

STANDING AUDITORS
Marco Benni
Monica Mastropaolo

ALTERNATE AUDITORS
Michele Colliva
Antonella Musiani

INDEPENDENT AUDITORS

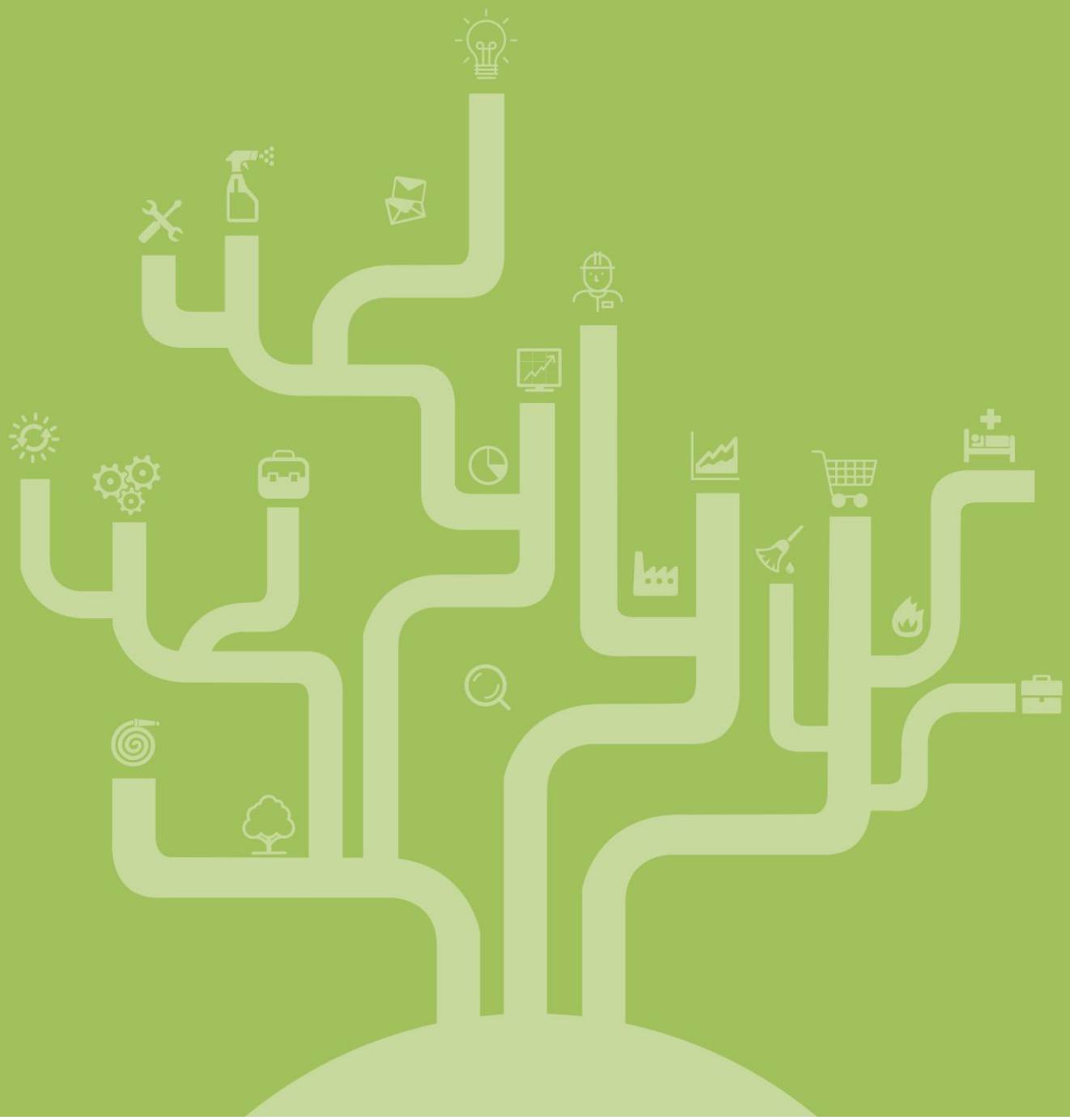
EY S.p.A.



REPORT ON OPERATIONS

2017

MANUTENCOOP



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, c as provided for under art. 40 of Legislative Decree 127/1991, is presented in a single document. Where appropriate, priority is given to issues considered important to the companies included in the scope of consolidation as a whole.

The Group is active in the management and provision of integrated services to public and private customers, targeted at properties, the area and to support so-called "Integrated Facility Management" health care activities.

At present the 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 by establishing Yougenio S.r.l., an innovative start-up active in the provision of services to private consumers through an e-commerce platform. This event led the Group to enter the B2C services market.

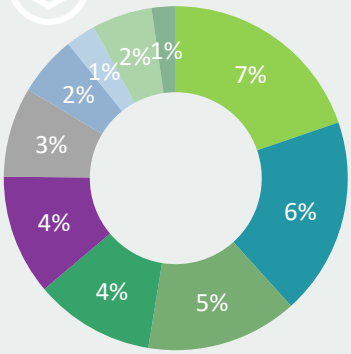
Shareholding structure

Ordinary shares issued by Manutencoop Facility Management S.p.A. and fully paid up at 31 December 2017 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 66.793% in MFM S.p.A. and the remaining stake was held by a pool of Private Equity investors. Furthermore, on 1 July 2013 Manutencoop Società Cooperativa 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 continued to pertain to the buyer.

The stakes held in the share capital of MFM S.p.A. were divided among minority shareholders as follows

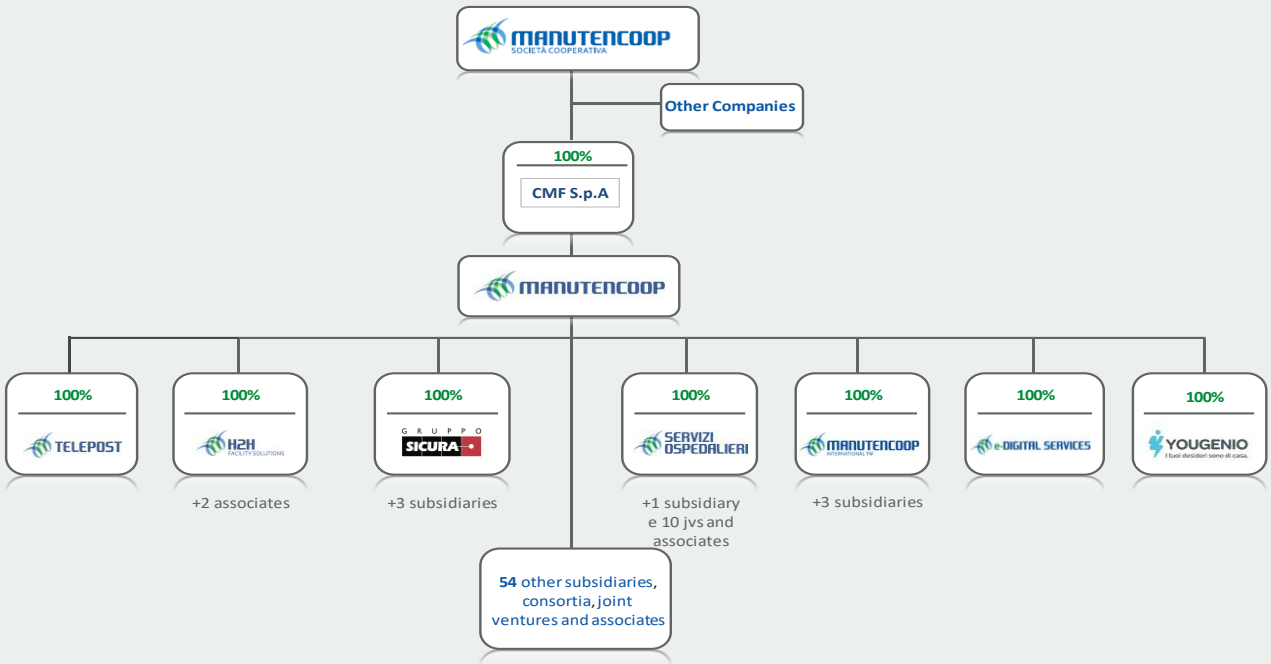


- Value Italy
- Private Equity Partners
- Idea Capital
- 21 Investimenti
- Cooperare
- Unipol Banca
- Nordest
- NEIP II
- Mediobanca
- SICI

On 19 July 2016 the majority shareholder Manutencoop Società Cooperativa and the Investors signed a new investment agreement and new shareholders' agreements, which replaced those that had been entered into in 2013 and provided for a number of actions to be taken over subsequent periods of time, aimed at ensuring the exit of minorities from the ownership structure of MFM S.p.A., as well as at 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.

On 26 May 2017, Manutencoop Società Cooperativa set up as sole shareholder a vehicle called CMF S.p.A. for the launch of a bond issue (Senior Secured Notes) with the purpose of repurchasing the Notes already issued by MFM S.p.A. during 2013 and repaying the other financial payables of the entire Group controlled by Manutencoop Cooperativa. Moreover, the company restructuring operation provided Manutencoop Società Cooperativa with the financial resources required to allow the exit of the Investors holding non-controlling interests in MFM S.p.A. and to pay the Vendor Note issued by it as part of the already mentioned Investment Agreement of 2016. In fact, on 13 October, CMF S.p.A. completed the purchase of the shares of the Investors, representing 33.2% of the share capital of MFM S.p.A., in accordance with the Call Option transferred to it by Manutencoop Società Cooperativa and recognised by the Shareholders' Agreement signed in July 2016. On the same date, there was also the transfer and sale of the additional shares of MFM S.p.A. owned by Manutencoop Società Cooperativa to CMF S.p.A., which thus became its sole shareholder.

On 13 December 2017 the structure of the new Group controlled by Manutencoop Società Cooperativa was the following:

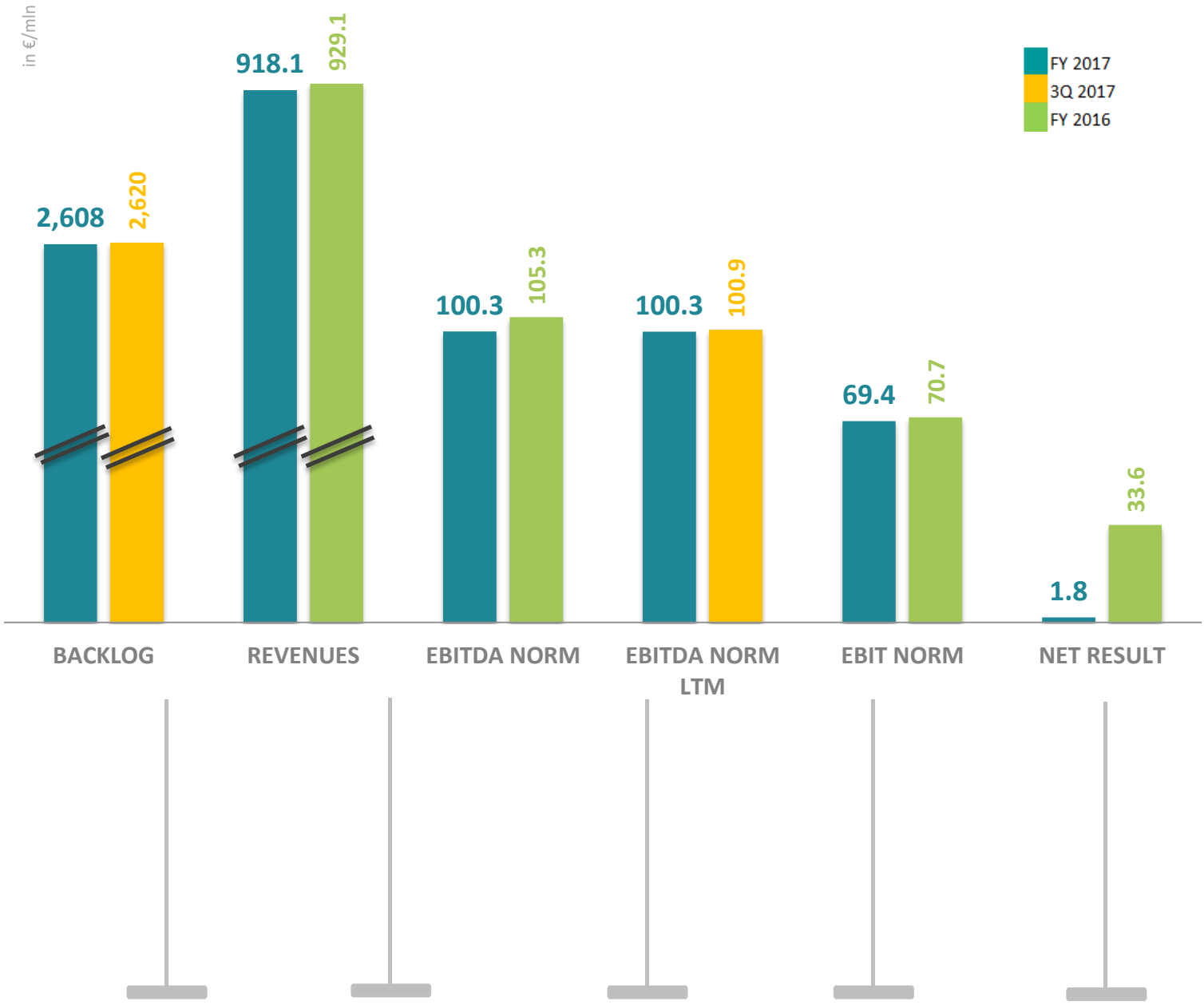

MANUTENCOOP
SOCIETÀ COOPERATIVA
Other Companies
100%
CMF S.p.A
MANUTENCOOP
100%
TELEPOST
100%
H2H
+2 associates
100%
GRUPPO SICURA
+3 subsidiaries
100%
SERVIZI OSPEDALIERI
+1 subsidiary e 10 jvs and associates
100%
MANUTENCOOP
+3 subsidiaries
100%
e-DIGITAL SERVICES
100%
YOUGENIO
54 other subsidiaries, consortia, joint ventures and associates

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".
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

	Definition
	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".
Normalized EBIT or EBITDA	Normalized EBITDA and EBIT represent Adjusted measures that also exclude the contribution to the consolidated profit/loss of the start-up activities relating to the subsidiary Yougenio S.r.l. and to the sub-group controlled by Manutencoop International S.r.l..
Gross Debt	Gross Debt is defined as the sum of debts for principal referring to: i) Senior Secured Notes; ii) Long-term bank debts; iii)) Current bank overdraft, advance payments and hot money; iv) Obligations arising from assignments of trade receivables with recourse; v) Financial lease obligations.
LTM (Last Twelve Months)	LTM values relate to the economic values or financial flows identified in the last 12 months, or in the last 4 financial reporting years.
Net Cash	Net Cash is defined as the balance of "Cash and cash equivalents" net of: i) Bank overdrafts, advance payments and hot money; ii) Obligations arising from assignments of trade receivables with recourse.
Net Debt	Net Debt is defined as Gross Debt net of the balance of Cash and cash equivalents and Current financial assets.
NFP	Consolidated Net Financial Position represents the balance of Long-term debt, Derivatives, Bank borrowings (including current portion of long-term debt) and other financial liabilities, net of the amount of receivables and other current financial assets and Cash and Cash equivalents.
Adjusted NFP and NWOC	Adjusted NWOC and Adjusted NFP include the balance of the trade receivables assigned in the framework of the previous years' assignment without recourse programmes (now abandoned), and not yet collected by the factoring companies.



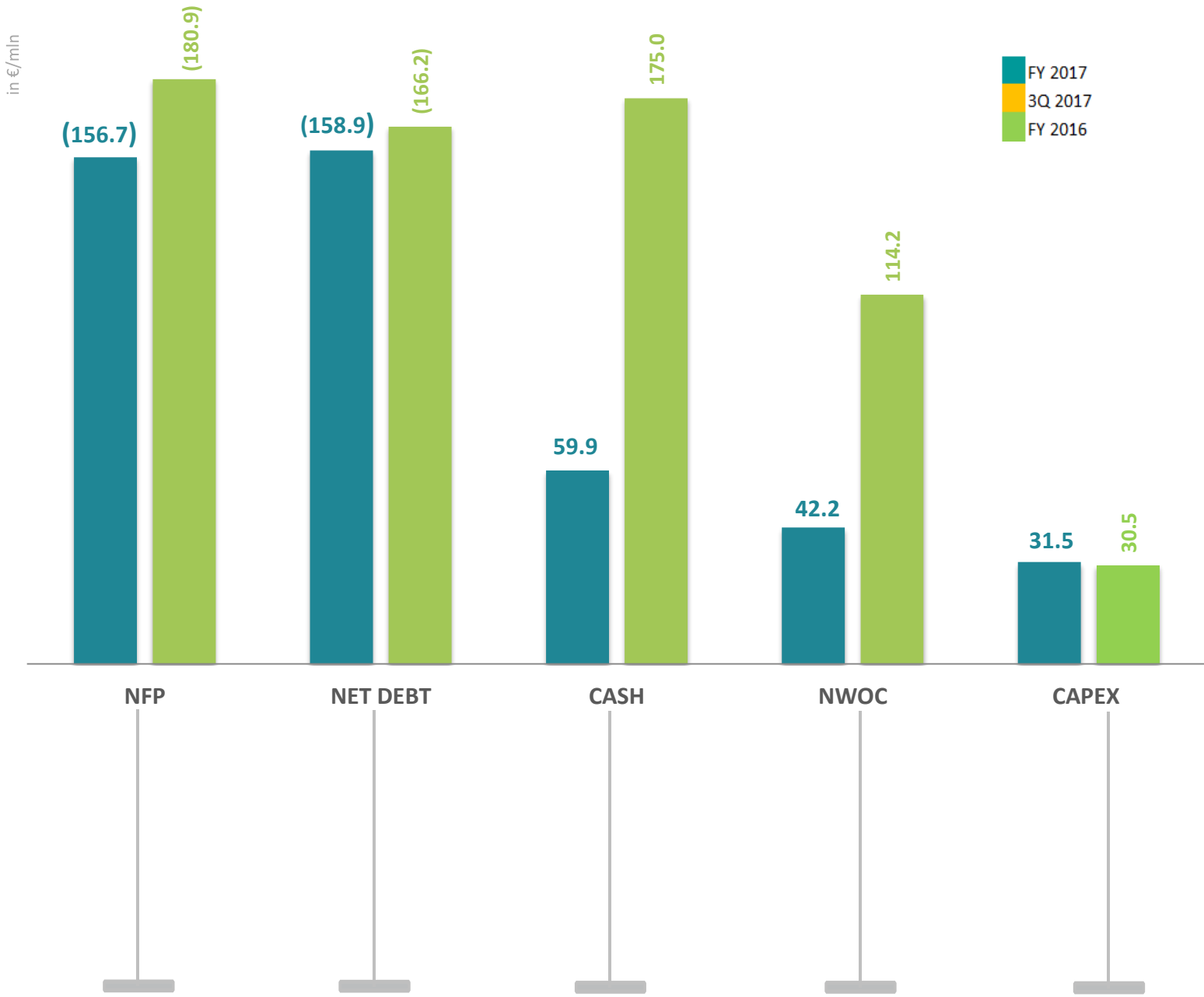
REVENUES
-1.2%
vs FY2016

BACKLOG/ REVENUES
2,8x

EBITDA NORM/ REVENUES
10.9%
vs 11.3% at 31/12/2016

EBITDA NORM LTM/ REVENUES LTM
10.9%
vs 11.1% at 30/09/2017

EBIT NORM / REVENUES
7.6%
vs 7.6% at 31/12/2016



NET DEBT / EBITDA NORM
1.6x
vs 1.6x at 31/12/2016

NET CASH
23,9
vs 142,3 at 31/12/2016

NWOC / REVENUES
4.6%
vs 12,3% at 31/12/2016

ADJ NWOC / REVENUES
6.5%
vs 13,7% at 31/12/2016

2017 SIGNIFICANT EVENTS

During the financial year ended 31 December 2017, management activities continued as part of the SBUs in which the group operates. With regard to Facility Management, the 2017 financial year showed, during the second half-year, a recovery in revenues and the end of the slight decline that had characterised recent years.

An important confirmation that something on the market is moving in the right direction is given by the signing, on 20 September, of the Consip MIES2 agreement, which, albeit it has not had any impact on 2017 Revenues, will bring, after predictably completing the agreement process in early 2018, backlog from new development for potential € 209 million, which can be further raised up to € 250 million (+20%), should the demand exceed the ceiling. The impact on Revenues will presumably occur from the first half of 2018.

With regard to the Laundering&Sterilisation SBU, 2017 was characterised by the launch of some major renewals in *linen rental and industrial laundering* starting from the second half-year with a negative impact on margins as a result of the discounts applied at the time of the tender with effects that will also have marginal impacts on revenues for the year (down by € 4.3 million compared to 2016). The countermeasures against the current Laundering&Sterilization market trend were taken as early as in 2017: a more aggressive trade policy that aims at increasing the market share on the one hand and on the other investments in optimising the factories' production capacity.

During the year work also continued to develop the B2C and *small-scale guest accommodation* market through the start-up Yougenio S.r.l., which has expanded its business both in terms of geographical area by covering various additional cities and in terms of range of services offered, adding a set of *personal services* (such as, among others, baby-sitting and care and support for older people) to the core facility management business traditionally conducted by the Group.

Finally, scouting activities involving the international facility management market also continued in 2017, through the other Group start-up, Manutencoop International S.r.l.. The development of the international business unit will begin to have an impact on the Group Revenues as from the first half of 2018 through subsidiaries in France and Turkey.

From a financial point of view 2017 was marked by an additional key deleverage step with a net financial debt that came to € 156.7 million, over € 24 million less compared to 31 December 2016, despite the distribution of an extra-dividend of € 25.1 million. The considerable cash flows, which were mainly generated as early as during the first 3 quarters of the year, allowed the completion of the refinancing transaction which had been entered into by controlling company CMF S.p.A. in October 2017.

Refinancing transaction of the Manutencoop Società Cooperativa Group

On 26 May 2017, the parent company Manutencoop Società Cooperativa set up as sole shareholder a vehicle called CMF S.p.A. for the launch of a bond issue (Senior Secured Notes), in order to reorganize the financial structure of the Group it controls. The transaction, launched on 29 June 2017 through the publication of the Offering Memorandum, was formalised in an issue of € 360 million, due 15 June 2022, at

an issue price of 98% with an annual fixed coupon of 9% (payable every six months on 15 December and 15 June) and non-callable redemption until 15 June 2020. The contract ("Indenture") was signed on 6 July 2017 by and between the issuer, Law Debenture Trust Corporation p.l.c. as trustee and UniCredit Bank AG, Milan Branch as Security Agent. The bond was listed on the Euro MTF Market managed by the Luxembourg Stock Exchange and on the multilateral trading ExtraMOT system, PRO segment, organized and managed by Borsa Italiana S.p.A.. The bonds were offered for subscription and placed (i) in the U.S.A., only to *qualified institutional buyers* pursuant to Rule 144A of the Securities Act and (ii) outside the U.S.A. pursuant to Regulation S of the Securities Act and specifically in Europe and in Italy, only with exemption from EU and Italian legislation governing public offering laid down in the Prospectus Directive, the Consolidation Act on Finance and the Issuers' Regulation.

The purpose of the bond issue launched by CMF S.p.A. was to repurchase the Notes already issued by MFM S.p.A. during 2013 (with a 8.5% coupon, maturity in August 2020 and price redemption at 2 August 2017 equal to 102.125%), repay the other financial payables of the entire Group controlled by Manutencoop Cooperativa, provide the latter with the financial resources required to allow the exit of the Investment Funds holding a share of 33.2% of MFM S.p.A. and pay the Vendor Note issued by Manutencoop Società Cooperativa, in accordance with an Investment Agreement signed during 2013 and revised during 2016.

The income of the bond issue was deposited in an escrow account, managed by Bank of New York Mellon, London Branch as escrow agent and pledged in favour of the trustee as a guarantee for the bondholders. This escrow was released on 13 October 2017 (Completion Date); on the same date the redemption procedure of the Senior Secured Notes issued by MFM S.p.A. in 2013 was carried out. At the same time, CMF S.p.A. acquired the shares of MFM S.p.A. held by Manutencoop Società Cooperativa, through transfer and sale by the latter of 51.19% and 15.6%, respectively, of the share capital of the subsidiary. Moreover, on the same date, CMF S.p.A. acquired, again from Manutencoop Società Cooperativa, the right to exercise the Call option held on the non-controlling interests in MFM S.p.A. with regard to the Investment Funds, providing for their exit in compliance with the already mentioned Investment Agreement.

Therefore, as at the date of approval of the Consolidated Financial Statements at 31 December 2017, CMF S.p.A. was the Sole Shareholder of MFM S.p.A. and, pursuant to the Offering Memorandum, will be merged by incorporation into its own subsidiary no later than 12 months from the Completion Date (i.e. by 13 November 2018). This merger process was started in early 2018 and the statutory, accounting and tax effects of the planned merger should run from 1 July 2018.

On 29 June 2017 CMF S.p.A. also signed, as the Parent Company, a Super Senior Revolving loan agreement for € 50 million, governed by English law and expiring six months before the bond issue (i.e. on 15 December 2021), to which MFM S.p.A. became a party as Borrower. Specifically, the RCF Loan agreement was entered into between, among others, CMF S.p.A., on the one hand, and J.P. Morgan Limited and UniCredit S.p.A., which act as Mandated Lead Arrangers, UniCredit Bank AG, Milan Branch, as Agent and Security Agent, and the Original Lenders, on the other hand.

After the abovementioned merger, the subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security. The RCF is aimed at meeting the general working capital requirements of the Manutencoop Group: therefore, in no case may it be used, directly or indirectly,

in order to proceed with the repurchase or redemption of the Notes, the purchase of shares in MFM S.p.A. or the distribution of dividends. The interest rate applicable to each drawdown of the RCF loan for each interest period will be equal to the percentage rate resulting from the sum of the margin set (equal to 4.25) and the applicable EURIBOR parameter.

Regulatory changes in relation to "Oneri di Sistema"

The Parent Company MFM S.p.A. is the owner of some important contracts related to energy services. During 2015, costs related to the so-called "*Oneri di Sistema*" charges on these contracts were prudentially recognised for a total of € 6.2 million, of which € 3.1 million related to the previous year as a result of regulatory provisions of Italian LD 91/2014 as converted with amendments by Italian Law 116/2014 and of the related implementing decree issued in 2015. During 2016, the assessments of these charges were revised for some sites previously considered potentially non qualifying as SEU (Efficient Systems for Users), (to which "*Oneri di Sistema*" charges apply at a reduced rate of 5%), which was accompanied by an amendment to the regulations on the matter contained in Italian Law Decree no. 244 of 30 December 2016 (known as "*Decreto Milleproroghe*"). Therefore, no additional "*Oneri di Sistema*" charges were set aside during 2016.

On 23 February 2017, the Chamber of Deputies followed up the final approval, resulting in the conversion into Law *Decreto Milleproroghe*. The introduced amendments abrogated the regulation (contained in the Italian laws of 2014 mentioned above) according to which, except for RIUs (Internal User Networks), general "*Oneri di Sistema*" charges would have been determined, starting from 2014, with reference to the consumption of electricity rather than to drawing from the network by re-establishing in this way the regulation previously in force, contained in the Bersani Decree (Italian Legislative Decree 79/99). Therefore, on the basis of the amended regulations, the management of MFM S.p.A. believed that there was no need to recognise additional "*Oneri di Sistema*" charges in 2017, and implemented the elimination of the payment obligations for those related to the previous years for which no payment was made, pending clarification of the terms.

Exercise of the Call option on non-controlling interests in the share capital of Sicura S.p.A.

The Investment agreement signed by MFM S.p.A. with the non-controlling shareholders of Gruppo Sicura S.r.l. (acquired in 2008 and merged today into Sicura S.p.A.) envisaged a Put&Call mechanism through which MFM S.p.A. would have subsequently acquired the non-controlling interest (initially equal to 20% of the share capital). MFM S.p.A. acquired an additional 5% interest in the share capital of Sicura S.p.A. already on 12 July 2016 and exercised the Call option for the residual 15% interest at the deadline set at 30 June 2017. The payment of the share price (equal to the value entered in the Consolidated Financial Statements of € 5.4 million) and their transfer took place on 10 August 2017.

1. SUMMARY OF RESULTS OF THE FOURTH QUARTER OF 2017

	For the quarter ended 31 December			For the year ended 31 December		
	2017	2016	%	2017	2016	%
Revenues	253,632	249,314	+1.7%	918,091	929,098	-1.2%
Adjusted EBITDA *(*)*	24,323	25,179	-3.4%	94,443	101,220	-6.7%
Adjusted EBITDA % of Revenues	*9.6%*	*10.1%*		*10.3%*	*10.9%*	
Normalized EBITDA *(*)*	25,785	26,391	-2.3%	100,340	105,272	-4.7%
Normalized EBITDA % of Revenues	*10.3%*	*11.2%*		*10.9%*	*11.,3%*	
Adjusted EBIT *(*)*	17,268	17,425	-0.9%	63,395	66,640	-4.9%
Adjusted EBIT % of Revenues	*6.8%*	*7.0%*		*6.9%*	*7.2%*	
Consolidated Net Profit (Loss)	(16,088)	19,918		1,825	33,533	

In the fourth quarter of 2017, the Group recorded ***Revenues*** of € 253.6 million, showing an increase (+ € 4.3 million) compared with the fourth quarter of 2016 (€ 249.3 million), showing an upturn in the downward trend that characterised recent years for the second consecutive quarter. The increase in Revenues in the fourth quarter is distributed differently in the different markets of reference when compared to the figure of the previous year: + € 3.2 million for the Public sector and + € 1.9 million for Healthcare activities, against a negative change of € 0.7 million in the sector of Private Customers.
It was the Facility Management SBU that recorded an increase compared to the fourth quarter of 2016 (+ € 5.3 million, from € 216.5 million in the quarter ended 31 December 2016 to € 221.8 million in the quarter ended 31 December 2017) and specifically the "traditional" facility management. On the other hand, the turnover of Laundering&Sterilisation SBU showed a decrease of € 1.0 million (from € 33.6 million for the quarter ended 31 December 2016 to € 32.6 million for the quarter ended 31 December 2017), mainly due to the renewal of certain contracts in the portfolio against lower fees on average, some of which with effect from July 2017 and others with effect from October 2017.

At 31 December 2017, the **Backlog** came to € 2,608 million, substantially unchanged compared to the value reported at the end of the previous quarter (€ 2,620 million at 30 September 2017). However, it should be noted that this indicator does not yet include, at the reporting date, future revenues related to the agreements signed with Consip S.p.A. on 20 September 2017 concerning the "MIES 2" tender and the awarding of an Integrated Multi-Service Technology with energy supply for buildings used by Public Health Administrations. These agreements had a term of two years and provided that each implementation contract that may be signed by Public Authorities in such a time span may have a term of 5/7 years, at the discretion of the Authorities, starting from the activation of each supply, with a total limit of MFM S.p.A. that, for the period indicated, can be extended up to approximately € 250 million. These potential revenues are not included in the acquisitions described herein and are not yet included in the Group's backlog, pending the signing of individual supply orders. The Backlog/LTM Revenues ratio at 31 December 2017 amounted to 2.8x (2.9x at 30 September 2017 and 3.1x at 31 December 2016).

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

Adjusted EBITDA of the fourth quarter of 2017 came to € 24.3 million, showing a decrease of € 0.9 million compared to the same quarter of last year (€ 25.2 million), mainly attributable to Laundering&Sterilisation SBU over the quarter and to the higher operating loss recorded by the start-ups Yougenio S.r.l. and Manutencoop International S.r.l., while the results achieved by the Facility Management SBU remained sufficiently stable. This was reflected on the drop in average profit margins (**Adjusted EBITDA/Revenues:** 9.6% for the quarter ended 31 December 2017 versus 10.1% for the same period last year).

Adjusted EBIT of the quarter ended 31 December 2017 amounted to € 17.3 million (6.8% of the related Revenues), substantially in line with that of the same period of the previous financial year, equal to € 17.4 million (7.0% of the related Revenues). The trend was affected, in absolute terms, by the trend already shown for Adjusted EBITDA (- € 0.9 million) plus lower *amortisation and depreciations* and accruals to provisions for future risks and charges.

Finally, the **Consolidated net result** for the quarter posted a negative value of € 17.2 million, against a net profit of € 19.9 million for the quarter ended 31 December 2016, as a result of a lower consolidated EBIT (- € 24.2 million); the difference was mainly due to the partial release of the provision set aside in 2015 to pay the fine levied by the Competition Authority for the Consip Scuole agreement during the fourth quarter of 2016, to which must be added higher net financial charges for € 11.7 million linked to the completion of the refinancing transaction entered into in October 2017.

	31 December 2017	30 September 2017	31 December 2016
Net Operating Working Capital (NWOC)	42,200	63,017	114,169
Net Financial Position (NFP)	(156,706)	(141,199)	(180,942)

From an equity and financial point of view, the figure relating to Net Working Operating Capital (**NWOC**) at 31 December 2017 recorded a decrease of € 72.0 million compared to the figure reported at the end of the previous financial year, with lower trade receivables of € 26.9 million and higher trade payables of € 46.7 million, against a Net Financial Position (**NFP**) that reported an improvement of € 24.2 million in 2017, despite the distribution of a dividend of € 25.1 million and the payment of non-recurring charges sustained for the refinancing transaction.

During the three months, assignments of trade receivables without recourse were made for € 23.3 million, while the amount of receivables assigned to the factor but not yet collected at 31 December 2017 amounted to € 19.3 million (€ 12.9 million at 31 December 2016).

At 31 December 2017, DSO was 164 days, thus showing a further improvement compared to the end of 2016 (170 days at 31 December 2016), confirming the previous quarter's figure. DPO, on the other hand, was 246 days (238 days in the previous quarter and 226 days at 31 December 2016). The trend described in terms of amounts collected from customers and payments to suppliers thus showed in the first nine months of 2017 a lower transfer of cash flows to suppliers, which experienced a less significant reduction

in the balance compared to that recognised in the balance of trade receivables, in line with historical period trends.

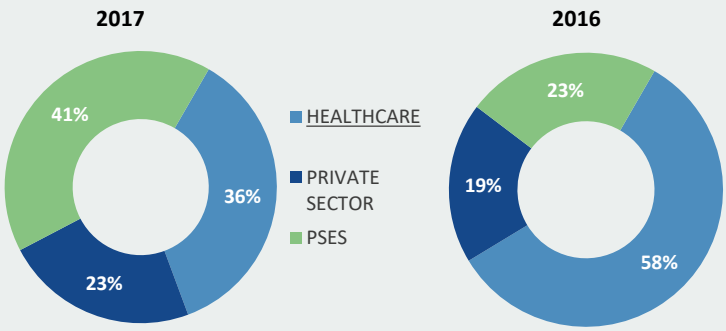
The Net Financial Position (**NFP**) showed an increase of € 15.5 million during the quarter. The flows generated by the change in NWOC (€ 18.9 million) were offset by the cash flow used by operating activities in the quarter (- € 19.2 million, mainly attributable to non-recurring charges arising from the completion of the refinancing transaction and the payment of taxes), to which must be added the absorption related to net industrial investments (€ 9.0 million) and to financial investments (€ 1.6 million), and to € 1.9 million related to the use of provisions for future risks and charges and Employee termination benefits of the quarter. Finally, there was an absorption of € 2.7 million for changes in the quarter in other operating assets and liabilities.

2. BUSINESS DEVELOPMENT

In 2017 the Group brought orders for an overall multi-year amount of € 438 million, of which € 370 million relating to extensions and renewals of contracts already included in its sales portfolio. As in the past, these data regard only long-term contracts obtained in the context of services for "traditional" facility management", for linen rental and for laundry services as well as for the sterilization of surgical instruments, as well as of "B2B" technology services 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. However, these companies have a not particularly significant impact on consolidated production volumes (less than 6% in 2017).
New contracts in the Healthcare sector still affected the total significantly (an overall 43%, equal to € 158 million), against significant orders gained in the period for the Public sector (€ 181 million), as did the extensions on some key agreements: this market shows chronic delays for some new agreements that are still being awarded despite the completion of related procedures.

Specifically, on 20 September 2017 MFM S.p.A. signed with Consip S.p.A. the agreements for the two batches of the "MIES 2" tender relating to the award of an Integrated Technology Multi-Service with energy supply for buildings used by Public Health Administrations. The two batches concerning the regions of Calabria and Sicily (Ordinary batch 12) and the regions of Veneto, Friuli Venezia Giulia, Trentino Alto Adige, to which the Lombardy's provinces of Bergamo, Brescia, Lecco, Como and Sondrio are added (Accessory batch 14). The Agreements had a term of two years whereas each implementation contract that may be signed by Public Authorities in such a time span may have a term of 5/7 years, at the discretion of the Authorities, starting from the activation of each supply, with a total limit of MFM S.p.A. that, for the period indicated, can be extended up to approximately € 250 million. These potential revenues are not included in the acquisitions for the year described herein and are not yet included in the Group's backlog, pending the signing of individual supply orders, which was started in early 2018.

CONTRACTS ACQUIRED BY MARKET



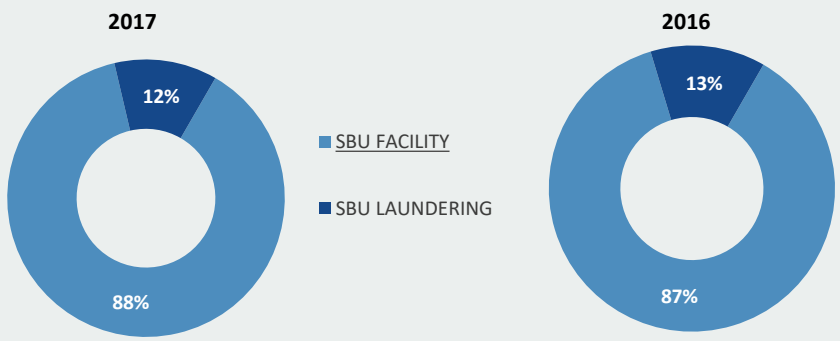
In 2017, in the Healthcare market, MFM S.p.A. acquired batch 2 of the redevelopment and supply contract of energy services at ASUR Marche – Ospedale di San Benedetto del Tronto. Furthermore, cleaning service contracts were renewed for some of the major Tuscany regional healthcare facilities.
In addition, contracts for environmental hygiene services were renewed with Azienda Provinciale per i Servizi Sanitari (Provincial Authority for Healthcare Services) in Trento.

In the Public sector, there was the renewal of contracts for hygiene services at the premises of Alma Mater Studiorum – University of Bologna and the Scientific and Technology District of the Florence University, again for MFM S.p.A.. To these must be added cleaning and maintenance services at the Er.Go. (Azienda regionale per gli studi Superiori) facilities in Emilia Romagna.
Furthermore, the procedure was substantially completed for the 3-year agreements relating to Intercenter 4 at the premises of the Municipality of Bologna and of the Province of Bologna and Modena. Finally, the service-provision contract with the Municipality of Casalecchio di Reno (Bologna) was started, with a duration of 15 years, for the integrated management of thermal energy and public lighting in the local authority land.

Finally, the new contracts for the year in the Private sector amounted to € 99 million (23% of total). About € 6 million of these contracts were related to the renewal for the next four years of the document management service contract that Telepost S.p.A. manages within the Telecom Italia Group. This renewal affected retrospectively consolidated revenues effective as from 1 January 2017.
Furthermore, note the new 3-year contracts for cleaning services on behalf of NTV-Italotreno and hygiene and maintenance services for Wind S.p.A. all over the country.

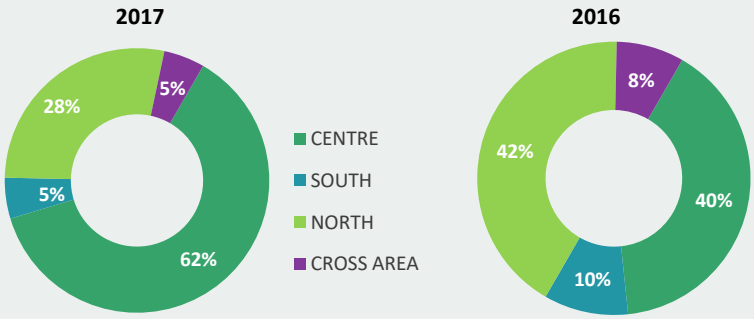
Regarding the orders gained in the period in terms of Strategic Business Unit ("SBU"), Facility Management obtained contracts of € 387 million and Laundering&Sterilisation of € 51 million. All acquisitions described for the Public and Private sector were part of the Facility Management SBU.

CONTRACT ACQUIRED BY SBU



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

CONTRACTS ACQUIRED BY GEOGRAPHICAL AREA

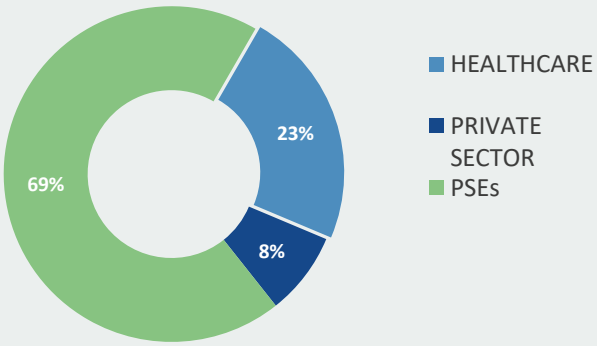


Backlog

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:

	2017	2016
Backlog	2,608	2,845

BACKLOG BY MARKET



3. THE GROUP'S PERFORMANCE OF OPERATIONS AND CONSOLIDATED FINANCIAL POSITION FOR THE 2017 FINANCIAL YEAR

3.1 Consolidated performance of operations for FY 2017

Below are reported the main income figures relating to 2017 compared to the figures of 2016:

(in thousands of Euro)	For the year ended 31 December		For the three months ended 31 December	
	2017	2016	2017	2016
Total revenues	918,091	929,098	253,632	249,314
Total costs of production	(829,484)	(833,201)	(238,985)	(223,060)
EBITDA	**88,607**	**95,897**	**14,647**	**26,254**
EBITDA %	**9.7%**	**10.3%**	**5.8%**	**10.5%**
Amortization, depreciation, write-downs and write-backs of assets	(30,280)	(32,714)	(8,952)	(8,107)
Accrual and reversal of provisions for risks and charges	(143)	10,107	621	12,326
Operating Income (EBIT)	**58,184**	**73,290**	**6,316**	**30,473**
EBIT %	**6.3%**	**7.9%**	**2.5%**	**12.2%**
Share of net profit of equity-accounted companies	(1,945)	1,688	(2,974)	(149)
Net financial charges	(39,514)	(27,759)	(18,148)	(6,481)
Profit before taxes (EBT)	**16,725**	**47,219**	**(14,806)**	**23,843**
EBT %	**1.8%**	**5.1%**	**ND**	**9.6%**
Income taxes	(16,010)	(14,738)	(2,392)	(3,925)
Profit from continuing operations	**715**	**32,481**	**(17,198)**	**19,918**
Profit (loss) from discontinued operations	**0**	**1,052**	**0**	**0**
CONSOLIDATED NET PROFIT (LOSS)	**715**	**33,533**	**(17,198)**	**19,918**
CONSOLIDATED NET PROFIT (LOSS) %	**0.1%**	**3.6%**	**ND**	**8.0%**
Minority interests	(73)	116	(24)	(14)
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**642**	**33,649**	**(17,222)**	**19,904**
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT %	**0.1%**	**3.6%**	**ND**	**8.0%**

NON-RECURRING EVENTS AND TRANSACTIONS

In 2017 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, results of operations and cash flows of Group companies.

The following non-recurring elements are recorded in the Consolidated Statement of Profit/Loss for 2017 and 2016:

(in thousands of Euro)	For the year ended 31 December	
	2017	2016
Legal advice on pending administrative disputes	428	676
Structural reorganisation consulting fees	3,418	2,111
"*Oneri di sistema*" relating to previous years	(6,152)	
Manutencoop Group refinancing costs	4,332	
Non-recurring bonus linked to the refinancing transaction	3,809	
Advice on agreements for assignments of trade receivables without recourse		620
Compensation for damage for arbitration award		1,915
Non-recurring Expenses (income) impacting on EBITDA	**5,836**	**5,323**
Provisions for corporate reorganisation	1,276	1,400
Provisions for contractual liability to associates	(1,901)	2,323
Impairment of fixed assets		614
Provisions (Reversals) for risks from administrative disputes		(16,310)
Non-recurring Expenses (income) impacting on EBIT	**(625)**	**(6,650)**
Financial fees on the refinancing of the Manutencoop Group	740	
Reversal of amortised cost of Senior Secured Notes 2013	4,368	
Costs for early redemption of Senior Secured Notes 2013	6,480	
Non-recurring Expenses (income)	**11,588**	**0**
TOTAL NON-RECURRING EXPENSES (INCOME)	**16,799**	**(6,650)**

The charges arising from the refinancing of the Manutencoop Group related to consulting and advisory costs sustained within the transaction carried out by the direct controlling company CMF S.p.A. in 2017. This is the vehicle through which Manutencoop Società Cooperativa has started a complex project for the corporate reorganisation of its Group, mainly aimed at repurchasing the total shares of the main subsidiary MFM S.p.A. and refinancing its own consolidated debt. Specifically, CMF S.p.A. has charged total transaction costs of € 2.9 million back to MFM S.p.A., in proportion to the bond issue proceeds that have been guaranteed to the subsidiary (equal to 52.86%) and according to the mandate received from MFM S.p.A. for the structuring of this transaction.

Furthermore, non-recurring operating and financial costs were sustained in relation to the early redemption of the Senior Secured Notes issued by MFM S.p.A. in 2013, initially due 2020, in addition to the accounting effects of the repayment of these Notes linked to accounting for additional issue costs according to the amortised cost method.

Consolidated Adjusted EBITDA and EBIT are thus represented as follows:

(in thousands of Euro)	For the year ended 31 December	
	2017	2016
EBITDA	**88,607**	**95,897**
Non-recurring charges (income) impacting on EBITDA	5,836	5,323

(in thousands of Euro)	For the year ended 31 December	
	2017	2016
ADJUSTED EBITDA	**94,443**	**101,220**
ADJUSTED EBITDA % ON REVENUES	**10.3%**	**10.9%**
EBIT	**58,184**	**73,290**
Non-recurring charges (income) impacting on EBITDA and on EBIT	5,211	(6,650)
ADJUSTED EBIT	**63,395**	**66,640**
ADJUSTED EBIT % ON REVENUES	**6.9%**	**7.2%**

As early as from 2016, the Group also undertook to diversify its target markets by establishing the sub-holding Manutencoop International FM S.r.l. (as a vehicle dedicated to business development on international markets) and Yougenio S.r.l. (subsidiary active in the B2C market through an e-commerce platform). These new initiatives are in the start-up phase and contribute negatively to the consolidated results of the year.

Therefore, consolidated Normalized EBITDA and EBIT - which exclude this negative contribution - are shown below:

(in thousands of Euro)	For the year ended 31 December	
	2017	2016
ADJUSTED EBITDA	**94,443**	**101,220**
Adjusted EBITDA related to start-up activities	5,897	4,052
NORMALIZED EBITDA	**100,340**	**105,272**
NORMALIZED EBITDA % ON REVENUES	**10.9%**	**11.3%**
ADJUSTED EBIT	**63,395**	**66,640**
Adjusted EBITDA related to start-up activities	6,050	4,104
NORMALIZED EBITDA	**69,445**	**70,744**
NORMALIZED EBITDA % ON REVENUES	**7.6%**	**7.6%**

REVENUES

In 2017, the Group recorded Revenues of € 918.1 million, with a drop of € 11.0 million (equal to -1.2%) compared to the previous year when it recorded Revenues of € 929.1 million. The downward trend in turnover, which marked the recent years, was more moderate during the first quarter of 2017 (when it was € 3.1 million compared to the same quarter of the previous year), was stronger in the second quarter (- € 13.1 million compared to the second quarter of 2016) and then reversed its trend in the second half of 2017 (+ € 5.2 million compared to the second half of 2016), showing that it was at a turning point and encouraging positive signs for the near future.

The breakdown of the consolidated Revenues in 2017 is provided below, compared to the previous year, broken down by Market.

REVENUES BY MARKET

(in thousands of Euro)	For the year ended 31 December				For the three months ended 31 December	
	2017	% of total Revenues	2016	% of total Revenues	2017	2016
PSEs	250,309	27.3%	253,744	27.3%	77,076	73,877
Healthcare	443,435	48.3%	441,499	47.5%	116,065	114,187
Private sector	224,347	24.4%	233,854	25.2%	60,491	61,250
CONSOLIDATED REVENUES	**918,091**		**929,098**		**253,632**	**249,313**

In contrast to the overall figure, the breakdown of turnover by market confirmed for 2017 a clear stability in revenues from Healthcare customers (which include public or private healthcare establishments), with increasing figures both in absolute terms (€ 443.4 million against € 441.5 million) and relative weight equal to 48.3% of Consolidated revenues against 47.5% for 2016. On the other hand, the negative contribution of linen rental and industrial laundering and sterilisation services relating to Laundering&Sterilisation SBU (- € 4.3 million) fully weigh on the turnover of the Healthcare sector and therefore, the result was further appreciated with regard to the facility management services, where a number of new significant job orders were started between the end of 2016 and the 2017 financial year.

For the second consecutive quarter important signs of recovery also came from revenues from PSEs (+ € 3.2 million compared to the fourth quarter of 2016), thus further slowing down the downward trend of the year (- € 3.4 million compared to 2016) compared to the first nine months. In fact, in the first months of 2017, some important job orders were started (among which shall be noted the service provision at the Municipality of Alessandria) that favourably contributed to the gradual replacement of those ended at the end of 2016. The recovery of revenues from the PSE market during the last quarter of the year also allowed the relative weight (27.3% of total revenues) to be balanced compared to 2016.

Finally, the Revenues of the Private sector recorded a decrease compared to 2016 both in absolute terms (- € 9.6 million) and in percentage terms (from 25.2% in 2016 to 24.4% in 2017). The trend, which was already seen in previous years and showed strong signs of slowdown in both third (- € 0.6 million compared to the third quarter of 2016) and fourth quarters of 2017 (- € 0.8 million compared to the fourth quarter of 2016), was related, in general, to a business development that is showing rather limited effects over the year. In the second quarter, in particular, certain contracts in the portfolio were renewed against lower fees on average (including those relating to document management that the subsidiary Telepost S.p.A. renewed with the Telecom Italia Group and with UnipolSai).

Analysis of revenues by Segment

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

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

REVENUES BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				For the three months ended 31 December	
	2017	% of total Revenues	2016	% of total Revenues	2017	2016
Facility Management	790,346	86.1%	797,237	85.8%	221,790	216,455
Laundering & Sterilization	130,515	14.2%	134,778	14.5%	32,615	33,592
Intra-group elimination	(2,770)	-0.3%	(2,927)	-0.3%	(773)	(733)
CONSOLIDATED REVENUES	**918,091**	**100%**	**929,098**	**100%**	**253,632**	**249,313**

The breakdown of turnover by operating segments confirms that a slight increase was recorded in the relative weight in the Facility Management sector (equal to 86.1% in 2017 compared to 85.8% in the previous year) to the detriment of Laundering&Sterilization (equal to 14.2% in 2017 compared to 14.5% in 2016).

The three-month period saw a well-established upward trend in Revenues from the Facility Management SBU, which had already been seen to a lesser extent in the previous quarter, the quarterly turnover of which amounted to € 221.8 million, up by € 5.3 million compared to the fourth quarter of 2017, thus further offsetting the gap reported in the first half of the year. Segment revenues in 2017 thus amounted to € 790.3 million, down by € 6.9 million (-0.9%) compared to 2016. This SBU fully included both the drop in Revenues from Public Authorities and the negative delta shown in the Private sector, which were only partially offset from a recovery in revenues from the Healthcare sector.

However, at the consolidated level, the Laundering&Sterilisation sector showed a stronger decline in percentage terms (- € 4.3 million, -3.2%), recording Revenues of € 130.5 million in 2017 compared to € 134.8 million in 2016, against both a review of the portfolio that was not particularly favourable in terms of prices (which however did not adversely affect the SBU in terms of revenues excessively) and the shutdown of certain businesses in Turkey (- € 0.6 million compared to 2016) as well as the completion of a job order with an important private hospital.

EBITDA

For the financial year ended 31 December 2017 the Group's EBITDA amounted to € 88.6 million, against € 95.9 million for the financial year ended 31 December 2016. However, EBITDA expensed non-recurring

costs (net of any income) amounting to € 5.8 million in 2017 against non-recurring costs of € 5.3 million during the same period of 2016. Therefore, Adjusted EBITDA that excluded these non-recurring elements amounted to € 94.4 million for the financial year ended 31 December 2017 (10.3% of Consolidated revenues), against Adjusted EBITDA of € 101.2 million at 31 December 2016 (10.9% of Consolidated revenues).

It should also be emphasised that the Group bears start-up costs related to the new initiatives (B2C and international development) against reduced initial business volumes. In 2017, the effect of these initiatives was reflected in a lower EBITDA for € 5.9 million (€ 4.1 million in 2016, when B2C had been started only during the second half of the year).

Below is provided a comparison of EBITDA by segment for the financial year ended 31 December 2017 and the financial year ended 31 December 2016:

EBITDA BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				For the three months ended 31 December	
	2017	% of segment Revenues	2016	% of segment Revenues	2017	2016
Facility Management	55,230	7.0%	59,330	7.4%	7,610	18,007
Laundering&Sterilization	33,376	25.6%	36,567	27.1%	7,036	8,247
CONSOLIDATED EBITDA	**88,606**	**9.7%**	**95,897**	**10.3%**	**14,646**	**26,254**

The *Facility Management* sector showed a reduction of € 4.1 million in EBITDA, from € 59.3 million in 2016 to € 55.2 million in 2017, while also impacting on % profit margins, which decreased from 7.4% in 2016 to 7.0% in 2017. However, in order to understand this performance, it is necessary to deduct non-recurring costs (net of any income) (amounting to € 5.6 million in 2017 compared to € 5.1 million in 2016) and operating losses recorded by start-up companies (amounting to € 5.9 million in 2017 compared to € 4.1 million in 2016) from segment EBITDA. EBITDA, net of these items, recorded a decrease of € 1.8 million in the *Facility management* sector, with % profit margins on revenues decreasing from 8.6% in 2016 to 8.4% in 2017; this was due to a review of the portfolio that revealed continuing price pressure, which in turn anticipated the effects of the efficiency improvement actions that the production units take systematically in order to counteract it.

EBITDA in the Laundering&Sterilisation segment for the financial year ended 31 December 2017 amounted to € 33.4 million, down by € 3.2 million compared to € 36.6 million during the financial year ended 31 December 2016. Profit margins on relevant Revenues by segment was 25.6% compared to 27.1% at 31 December 2016. The decrease in EBITDA by segment compared to 2016, which was substantially recorded

in the second half of the year, was due to the combination of two effects: positive elements that had impacted the EBITDA by segment in the third quarter of 2016 (adjustments on revenues and the occurrence of the non-obligation to pay an insurance payable) on the one hand and on the other the concentration of renewals of linen rental and industrial laundering job orders unfavourable in terms of profit margins during the last half-year, while investments made during the year to make some manufacturing facilities more efficient have not yet had effects at full capacity.

Costs of production

At 31 December 2017, *Costs of production*, which amounted to € 829.5 million, showed a decrease of € 3.7 million in absolute terms compared to Euro 833.2 million posted at 31 December 2016 (-0.4%).

(in thousands of Euro)	For the year ended 31 December				For the three months ended 31 December	
	2017	% of total	2016	% of total	2017	2016
Costs of raw materials and consumables	119,742	14.4%	117,615	14.1%	34,892	33,245
Change in inventories of finished and semi-finished products	0	0%	55	0%	0	60
Costs for services and use of third-party assets	328,258	39.6%	331,365	39.8%	95,308	93,365
Personnel costs	382,138	46.1%	376,266	45.2%	105,949	96,057
Other operating costs	281	0%	7,900	0.9%	2,838	333
Lower costs for internal work capitalised	(935)	-0.1%	0	-0%	(2)	0
TOTAL COSTS OF PRODUCTION	**829,484**	**100%**	**833,201**	**100%**	**238,985**	**223,060**

Costs of raw materials and consumables in 2017 amounted to € 119.7 million, showing an increase of € 2.1 million in absolute terms compared to the value posted in 2016 (€ 117.6 million), which led to an increase in the impact on Consolidated revenues (13.0% in 2017 against 12.7% in 2016). Specifically, a decrease in fuel consumption (- € 3.7 million) was reported during the year under examination, against an increase in costs of raw materials (+ € 6.0 million), mainly as a result of a different mix of services rendered compared to last year and, consequently, of the use of the prevailing raw material. Moreover, in 2017, efficiency targets were focused significantly on energy and heat management services, including renegotiations, which also affected some utility suppliers.

Costs for services and use of third-party assets in the year ended 31 December 2017 showed a reduction of € 3.1 million (-2.1%) compared to the year ended 31 December 2016. However, it should be noted that, while in 2016 non-recurring costs of € 2.0 million were expensed under costs for services, in 2017 non-recurring costs of € 5.1 million were expensed under the item, net of which the reduction in costs for services year by year comes to € 6.2 million and also gives rise to a decrease in the impact on related revenues. The trend was primarily related to the mix of services in progress and to the resulting make or buy choices. Moreover, the renegotiation initiatives mentioned above also had an impact on service providers.

In particular, a € 2.8 million decrease in *costs for use of third-party assets* was recorded in the year, partially attributable to lower leases on industrial properties of Servizi Ospedalieri S.p.A., as a result of their acquisition in property and finance lease between the end of 2016 and the first months of 2017, and partially to specific cost-cutting measures related to some operating premises of the Group, whose economic benefits were perceived in 2017.

Personnel costs increased from € 376.3 million in the year ended 31 December 2016 to € 382.1 million in the year ended 31 December 2017 (+ € 5.9 million). However, in this case too, it should be noted that, while in 2016 non-recurring costs of € 1.4 million were expensed under *Personnel costs*, in 2017 non-recurring costs expensed under *Personnel costs* amounted to € 6.9 million, net of which Personnel costs remained substantially stable in absolute terms (€ 375.2 million in 2017 adjusted compared to € 374.8 million in 2016), while the impact on revenues recorded a slight increase from 40.3% to 40.9%.
The average number of employees in service during 2017 was equal to 16,235, while it was 16,315 in the previous year (of which 14,947 versus 15,004 manual workers). As it was said for costs for services and for materials, the trend in the number of Group employees, and in particular manual workers, was closely related to the mix of services in progress.

Finally, *Other operating costs* at 31 December 2017 amounted to € 0.3 million compared with € 7.9 million at 31 December 2016. Until 31 December 2016 the Parent Company MFM S.p.A. had recognized operating liabilities of € 6.2 million, concerning some energy service contracts and relating to "*Oneri di Sistema*" charges. These were envisaged in Decree Law 91/2014, as converted with amendments by Italian Law 116/2014 and by the related enactment decree issued in 2015. However, the relevant payments were never made waiting to know the collection methods of the tax authorities. On 23 February 2017, the Chamber of Deputies followed up the final approval, resulting in the conversion into Law of Law Decree no. 244 of 30 December 2016 (known as "*Milleproroghe*"). The introduced amendments had an impact on the existing regulations concerning "*Oneri di Sistema*" charges and, in particular, the regulation (contained in the Italian laws of 2014 mentioned above) according to which, except for RIUs, general "*Oneri di Sistema*" charges were determined, starting from 2014, with reference to the consumption of electricity was abrogated, by re-establishing in this way the regulation previously in force, contained in the Bersani Decree (Italian Legislative Decree 79/99). Therefore, on the basis of the amended regulations, the management of MFM S.p.A. believed that there was no need to recognise additional "*Oneri di Sistema*" charges in 2017, and implementing the elimination of the payment obligations for those related to the previous years and recognising the extraordinary income for the payable that was recorded at the end of the previous year.
Finally, at 31 December 2016, non-recurring costs resulting from an arbitration award on a dispute with a customer from which MFM S.p.A., by exercising the legal right of recourse pursuant to Article 18, paragraph 1 of Italian Presidential Decree 633/1972, requested € 5.6 million by way of VAT, following a Report on findings issued by the Inland Revenue Agency in 2013 that had reported its incorrect invoicing were recorded as *Other operating costs*. The award acknowledged MFM S.p.A. the entire amount required by way of VAT albeit against the payment to the client of € 1.7 million by way of compensation for damages.

Operating Income (EBIT)

In 2017 consolidated Operating Income (**EBIT**) stood at € 58.2 million (6.3% of Revenues) against € 73.3 million (7.9% of Revenues) during 2016.

EBIT was mainly affected by the above-mentioned consolidated performance in terms of EBITDA (- € 7.3 million), from which *amortization and depreciation* of € 26.8 million (€ 27.2 million at 31 December 2016), *accruals to provisions for risks and charges (net of reversals)* of € 0.1 million (a net release of € 10.1 million at 31 December 2016) as well as *write-downs of receivables and reversals* of € 3.2 million (against € 4.5 million at 31 December 2016, when a significant specific risk position on the Parent Company MFM S.p.A. was reported) must be deducted. Finally, *Other impairment losses* of € 0.3 million (€ 1.0 million at 31 December 2016) were recognised in 2017.

However, EBIT of 2017 recorded, in addition to the non-recurring items already described for EBITDA, the (non-recurring) release of a provision for risks set aside for of Euro 2.3 million at 31 December 2016, for future charges related to a dispute involving an associate with which MFM S.p.A. has services agreements in being under which, in some respects, the servicer may have contractual liability. During 2017 this dispute was settled on favourable terms, with a significant reduction in terms of outlay for the associate concerned, which in turn entailed a net release of the provision for risks of MFM S.p.A., equal to € 1.9 million. On the other hand, non-recurring accruals of € 1.3 million were recorded in 2017, which were linked to a corporate restructuring and reorganisation process that involved some legal entities that operate in the market of safety and fire-fighting systems. The EBIT performance for 2016 was significantly affected by the partial reversal, equal to € 16.3 million, of the provision for risks set aside in the previous year by the parent company MFM S.p.A. against the issue by AGCM of its order for sanctions in relation to the "Consip Scuole" case, which was subsequently recalculated after the Lazio Regional Administrative Court's partial acceptance of the appeal filed by MFM S.p.A.. In 2016, provisions for corporate reorganisation were also set aside for € 1.4 million, again in relation to the parent company MFM S.p.A., while impairment losses of € 0.6 million were recognized on plant and equipment in the form of sterilisation machinery for the Laundering&Sterilisation SBU, 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. All non-recurring costs impacting on EBIT are summarised in paragraph 3.1 "Non-recurring events and transactions" of the Report on Operations, to which reference should be made.

At 31 December 2017 **Adjusted EBIT** then came to € 63.4 million (equal to 6.9% in terms of relative profit margins on the Revenues for the year) against € 66.6 million at 31 December 2016 (equal to 7.2% of related Revenues).

Below is a comparison of Operating Income (EBIT) by segment in year ended 31 December 2017 with related values to the previous year:

EBIT BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				For the three months ended 31 December	
	2017	% of segment Revenues	2016	% of segment Revenues	2017	2016
Facility Management	41,382	5.2%	55,743	7.0%	3,033	26,939
Laundering&Sterilization	16,801	12.9%	17.,547	13.0%	3,283	3,534
CONSOLIDATED EBIT	**58,184**	**6.3%**	**73,290**	**7.9%**	**6,316**	**30,473**

The EBIT in the *Facility Management* segment came to Euro 41.4 million (5.2% of related segment Revenues) at 31 December 2017, against EBIT of € 55.7 million (7.0% of related segment Revenues) at 31 December 2016 and therefore with a negative change equal to € 14.4 million compared to the previous year. However, the adjusted values showed a more limited decline in profitability, with adjusted segment EBIT that decreased from € 48.2 million at 31 December 2016 (net of non-recurring costs equal to € 8.8 million and of the reversal of the provision recognised for € 16.3 million in relation to the Consip Scuole case in the previous year) to € 46.3 million at 31 December 2017 (net of non-recurring costs of € 4.9 million), equal to 6.1% and 7.7% of related segment Revenues, respectively.
The comparison firstly reflects the abovementioned performance in terms of Adjusted EBITDA (- € 3.6 million) against higher amortisation and depreciation for € 0.7 million (specifically due to investments in hardware and software infrastructure) and lower write-downs of trade receivables for € 0.7 million. Furthermore, higher losses of value of assets were recognized for € 0.1 million. Furthermore, in 2017 net accruals to provisions for future risks and charges were recognized for € 0.1 million, which included net non-recurring reversals of € 0.6 million) against a net reversal of € 10.1 million at 31 December 2016 (which included, among other things, the abovementioned reversal of the provision on the Consip Scuole case for € 16.3 million).

At EBIT level in the *Laundering&Sterilization* segment (€ 16.8 million in 2017 against € 17.5 million in 2016), compared to the previous year, from the EBITDA performance in the segment (- € 3.2 million) must be deducted lower amortisation and depreciation for € 1.2 million (mainly relating to the linen rental and industrial laundering segment, and in particular to linen), lower write-downs of receivables for € 0.6 million (a provision of € 0.4 million at 31 December 2016 against a release of € 0.2 million at 31 December 2017) and lower net accruals to provisions for risks and charges for € 0.1 million, in connection with risk situations of an absolutely insignificant amount in both financial years under comparison. Albeit in connection with the drop in Revenues by segment (- € 4.3 million) described above, profit margins by segment remained substantially stable (12.9% and 13.0% of related Revenues, in 2017 and 2016 respectively).

Profit before taxes

To the consolidated EBIT must be added the results from the valuation of associates at equity, which posted a negative value of € 1.9 million at 31 December 2017 (against a positive value of € 1.7 million at 31 December 2016). These results reflected, among others, the Group's share of the negative result of associate Roma Multiservizi S.p.A., equal to € 3.6 million (against a positive value of € 1.6 million at 31 December 2016): this result was affected by the recognition of considerable write-downs of receivables claimed by the company from one of the major customers following the start of an insolvency procedure. Furthermore, there was the recognition of net financial charges of € 39.5 million (€ 27.8 million at 31 December 2016), thus obtaining a Profit before taxes equal to € 17.8 million at 31 December 2017 (€ 47.2 million at 31 December 2016).

Below is provided the breakdown by nature of net financial charges for the 2017 and 2016 financial years:

(in thousands of Euro)	For the year ended 31 December		For the three months ended 31 December	
	2017	2016	2017	2016
Dividends, income (charges) from sale of equity investments	175	498	0	260
Financial income	3,762	1,964	2,629	678
Financial charges	(43,125)	(30,183)	(20,454)	(7,407)
Profit / (loss) on exchange rate	(326)	(38)	(323)	(12)
NET FINANCIAL CHARGES	**(39,514)**	**(27,759)**	**(18,148)**	**(6,481)**

During 2017 dividends were collected from non-consolidated companies for € 0.2 million (€ 0.5 million at 31 December 2016).

Financial income showed an increase of € 1.8 million compared to the previous year, mainly against the recognition by the Parent Company of default interest income of € 2.5 million, which arose at the time of the settlement of a specific previous credit position. A similar item was also recognized by Servizi Ospedalieri S.p.A. (€ 0.6 million) in 2016.

In 2017 the impact of *financial charges* on the consolidated results of operations was equal to € 43.1 million against € 30.2 million at 31 December 2016.

During the last quarter of the year this item included the recognition of non-recurring financial costs arising from the abovementioned Refinancing of the Manutencoop Group, which led the Parent Company MFM S.p.A. to make an early redemption of the Senior Secured Notes bond issue, which had been launched in 2013, initially due 2020 and with a six-monthly coupon (at an annual interest rate of 8.5%), and to obtain an intercompany loan (Proceeds Loan) in a nominal amount of € 190.3 million from its direct controlling company CMF S.p.A.; in 2017 the latter launched a new Senior Secured Notes bond in a nominal amount of € 360 million, below par (at 98%), due 2022 and with a six-monthly coupon (at an annual interest rate of 9%).

Specifically, the Parent Company sustained early redemption costs of € 6.5 million, based on the redemption price set in the rules of the cancelled Senior Secured Notes (€ 6.4 million) and the negative

interest accrued with respect to the repayment of the capital quota to bondholders (€ 0.1 million). The redemption of the Notes also entailed the reversal of residual additional charges relating to the 2013 issue, accounted for at amortised cost, through profit or loss, for € 4.4 million, to which must be added the accrued financial costs already accounted for before the redemption for € 1.0 million (€ 1.2 million for 2016). Finally, the cancelled Notes had accrued financial costs on coupons for € 22.0 million (€ 25.5 million for the entire 2016 financial year) until the date of redemption.

After having obtained the abovementioned Proceeds Loan, the Parent Company also sustained additional costs for the issue in an initial total amount of € 9.1 million, charged back by CMF S.p.A. in proportion to the proceeds reserved for it (equal to 52.86% of total issue). These additional costs were also accounted for according to the amortised cost method, which gave rise to amortisation costs of € 1.0 million during the last quarter of 2017, an amount of € 0.7 million of which relates to the portion of loan (€ 14.3 million) repaid on 12 December 2017, to provide CMF S.p.A. with the financial resources required to pay the six-monthly coupon due 15 December 2017. The Proceeds Loan bears interest equal to 9.0% p.a., with an impact of € 3.6 million on the 2017 financial year.

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement for € 50 million, to which MFM S.p.A. is a party as Borrower. CMF S.p.A. has charged all financing costs (equal to € 1.0 million) back to the Parent Company MFM S.p.A., which will be also amortised on a straight-line basis throughout the entire term of the credit facility (no drawdown had been requested on the reporting date). This amortisation had an impact of € 0.1 million on the 2017 financial year.

Finally, interest discount costs were recognised for € 1.9 million during 2017 in relation to the assignment of receivables without recourse carried out with Banca Farmafactoring against trade receivables and VAT tax credits requested for refund. These costs amounted to € 1.4 million at 31 December 2016, when they included, among others, charges of € 0.6 million in relation to an assignment of tax receivables without recourse linked to the application of Decree Law 201 of 6 December 2010, 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.

Consolidated net result

From the Profit before taxes of the financial year (€ 16.7 million) must be deducted taxes of € 16.0 million, thus obtaining a Net Result from continuing operations of € 0.7 million (€ 32.5 million at 31 December 2016). The 2016 financial year also recorded a positive *Profit (loss) from discontinued operations* equal to € 1.1 million, including the related tax effect (€ 0.3 million), mainly relating 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 that was carried out by the merged company in November 2015.

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

(in thousands of Euro)	For the year ended 31 December	
	2017	2016
Profit before taxes	**16,725**	**47,219**
Provision for risks from the enforcement of Consip guarantee	0	17,500
AGCM provision (Reversal)	0	(33,810)
Profit before taxes, excluding AGCM provision	**16,725**	**30,909**
Current and deferred IRES tax, including income and charges from Tax Consolidation	(12,519)	(10,315)
Current and deferred IRAP tax	(4,336)	(4,401)
Adjustments to current and deferred taxes related to previous financial years	846	(24)
Income taxes	**(16,009)**	**(14,738)**
TAX RATE OF CONTINUING OPERATIONS	**95.7%**	**47.7%**
Profit (loss) before taxes from discontinued operations	**0**	**1,385**
Taxes related to the profit (loss) from discontinued operations	0	(333)
CONSOLIDATED NET PROFIT, EXCLUDING AGCM PROVISION	**715**	**17,221**
GLOBAL TAX RATE	**95.7%**	**46.7%**

The **Profit before taxes** for 2016 includes a considerable reversal relating to the dispute that arose following the imposition of the administrative fine applied by AGCM in 2015 in relation to the Consip tenders in 2012. The non-recurring provision for the previous year (equal to € 48.5 million), which is not deductible for the purposes of calculating the tax burden, had been in fact 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., with a net effect of € 16.3 million. 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 would be equal to € 30.9 million.

Therefore, compared to the Profit before taxes calculated in this manner, the 2017 financial year showed a decrease of € 14.2 million against an increase of € 1.3 million in the overall tax burden. The overall tax rate amounted to 95.7% at 31 December 2017 against 47.7% at 31 December 2016, due to the substantial lack of changes in some current tax components (especially IRAP tax), the impact of which increased despite a reduction in the Profit before taxes. Furthermore, lower deferred tax assets were recognized on non-deductible financial charges at 31 December 2017, in addition to the partial write-off of those already recognised in previous years.

3.2 Analysis of the Statement of financial position as at 31 December 2017

(in thousands of Euro)	31 December 2017	31 December 2016	Change
USES			
Trade receivables and advances to suppliers	429,165	456,095	(26,930)
Inventories	6,057	4,382	1,675
Trade payables and advances from customers	(393,022)	(346,308)	(46,714)
Net commercial working capital	**42,200**	**114,169**	**(71,969)**
Other elements of working capital	(60,865)	(68,555)	7,690
Net working capital	**(18,665)**	**45,614**	**(64,279)**
Property, plant and equipment	71,343	66,110	5,233
Goodwill and other Intangible assets	395,532	396,570	(1,038)
Investments accounted for under the equity method	27,294	30,534	(1,038)
Other elements of non-current assets	35,507	38,913	(3,406)
Fixed Assets	**529,676**	**532,127**	**(2,451)**
Non-current liabilities	(55,523)	(73,427)	17,904
NET INVESTED CAPITAL	**455,488**	**504,314**	**(48,826)**
SOURCES			
Equity attributable to non-controlling interests	381	235	146
Equity attributable to equity holders of the parent	298,401	323,137	(24,736)
Shareholders' equity	**298,782**	**323,372**	**(24,590)**
Net financial indebtedness	156,706	180,942	(24,236)
FINANCING SOURCES	**455,488**	**504,314**	**(48,826)**

Net working capital

At 31 December 2017 Consolidated Net Working Capital (**NWC**) posted a negative value of € 18.7 million, showing a decrease of € 64.3 million compared to 31 December 2016 (when it posted a positive value of € € 45.6 million).

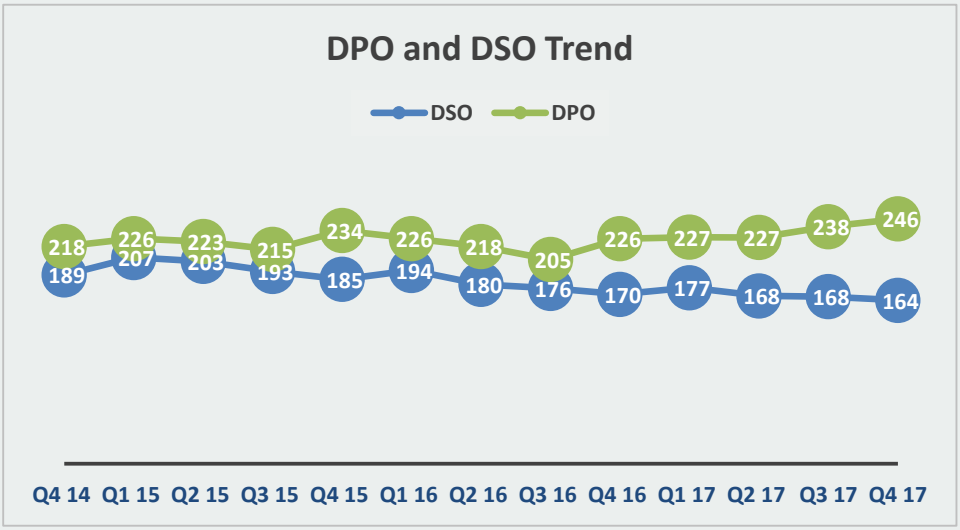
At 31 December 2017, the consolidated Net Working Operating Capital (**NWOC**), composed of Trade receivables and advances to suppliers and inventories, net of Trade payables and advances from customers, was equal to € 42.2 million against € 114.2 million at 31 December 2016. Considering the balance of receivables assigned without recourse by the Group and not yet collected by the factoring agencies (equal to € 19.3 million at 31 December 2017 and € 12.9 million at 31 December 2016) the **Adjusted NWOC** stood at € 61.6 million and € 127.1 million, respectively.

First of all, the change in the last indicator (- € 65.5 million) was due to a reduction in the balance of trade receivables (- € 20.5 million while considering the balance of receivables assigned by the Group without recourse and not yet collected by the factoring companies) against an increase in the stock of trade payables, which came to € 393.0 million at 31 December 2017 (+ € 46.7 million compared to the balance at 31 December 2016 equal to € 346.3 million).

At 31 December 2017 average DSO was 164 days against 170 days at 31 December 2016 and 168 days at 30 September 2017. As regards the overall management of cash flows, the figure related to the inflow of receivables in the year is stable at a historical low compared to the recognitions made in previous years (-6

days compared to 2016 and -21 days compared to 2015), although showing a different trend during the quarters of the year.

On the contrary, at the end of 2017, a growth trend in DPO was reported both on a quarterly basis (246 days at 31 December 2017 against 238 days at 30 September 2017) and compared to the value posted at 31 December 2016 (226 days). The DPO trend historically reports delays during the last quarter of the year, which was accentuated in 2017 in consideration of the negotiations on terms of payment with some major suppliers.



The balance of the other elements in working capital at 31 December 2017 was a net liability of € 60.9 million, down by € 7.7 million compared to a net liability of € 68.6 million at 31 December 2016:

(in thousands of Euro)	31 December 2017	31 December 2016	Change
Current tax receivables	8,745	3,500	5,245
Other current assets	30,842	25,932	4,910
Provisions for risks and charges, current	(6,711)	(10,715)	4,004
Current tax payables	(326)	(1,363)	1,037
Other current liabilities	(93,415)	(85,909)	(7,506)
OTHER ELEMENTS IN WORKING CAPITAL	**(60,865)**	**(68,555)**	**7,690**

The reduction 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 an increase in net liabilities of € 10.0 million, against, among others, the recognition of a payable at the end of the year, for non-recurring bonuses paid following the corporate and refinancing transaction completed during the year (€ 3.8 million, included in payments to employees in

January 2018) and of a portion of non-recurring charges arising from the reorganization of the company functions;

- an increase in the net credit balance for VAT of the Group companies, equal to € 10.3 million, also as a result of some major changes in regulations governing the deductibility of VAT, which came into force following the enactment of Law 205 of 27 December 2017 (2018 Budget Law), which required intervention on the recording of suppliers' invoices that significantly reduced average times. The credit balances, systematically generated by the Group companies that record considerable volumes of sales and purchasing invoices, subject to VAT under the "Split payment" and "Reverse charge" scheme, allowed, during 2017 too, the release of said receivable through assignments without recourse of the balances on account of refund required from the Tax Authorities, for a total amount of € 18.7 million;
- the recognition in the item "Other current operating liabilities" of the payable of € 14.7 million related to the fine imposed by the Competition Authority during 2016, previously recognised under provisions for risks and charges, owing to the enforceability of the measure issued by the Authority on 23 December 2016 notwithstanding the appeal with the Court of Cassation was pending, for which the right to pay in 30 monthly instalments was granted with a measure of the Competition Authority itself on 28 April 2017. The balance of the residual debt at 31 December 2017 was € 10.3 million, as a result of the payment of 9 monthly instalments;
- the decrease, again in the item "Other current operating liabilities", of the payable of € 6.2 million related to the so-called "*Oneri di Sistema*" charges, following the final conversion into Law, on 23 February 2017, of Decree Law 244 of 30 December 2016 (known as "*Milleproroghe*"), which, as said, allowed MFM S.p.A. not to record in 2017 additional "*Oneri di Sistema*" charges, also causing the elimination of the payment obligations for those related to the previous years for which no payment whatsoever was made;
- the decrease of € 4.0 million in the short-term portion of provisions for future risks and charges.

Finally, net current tax receivables were recognised for € 8.4 million at 31 December 2017, against a net receivable of € 2,1 million at 31 December 2016. It should be considered that 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" include liabilities relating to:

- TFR (employee benefits), equal to € 15.5 million and € 17.0 at 31 December 2017 and 31 December 2016, respectively;

- long-term portion of Provisions for risks and charges (€ 27.6 million at 31 December 2017 against € 44.5 million at 31 December 2016, when it included the provision set aside for the fine levied by the Competition Authority, subsequently classified to "Other current liabilities");
- deferred tax liabilities of € 12.3 million (€ 11.8 million at 31 December 2016).

Consolidated net financial indebtedness

Details of net financial indebtedness at 31 December 2017 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 2016.

(in thousands of Euro)	31 December 2017	31 December 2016	Change
A. Cash	38	38	0
B. c/a, bank deposits and consortia, non-proprietary accounts	59,832	174,954	(115,122)
C. Securities held for trading			
D. Cash and cash equivalents (A) + (B) + (C)	**59,870**	**174,992**	**(115,122)**
E. Current financial assets	**1,870**	**2,387**	**(517)**
F. Current bank overdraft	6,000	11,857	(5,857)
G. Current portion of non-current debt	1,425	11,176	(9,751)
H. Other current financial liabilities	35,740	29,806	5,934
I. Current financial indebtedness (F)+(G)+(H)	**43,165**	**52,839**	**(9,674)**
J. Current net financial indebtedness (I) - (D) - (E)	**(18,575)**	**(124,540)**	**105,965**
K. Long-term bank debts and Senior Secured Notes	5,000	304,648	(299,648)
L. Other non-current financial liabilities	170,281	834	169,447
M. Derivatives			
N. Non-current financial indebtedness (K) + (L) + (M)	**175,281**	**305,482**	**(130,201)**
O. NET FINANCIAL INDEBTEDNESS (J) + (N)	**156,706**	**180,942**	**(24,236)**

The 2017 financial year saw a significant improvement in Consolidated net financial debt, which decreased from € 180.9 million at 31 December 2016 to € 156.7 million at 31 December 2017. This positive figure was further appreciable given the financial outlay associated with the payment of the dividend to the shareholders of the Parent Company MFM S.p.A. in May 2017 (€ 25.1 million), which consisted in the use of extraordinary cash, backed by a significant cash generation during the last financial years.

On the other hand, the Parent Company MFM S.p.A. and Servizi Ospedalieri S.p.A. signed, on 23 February 2016, a 3-year 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. During 2017 assignments of receivables without recourse were made in an amount of Euro 83.1 million, subject to *derecognition* according to IAS 39 (€ 50.0 million in 2017). To these must be added an amount of € 8.7 million relating to stand-alone assignments carried out with Banca Farmafactoring S.p.A., outside the scope of the described three-year contract, concerning receivables from Public Administrations. The consolidated net adjusted financial debt for the amount of receivables assigned without recourse to factoring companies that had not been collected at the reporting date (totaling € 19.3

million at 31 December 2017 against € 12.9 million at 31 December 2016) amounted to € 176.0 million (€ 193.8 at 31 December 2016).

Finally, during the last quarter of the year, the refinancing transaction carried out through the new Group corporate vehicle, CMF S.p.A., had significant effects on the financial structure of the consolidated sub-group controlled by MFM S.p.A., which led to a more efficient use of the Liquidity (which decreased from € 175.0 million at 31 December 2016 to € 59.9 million at 31 December 2017). This Liquidity was partly used for the redemption of the Senior Secured Notes issued in 2013 (equal to a nominal amount of € 300 million) against raising a Proceeds Loan with CMF S.p.A. (equal to a nominal amount of € 176.0 million at 31 December 2017) linked to the new Senior Secured bond issue launched by the latter. Therefore, the non-current financial debt decreased from € 305.5 million at 31 December 2016 to € 175.3 million at 31 December 2017.

At 31 December 2017 the balance of Cash and cash equivalents, net of short-term credit lines (Net Cash) amounted to € 23.9 million (€ 142.3 million at 31 December 2016):

(in thousands of Euro)	31 December 2017	31 December 2016
Cash and cash equivalents	59,870	174,992
Current bank overdraft, advance payments and hot money	(6,000)	(11,857)
Obligations arising from assignments of trade receivables with recourse	(29,999)	(20,805)
NET CASH	**23,871**	**142,330**

Below is a breakdown of the net financial exposure by bank credit lines and financial leases (Net Debt) compared to 31 December 2016:

(in thousands of Euro)	31 December 2017	31 December 2016
Senior Secured Notes (due 2020)	0	300,000
Proceeds Loan from CMF S.p.A.	175,990	0
Long-term bank debt	5,000	10,000
Financial lease obligations	3,622	914
Current bank overdraft, advance payments and hot money	6,000	11,857
Obligations from assignments of receivables with recourse	29,999	20,805
GROSS DEBT	**220,610**	**343,576**
Current financiala ssets	(1,870)	(2,387)
Cash and cash equivalents	(59,870)	(174,992)
NET DEBT	**158,870**	**166,197**

The "Net Debt" reported an improvement of € 7.3 million compared to 31 December 2016 (€ 158.9 million against € 166.2 million), mainly in connection with the abovementioned Refinancing and the structural changes that it gave rise to.

The increase in residual financial lease payables (+ € 2.7 million) was fully attributable to the real-estate lease transaction concluded in the first quarter by Servizi Ospedalieri S.p.A. for the acquisition of the property in Lucca. This property was already used on rental for industrial laundering activities and was acquired by Manutencoop Immobiliare S.p.A., company of the Manutencoop Cooperativa Group, as part of an overall reorganisation of the production sites of the Laundering&Sterilisation SBU.

In addition, at 31 December 2016, there was in place a committed credit line of € 10 million, obtained from CCFS, originally due in 2018 but paid in full on 3 July 2017. On 14 November 2017 MFM S.p.A. signed a new credit facility agreement for a total amount of € 10 million. The loan includes a first tranche amounting to € 5 million, which was disbursed at the same time as the execution and with bullet maturity in April 2023. The second 66-month tranche, for an additional amount of € 5 million, was disbursed on 13 February 2018 and provides for the repayment in six-monthly instalments, with a pre-amortisation period of 12 months. The loan is secured by a pledge over the shares of subsidiary H2H facility Solutions S.p.A..

The change in Consolidated cash and cash equivalents is analysed in the table below: the cash flows for 2017 are compared with the figures for the 2016 financial year. Annex IV to the Notes to the Consolidated Financial Statements contains a reconciliation between the items in this table and those in the statutory Statement of Cash Flows presented in the Explanatory notes pursuant to IAS 7.

	2017	2016
At 1 January	**174,992**	**114,391**
Cash flow from current operations	34,784	64,779
Uses of provisions for risks and charges and for employee termination indemnity	(8,705)	(10,175)
Change in NWOC	69,170	24,677
Industrial capex, net of disposals	(30,958)	(29,699)
Financial capex, net of disposals	(1,924)	4,452
Change in net financial liabilities	(139,358)	942
Other changes	(38,132)	5,625
AT 31 DECEMBER	**59,870**	**174,992**

The overall cash flows mainly reflect:

- a positive cash flow from current operations for € 34.8 million (€ 64.8 million at 31 December 2016);
- outflows from the use of provisions for future risks and charges and for employee termination indemnity for € 8.7 million (€ 10.2 million at 31 December 2016);
- a cash flow of € 69.2 million (€ 24.7 million at 31 December 2016) from changes in NWOC resulting from a positive flow correlated to a change in trade receivables for € 24.1 million (€ 38.5 million in 2016) against a flow generated from the increase in the balance of trade payables for € 38.6 million (a flow absorbed by a decrease of € 56.9 million in this item in 2016);

- a cash flow of € 31.5 million used in investing activities (€ 30.5 million at 31 December 2016), net of disposals for € 0.5 million (€ 0.8 million at 31 December 2016), also against net financial investments for € 1.9 million (cash inflows for € 4.5 million at 31 December 2016, mainly linked to the collection of € 3.9 million out of a portion of the deferred price relating to the sale of MIA S.p.A., which took place in December 2014);
- a decrease in net financial liabilities for € 139.4 million, mainly linked to the abovementioned refinancing that led to a decrease in the financial liability relating to early repaid Senior Secured Notes 2013 (- € 306.1 million, including changes in accruals on six-monthly instalments paid during the year),

albeit against the Proceeds Loan raised from CMF S.p.A. for a net balance of € 168.6 million at 31 December 2017. Furthermore, other changes were recorded in the liability relating to factoring with recourse (+ € 9.2 million), as was a lower use of short-term credit lines for hot money and advances on invoices (- € 5.9 million), albeit against an increase in financial lease payables (+ € 2.7 million). On the contrary, the 2016 financial year showed a non-significant increase in net financial liabilities (€ 0.9 million), mainly due to the increase in the year in the financial liability relating to assignments of receivables with recourse (€ 18.3 million) against a lower use of credit lines for advances on invoices and hot money (€ 22.2 million) and lower current financial receivables for € 2.8 million (specifically, following the collection of receivables claimed on corporate assignments during the previous year);

- other decreases occurred in the period (€ 38.1 million), which included, among others, the payment by the Parent Company MFM S.p.A. of a dividend to the shareholders of € 25.1 million in May 2017. On the other hand, other operating assets and liabilities absorbed all-in-all cash flows of € 13.1 million, mainly due to the net effect: (i) of the increase in the balance of payables to/receivables from employees and the relative payables to/receivables from social security institutions and the Tax Authorities for withholding taxes (+ € 10.0 million); (ii) of the trend in net credit balances for VAT of the Group companies (+ € 10.3 million), which, albeit against credit balances significantly generated at the end of 2017 for some changes in regulations and processes that concerned the deduction of VAT, were the object, during 2017, of some assignments without recourse of the balances on account of refund from the Tax Authorities, for a total amount of € 18.7 million; (iii) of the decrease (- € 6.2 million) relating to the removal of the payable for the so-called "*Oneri di Sistema*" charges, following the already mentioned regulatory changes that caused the elimination of the payment obligations for MFM S.p.A. of the charges relating to the previous years (for which no payment whatsoever was made) in addition to recording new "*Oneri di Sistema*" charges for 2017; (iv) the recognition in the item "Other operating current liabilities" of the payable of € 14.7 million related to the fine imposed by the Competition Authority during 2016, previously recognised under provisions for risks and charges, given the enforceability of the measure issued by the Authority on 23 December 2016, for which the right to pay in 30 monthly instalments was granted with a measure of the Competition Authority itself on 28 April 2017. The balance of the residual debt at 30 September 2017 was € 10.3 million, as a result of the payment of 9 monthly instalments. It is finally noted that other changes in 2016 generated 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, which were mainly due to the seasonal trend in the

management of receipts on behalf of ATI (which entailed a decrease in the net liability of € 4.6 million) and to an outflow of financial resources for higher net VAT credit balances concerning the Group companies 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.

Industrial and financial capex

In 2017 the Group made net capital expenditures which totalled € 31.5 million, compared to disinvestments of € 0.5 million:

(in thousands of Euro)	For the year ended 31 December	
	2017	**2016**
Acquisitions of properties under finance lease	4,489	0
Purchases of properties	70	7,674
Purchases of plant and equipment	20,488	16,003
Other capital expenditures in intangible assets	6,502	6,858
INDUSTRIAL CAPEX	**31,549**	**30,535**

On 3 March 2017 the subsidiary Servizi Ospedalieri S.p.A. signed a 12-year financial lease agreement with Unicredit Leasing S.p.A. for the purchase of a factory of Lucca, previously used through a lease contract with Manutencoop Immobiliare S.p.A. (company of the Manutencoop Società Cooperativa Group that owned it), for a value of € 4.5 million. Furthermore, in 2016 Servizi Ospedalieri S.p.A. completed the purchase, again from Manutencoop Immobiliare 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) for a total consideration of € 7.7 million.

Purchases of plant and equipment include the purchases of linen by Servizi Ospedalieri S.p.A. for the linen rental and industrial laundering activity, in which frequent periodic replacements are necessary (€ 12.8 million in 2017 against € 11.3 million in 2016). Investments in intangible assets for the year amounted to € 6.5 million (€ 6.9 million at 31 December 2016) and mainly related to ICT investments. Of these, an amount of € 1.5 million relates to investments in the technology platform of subsidiary Yougenio S.r.l..
Finally, disinvestments from property, plant and equipment were recorded for € 0.5 million (€ 0.8 million at 31 December 2016).

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

(in thousands of Euro)	For the year ended 31 December	
	2017	2016
Facility Management	9,915	8,823
of which start-up companies	*1,504*	*748*
Laundering & Sterilization	21,634	21,712
INDUSTRIAL CAPEX	**31,549**	**30,535**

Finally, the negative cash flow for financial investments of € 1.9 million was mainly related to the payment of share capital carried out in investee companies not included in the scope of consolidation (€ 0.9 million), in addition to the establishment by H2H Facility Solutions S.p.A. of a joint venture with a paid-up capital of € 0.6 million. Furthermore, there was the collection of portions of the transfer price of discontinued operations in previous years (€ 1.1 million, of which € 1.0 million relating to the sale of the business of SMAIL S.p.A.) against the increase in the balance of pledged accounts used within the service agreement related to the collection of the receivables assigned without recourse to Banca Farmafactoring (€ 1.0 million).

Finally, the cash flow for financial investments in 2016 was positive for € 4.5 million, mainly arising from 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. Furthermore, in December 2016 the second and last tranche was collected (for additional € 5 million), which had been previously recognised under long-term financial assets. At 31 December 2016 the right also accrued for MFM S.p.A. to obtain an earn-out equal to € 1.2 million on the abovementioned 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.

Change in Net financial liabilities

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

(in thousands of Euro)	31 December 2016	New loans	Refunds and payments	Early redemption	Other changes	31 December 2017
Bank loans	10,000	5,000		(10,000)		5,000
Current bank overdraft, advance payments and	11,857	6,000	(11,857)			6,000

(in thousands of Euro)	31 December 2016	New loans	Refunds and payments	Early redemption	Other changes	31 December 2017
hot money						
Accrued and deferred expenses on loans	10,634		(25,500)		14,072	(794)
Senior Secured Notes	294,648			(300,000)	5,352	0
BANK DEBTS	**327,139**	**11,000**	**(37,357)**	**(310,000)**	**19,424**	**10,206**
Finance lease obligations	914	4,467	(1,759)			3,622
Obligations from assignments with recourse	20,805	47,120	(37,926)			29,999
Proceeds Loan from CMF S.p.A.	0	190,300		(14,310)	(7,428)	168,562
Due to factoring agencies for assignments without recourse	2,744	4,902	(2,744)			4,902
Other financial liabilities	6,719		(5,438)		(125)	1,156
FINANCIAL LIABILITIES	**358,321**	**257,789**	**(85,224)**	**(324,310)**	**11,871**	**218,446**
Current financial assets	(2,387)				517	(1,870)
NET FINANCIAL LIABILITIES	**355,934**	**257,789**	**(85,224)**	**(324,310)**	**12,388**	**216,576**

The year 2017 saw the payment of the six-monthly coupons on the Senior Secured Notes issued during 2013 (initially due 2020 and a six-monthly coupon of 8.5%) totalling € 25.5 million, with settlement dates on 2 February and 2 August.

This loan was accounted for in accordance with IAS 39 for a nominal value of € 300 million, net of an adjustment for accounting for the discount and additional issue costs equal to € 5.4 million at 31 December 2016.

A portion of the Notes issued in 2013 and subsequently repurchased on the market (totalling € 125 million) was held in the portfolio and on securities accounts. A portion of the securities (in a nominal amount of € 14 million) was pledged against the committed credit line of € 10 million, due 2018, obtained from CCFS. This credit line was cancelled on 3 July 2017 resulting in the repayment of the debt for principal and, on 20 July 2017, the Parent Company requested the Trustee and the Paying Agent to formally delete all Notes previously held in the portfolio. On 14 November 2017 MFM S.p.A. signed a new credit facility agreement for a total amount of € 10 million. The loan includes a first tranche amounting to € 5 million, which was disbursed at the same time as the execution and with bullet maturity in April 2023. The second tranche, for an additional amount of € 5 million, was disbursed on 13 February 2018 (therefore, it was not reported in the Financial Statements at 31 December 2016).

Following the above mentioned refinancing process carried out during the last quarter of 2017, the Notes were early repaid on 13 October 2017 (with settlement on 13 November 2017), with the simultaneous full reversal of the adjustment for amortised cost as a financial cost for the year. The Parent Company MFM S.p.A. completed this redemption through the use of a portion of its Cash and cash equivalents and simultaneously obtained an intercompany loan (Proceeds Loan) in a nominal amount of € 190.3 million from its direct controlling company CMF S.p.A., which launched a new Senior Secured Notes bond issue in 2017, in a nominal amount of € 360 million, below par (at 98%), due 2022 and a six-monthly coupon of 9.0%. In consideration of this Proceeds Loan, the Parent Company has also sustained additional costs for the issue in an initial total amount of € 9.1 million, charged back by CMF S.p.A. in proportion to the proceeds reserved for it (equal to 52.86% of total issue). These additional costs have been also accounted

for according to the amortised cost method, which gave rise to amortisation costs of € 1.0 million during the last quarter of 2017, an amount of € 0.7 million of which relates to the portion of loan (€ 14.3 million) repaid on 12 December 2017, to provide CMF S.p.A. with the financial resources required to pay the six-monthly coupon due 15 December 2017. The Proceeds Loan bears interest at 9.0%, which amounted to € 3.6 million at 31 December 2017.

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement for € 50 million, to which MFM S.p.A. is a party as Borrower. CMF S.p.A. has charged all financing costs (equal to € 1.0 million) back to the Parent Company MFM S.p.A., which will be also amortised on a straight-line basis throughout the entire term of the credit facility (no drawdown had been requested on the reporting date). This amortisation had an impact of € 0.1 million on the 2017 financial year; the remaining costs gave rise to a prepaid expense of € 0.9 million on the reporting date of the Consolidated Financial Statements.

At the reporting date, short-term uncommitted credit lines had been used for hot money and advances on invoices (aimed at meeting peaks in temporary cash requirements linked to the natural performance of operations) for € 6.0 million, given the balance of € 11.9 million at 31 December 2016. Furthermore, MFM S.p.A. has an agreement for the assignment of trade receivables with recourse in place with Unicredit Factoring S.p.A., concerning receivables from customers in the Public sector. In 2017, assignments were made in an overall nominal amount of € 47.1 million, while the use was equal to € 30.0 million at 31 December 2017.

During the period, MFM S.p.A. and Servizi Ospedalieri S.p.A. made assignments of trade receivables without recourse of € 91.8 million with Banca Farmafactoring S.p.A., while the amount of receivables assigned but not yet collected by the factor at 31 December 2017 amounted to € 19.3 million. Furthermore, the Group collected amounts of € 4.9 million at 31 December 2017, 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 gave rise to the payment of said amounts at the beginning of the following quarter.

Finally, the Group recorded among “Other financial liabilities” at 31 December 2016 the estimated liability in view of the put option held by the non-controlling shareholders of Sicura S.p.A. on the remaining 15% of the shares held by them, on the basis of the investment agreement signed upon acquisition in 2008 (€ 5.4 million). On 30 June 2017, the call option was exercised by MFM S.p.A., for the above-mentioned value already recorded, which was followed by the payment on 10 August 2017.

Finally, the balance of short-term financial assets was € 0.5 million lower, mainly as a result of the change in the balance of pledged current bank accounts dedicated to the management of the collection service within the scope of the above-mentioned agreement for the assignment of trade receivables without recourse signed with Banca Farmafactoring (+ € 1.0 million) and of the collection of receivables relating to corporate assignments during previous years, specifically linked to the business of SMAIL S.p.A. that was transferred during 2015 (- € 1.0 million). Furthermore, some loans to unconsolidated companies were repaid (- € 0.5 million).

3.3 Financial ratios

The main financial balance sheet ratios as at 31 December 2017, calculated at consolidated level, compared with the ratios recorded for the consolidated Financial Statements as at 31 December 2016.
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 income and costs.

Profitability ratios

	2017	2016	2015
ROE	0.2%	6.0%	0.9%
ROI	5.5%	4.8%	4.7%
ROS	6.3%	6.1%	6.0%

ROE (*Return on Equity*) provides a summary measurement of the return on capital invested by shareholders. The ratio reflects a lower consolidated Net Profit in 2017 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 4. There also was an increase in the Equity reserves (+ € 8.3 million) for the allocation of net Result from the previous year to reserves and against the distribution of a considerable dividend by the Parent Company (€ 25.1 million) during the year.

ROI (*Return on Investments*) provides a summary measurement of the operating return on capital invested in the company. The improvement reflects a decrease in the Group's gross Invested Capital (- € 132.1 million) against an increase in EBIT for the year used for the calculation of the ratio (€ 58.2 million against € 57.0 million in 2017 and in 2016 respectively, again by normalising the effects of the release of the provision set aside for AGCM).

ROS (*Return on sales*), provides a summary measurement of the Group's ability to convert turnover to EBIT, and stood at 6.3% in 2017 compared to 6.1% in 2016 against, as already illustrated, stable normalised operating result for the Group (+ 2.1%) more than proportional compared to the decline in Revenues from sales and services (-1.2%).

Liquidity ratios

	2017	2016	2015
Current ratio	100.0%	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 performance reflects a decrease in current assets (in particular for a decrease in trade receivables and an improved efficiency of the balance of Cash and cash equivalents) against a less than proportional increase in the balance of future current expenses (and specifically of the stock of trade payables).

Ratios of composition of Assets and Liabilities

	2017	2016	2015
Rigidity ratio	49.3%	44.4%	43.1%
Liquidity ratio (elasticity)	50.3%	55.6%	56.9%
Indebtedness ratio	0.69	0.69	0.69
Medium/Long-term Indebtedness ratio	21.6%	31.6%	32.6%

The *rigidity ratio*, which expresses long-term loans as a percentage of total loans, increased in 2017, as a result of a reduction in invested capital compared to the previous financial year, which was less 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, as well as to a more efficient use of Cash and cash equivalents.

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 50.3% in 2017, compared to a ratio of 55.6% 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 (which saw the replacement of the Senior Secured Notes for a nominal amount of € 300 million by a Proceeds Loan of € 176.0 million, against lower uses of net Cash and cash equivalents for € 118.5 million) compared to that in Net worth (with saw the results for the previous year carried forward, against the abovementioned distribution of dividends by the Parent Company for € 25.1 million).

The medium/long-term indebtedness ratio, expressed as the ratio of consolidated liabilities and total sources of funding, decreased from 31.6% in 2016 to 21.6% in 2017, reflecting a reduction in medium/long-term loans in the course of the financial year, mainly due to the early redemption of the Senior Secured Notes, only partially replaced by the Proceeds Loan from CMF S.p.A., against a reduction in funding sources as a result of a reduced financial debt (- € 139.9 million) and the simultaneous decrease in Net worth (- € 24.6 million, against an amount of € 25.1 million distributed as dividends 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.

	2017	2016	2015
Turnover/internal and external personnel costs	141%	144%	146%
Make ratio	58.2%	58.1%	57.8%

At 31 December 2017 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 141% (144% at 31 December 2016). In 2017 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 way that is not entirely proportional compared to changes in turnover).

The "*make ratio*", i.e. the ratio between the cost of internal labour ("make") and the cost of services provided by third parties, services provided by consortia and professional services, shows an almost constant trend in comparative years. 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 PERFORMANCE OF OPERATIONS AND OF THE FINANCIAL POSITION 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 mainly recognised in the Parent Company's Statement of Profit/Loss for 2017 as stated below:

(in thousands of Euro)	For the year ended at 31 December	
	2017	2016
Legal advice on pending administrative disputes	428	676
Structural reorganisation consulting fees	3,418	2,111
"Oneri di sistema relating to previous years	(6,152)	
Costs of refinancing of the Manutencoop Group	4,332	
Non-recurring bonuses for refinancing	3,015	
Advice on agreements for assignments of trade receivables without recourse		620
Compensation for damage for arbitration award		1,915
Non recurring operating costs (income) impacting on EBITDA	**5,041**	**5,323**
Provisions for corporate reorganization		1,400
Provisions (reversals) for risks from compensation on contractual liability to associates	(1,901)	2,323
Provisions (Reversalsi) for risks from administrative disputes		(16,310)
Non-recurring Expenses (income) impacting on EBIT	**(1,901)**	**(6,650)**
Financial fees on refinancing of the Manutencoop Group	740	
Reversal of amortised cost of Senior Secured Notes 2013	4,368	
Costs for early redemption of Senior Secured Notes 2013	6,480	
Non-recurring financial Expenses (income)	**11,588**	**0**
TOTAL NON-RECURRING EXPENSES (INCOME)	**14,728**	**(6,650)**

4.1 Economic results in 2017

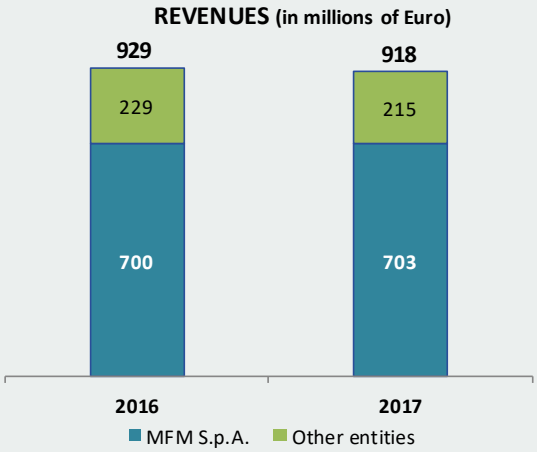
The main income data of the Parent Company MFM S.p.A. for the year ended 31 December 2017, as well as a comparison with the figures from the previous year:

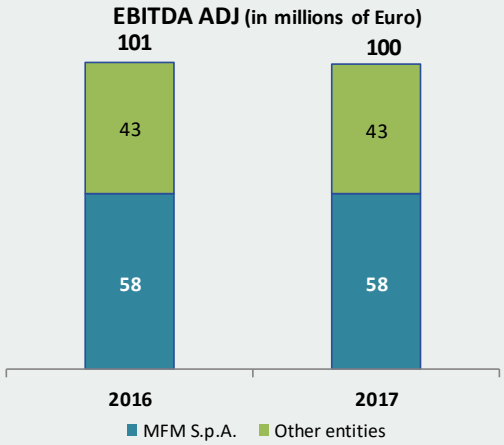
(in thousands of Euro)	For the year ended 31 December		Change	%
	2017	2016		
Total revenues	702,857	699,766	3,091	+0.4%
Total costs of production	(650,117)	(646,917)	(3,201)	+0.5%
EBITDA	**52,739**	**52,850**	**(110)**	**-0.2%**
EBITDA %	**7.5%**	**7.6%**	**-0.1%**	
Amortization, depreciation, write-downs and write-backs of assets	(18,575)	(13,742)	(4,833)	
Accruals and reversal of provisions for risks and charges	877	10,504	(9,627)	
OPERATING INCOME (EBIT)	**35,041**	**49,612**	**(14,571)**	**-29.4%**
EBIT %	**5.0%**	**7.1%**	**-2.1%**	
Income (charges) from investments	20,093	8,283	11,810	
Net financial charges	(34,152)	(24,394)	(9,758)	
Profit before taxes	**20,981**	**33,500**	**(12,519)**	
Profit before taxes %	**3.0%**	**4.8%**	**-1.8%**	
Income taxes	(12,573)	(8,141)	(4,432)	
Profit from continuing operations	**8,408**	**25,359**	**(16,951)**	
Profit (loss) from discontinued operations	**0**	**1,052**	**(1,052)**	
NET PROFIT	**8,408**	**26,412**	**(18,003)**	

(in thousands of Euro)	For the year ended 31 December		Change	%
	2017	2016		
NET PROFIT %	1.2%	3.8%	-2.6%	

In 2017 revenues for MFM S.p.A. stood at € 702.9 million, showing an increase of € 3.1 million compared to € 699.8 million in the previous year. Signs of recovery came from sales volumes, in opposite trend to the figure for the alst years, thus stopping the downward trend of the last years. Revenues were still prevailing, which came from Healthcare activities and PSEs.

The Parent Company MFM S.p.A. guarantees the Group a sizeable portion of the consolidated results (more than 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.





The Company's EBITDA for the year ended 31 December 2017 came to € 52.7 million against € 52.9 million for the year ended 31 December 2016. Furthermore, note that EBITDA for 2017 was affected by non-recurring costs (net of any income) of € 5.0 million, while non-recurring costs amounted to € 5.1 million in the previous year. Adjusted EBITDA, which excludes these non-recurring elements, was then equal to € 57.8 million for the year ended 31 December 2017, against Adjusted EBITDA of € 57.9 million at 31 December 2016, showing substantially stable profit margins, albeit against the significant impact of costs arising from the abovementioned refinancing transaction that involved the Group and that were almost fully recognized by MFM S.p.A..

In 2017 the Parent Company contributed to consolidated EBITDA for about 58% of the same (unchanged compared to the value posted in the financial year ended 31 December 2016).

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.

Specifically, there were higher *Costs of raw materials and consumables* for € 1.5 million, higher *Costs of services* for € 8.2 million against higher *Personnel costs* for € 0.6 million. Obviously, the different performance in the various cost items was also linked to a different mix of services rendered. The average number of employees that worked for MFM S.p.A. during 2017 was equal to 14,289, of which 429 were provided by Manutencoop Società Cooperativa (14,703 in the previous year, of which 437 were provided by Manutencoop Società Cooperativa). As stated for costs for services and consumption of materials, the number of employees, and specifically of manual workers, is closely linked to the mix of services being performed.

Finally, at 31 December 2017, *Other operating costs* posted a positive value of € 0.6 million against costs of € 6.4 million at 31 December 2016. Until 31 December 2016 the Parent Company MFM S.p.A. had recognized operating costs of € 6.2 million, concerning some energy service contracts and relating to "*Oneri di Sistema*" charges. On the basis of the abovementioned amendments to the relevant regulations, amended regulations, the management of MFM S.p.A. believed that there was no need to recognise additional "*Oneri di Sistema*" charges in 2017, while implementing the elimination of the payment obligations for those related to the previous years and recognising the contingent asset for the payable that had been recorded at the end of the previous year.
Finally, at 31 December 2016, *Other operating costs* included non-recurring costs resulting from an arbitration award on a dispute with a customer from which MFM S.p.A., by exercising the legal right of recourse pursuant to Article 18, paragraph 1, of Italian Presidential Decree 633/1972, requested € 5.6 million by way of VAT, following a Report on findings issued by the Inland Revenue Agency in 2013 that had reported its incorrect invoicing. The award acknowledged MFM S.p.A. the entire amount required by way of VAT albeit against the payment to the customer of € 1.7 million by way of compensation for damages.

In 2017 consolidated **EBIT** came to € 35.0 million against EBIT of € 49.6 million in 2016.
In 2017 *Amortisation and depreciation* amounted to Euro € 8.8 million against € 8.0 million at 31 December 2016. This item includes amortisation of intangible assets of € 6.6 million (€ 5.8 million at 31 December 2016) and depreciation of property, plant and equipment of € 2.2 million (unchanged compared to 2016). Finally, *net write-downs of trade receivables* amounted to € 3.2 million (€ 3.4 million at 31 December 2016). Furthermore, during 2017 note *write-downs of equity investments* of € 6.6 million (€ 2.3 million at 31 December 2016) which were mainly connected to the subsidiaries operating for the business development in the international and B2C markets. On the other hand write-downs of assets were recorded for € 0.3 million (€ 0.2 million at 31 December 2016) concerning some credit positions claimed from suppliers.
In 2017 EBIT also recorded, in addition to the non-recurring elements already described for EBITDA, the (non-recurring) release of a provision for risks set aside for € 2.3 million at 31 December 2016 and related to a dispute involving an associate with which MFM S.p.A. has services agreements in being under which, in some respects, the servicer may have contractual liability. During 2017 this dispute was settled on favourable terms, with a significant reduction in terms of outlay for the associate concerned, which in turn entailed a net release of the provision for risks of MFM S.p.A., equal to € 1.9 million. The EBIT performance

for 2016 was significantly affected by the partial reversal, equal to € 16.3 million, of the provision for risks set aside in the previous year by the parent company MFM S.p.A. against the issue by AGCM of its order for sanctions in relation to the "Consip Scuole" agreement, which was subsequently recalculated after the Lazio Regional Administrative Court's partial acceptance of the appeal filed by MFM S.p.A.. In 2016, provisions for corporate reorganisation charges were also set aside for € 1.4 million.
At 31 December 2017 **Adjusted EBIT** then came to € 33.1 million (equal to 4.7% in terms of profit margins relating to the Revenues for the year) against € 37.0 million at 31 December 2016 (equal to 5.3% of related Revenues). The reduction was fully attributable to the abovementioned write-downs of investments in subsidiaries.

To EBIT must be added dividends and net income from equity investments amounting to € 20.1 million, compared to € 8.3 million in the previous year. This income reflects, among others, dividends from subsidiaries for € 18.5 million (€ 7.9 million at 31 December 2016), dividends from Roma Multiservizi S.p.A. for € 1.3 million, in addition to € 0.3 million from associates and minority interests (€ 0.3 million at 31 December 2016):

(in thousands of Euro)	Year ended 31 December	
	2017	2016
Servizi Ospedalieri S.p.A.	9,320	5,600
Telepost S.p.A.	1,853	1,685
H2H Facility Solutions S.p.A.	814	659
Sicura S.p.A.	6,500	
Roma Multiservizi S.p.A.	1,291	
Other minors	315	324
DIVIDENDS	**20,093**	**8,268**

Financial income increased by € 3.0 million compared to the previous year, mainly against higher interest income from customers (+ € 2.7 million) in relation to the in-court settlement, on favourable terms, of some disputes arisen with specific customers in previous years.

The impact of *financial charges* on the results of operations of the Company was equal to € 42.9 million, with an increase equal to € 12.8 million compared to € 30.1 million in 2016.
All non-recurring items that concerned the abovementioned Refinancing transaction of the Manutencoop Group are attributable to MFM S.p.A..
MFM S.p.A. sustained costs of € 6.5 million relating to the early redemption of the Senior Secured Notes issued in 2013 (initially due 2020 and with a six-monthly coupon of 8.5%) , based on the redemption price set in the rules of the cancelled Notes (€ 6.4 million) and the negative interest accured with respect to the repayment of the capital quota to bondholders (€ 0.1 million). The redemption of the Notes also entailed the reversal of residual additional charges relating to the issue, accounted for at amortised cost, through profit or loss, for € 4.4 million, to which must be added the accrued implicit costs already accounted for before the redemption for € 1.0 million (€ 1.2 million for 2016). Following the early redemption of the

Notes, the subordinated loans granted to H2H Facility Solutions S.p.A. and Servizi Ospedalieri S.p.A. were renewed on different terms (and specifically H2H Facility Solutions S.p.A. proceeded with the full redemption for € 16.6 million), with the simultaneous reversal, through profit or loss, concerning the remaining additional raising costs to be amortised, which had been stated at the time (with a financial income totalling € 0.9 million).

Finally, the cancelled Notes accrued financial costs on coupons for € 22.0 million (€ 25.5 million for the entire 2016 financial year) until the date of redemption.

At the same time, MFM S.p.A. obtained an intercompany loan (Proceeds Loan) in a nominal amount of € 190.3 million from the direct controlling company CMF S.p.A., which launched a new Senior Secured Notes bond issue in a nominal amount of € 360 million in 2017.

After having obtained this loan, additional issue costs were sustained for an initial total amount of € 9.1 million, which were charged back by CMF S.p.A. in proportion to the proceeds reserved for it (equal to 52.86% of total issue). These additional costs were also accounted for according to the amortised cost method, which gave rise to amortisation costs of € 1.0 million during the last quarter of 2017, an amount of € 0.7 million of which relates to the portion of loan (€ 14.3 million) repaid on 12 December 2017, to provide CMF S.p.A. with the financial resources required to pay the six-monthly coupon due 15 December 2017. The Proceeds Loan bears interest equal to 9.0% p.a., with an impact of € 3.6 million at 31 December 2017.

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement for € 50 million, to which MFM S.p.A. is a party as Borrower. CMF S.p.A. has charged all financing costs (equal to € 1.0 million) back to the Parent Company MFM S.p.A., which will be also amortised on a straight-line basis throughout the entire term of the credit facility. This amortisation had an impact of € 0.1 million on the 2017 financial year.

Finally, in 2017 interest discount costs were recognized in relation to the assignments of receivables without recourse carried out with Banca Farmafactoring for € 1.2 million against trade receivables and VAT tax credits requested for refund. These costs amounted to € 0.9 million at 31 December 2016, when charges of € 0.5 million were recorded, among others, relating to an assignment of tax receivables without recourse, associated with the application of Decree Law 201 of 6 December 2010, 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 € 12.6 million (€ 8.1 million at 31 December 2016), thus obtaining a positive *Net result from continuing operations* of € 8.4 milioni (€ 23.4 million at 31 December 2016). Furthermore in 2016 a positive Profit from discontinued operations was recognized for € 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 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. 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.

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

(in thousands of Euro)	For the year ended 31 December	
	2017	2016
Profit before taxes	**20,981**	**33,500**
Provision for risks from the enforcement of Consip guarantee		17,500
AGCM provision (Reversal)		(33,810)
Profit before taxes, excluding AGCM provision	**20,981**	**17,190**
Current, prepaid and deferred IRES tax, including income and expenses from Tax consolidation	(10,364)	(5,590)
Current and deferred IRAP tax	(2,924)	(2,547)
Adjustments to income taxes related to previous years	716	(4)
Income taxes	**(12,573)**	**(8,141)**
TAX RATE FROM CONTINUING OPERATIONS	**59.9%**	**47.4%**
Profit (loss) before taxes from discontinued operations	**0**	**1,385**
Taxes on profit (loss) from discontinued operations		(333)
CONSOLIDATED NET PROFIT (LOSS), EXCLUDING AGCM PROVISION	**8,408**	**10,101**
TOTAL TAX RATE	**59.9%**	**45.6%**

As already noted, the *Profit before taxes* for 2016 includes a considerable reversal relating to the dispute that arose following the imposition of the administrative fine by AGCM in 2015 in relation to the Consip tenders of 2012. The non-recurring provision set aside in the previous year (equal to € 48.5 million), which is not deductible for the purposes of calculating the tax burden, had been in fact 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., with a net effect of € 16.3 million. 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 would be equal to € 17.1 million.

Therefore, compared to the Profit before taxes calculated in this manner, the 2017 financial year showed a decrease of € 1.7 million against an increase of € 4.4 million in the overall tax burden. The overall tax rate amounted to 59.9% at 31 December 2017 against 45.6% at 31 December 2016, due to the substantial lack of changes in some current tax components (especially IRAP tax), the impact of which increased despite a reduction in the Profit before taxes. Furthermore, lower deferred tax assets were recognized on non-deductible financial charges at 31 December 2017, in addition to the partial write-off of those already recognised in previous years.

Finally, the Company recorded a positive Net profit of € 8.4 million, against a net Result of € 26.4 million at 31 December 2016.

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 2017 is shown below, compared with the figures for year ended 31 December 2016.

(in thousands of Euro)	31 December 2017	31 December 2016	Change
USES			
Trade receivables and advances to suppliers	335,977	356,863	(20,885)
Inventories	1,256	689	567
Trade payables and advances from customers	(290,844)	(238,764)	(52,080)
Net commercial working capital	**46,389**	**118,788**	**(72,398)**
Other elements of working capital	(61,452)	(62,411)	958
Net working capital	**(15,063)**	**56,377**	**(71,440)**
Property, plant and equipment	8,996	8,919	78
Intangible assets	314,849	316,978	(2,129)
Investments	154,310	148,356	5,954
Other non-current assets	60,981	79,802	(18,821)
Fixed assets	**539,137**	**554,055**	**(14,918)**
Non-current liabilities	(41,638)	(60,371)	18,733
NET INVESTED CAPITAL	**482,436**	**550,061**	**(67,625)**
SOURCES			
Shareholders' equity	307,927	324,613	(16,686)
Net financial indebtedness	174,510	225,449	(50,939)
TOTAL FINANCING SOURCES	**482,436**	**550,061**	**(67,625)**

Net working capital

Net working capital (**NWC**) posted a negative value of € 15.1 million at 31 December 2017, against a decrease in absolute value equal to € 71.4 million compared to the value posted at 31 December 2016 (€ 56.4 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 € 46.4 million as at 31 December 2017, while it was equal to € 118.8 million at 31 December 2016. The decrease was mainly due to a reduction in the balance of Trade Receivables and advances to suppliers (- € 20.9 million), against an increase in the balance of Trade payables and advances from customers (+ € 52.1 million). At the reporting date, the Company had made assignments of trade receivables without recourse to Banca Farmafactoring for € 51.3 million, while the balance of receivables assigned and not yet collected by factors amounted to € 14.4 million at 31 December 2017 and € 9.2 million at 31 December 2016. The **Adjusted NWOC** came to € 60.8 million and € 128.0 million, respectively, during the two years under comparison, with an overall reduction of Euro 67.2 million.

The balance of the other elements in working capital at 31 December 2017 was a net liability of € 61.5 million, in line with the net liability of € 62.4 million at 31 December 2016:

(in thousands of Euro)	31 December 2017	31 December 2016	Change
Current tax receivables	3,804	1,681	2,123
Other current assets	19,796	16,957	2,838
Provisions for risks and charges, current	(5,524)	(9,469)	3,945
Other current liabilities	(79,528)	(71,580)	(7,948)
OTHER ELEMENTS IN WORKING CAPITAL	**(61,452)**	**(62,411)**	**958**

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

- the recognition in the item "Other current operating liabilities" of the payable of € 14.7 million related to the fine imposed by the Competition Authority during 2016, previously recognised under provisions for risks and charges, owing to the enforceability of the measure issued by the Authority on 23 December 2016 notwithstanding the appeal with the Court of Cassation was pending, for which the right to pay in 30 monthly instalments was granted with a measure of the Competition Authority itself on 28 April 2017. The balance of the residual debt at 31 December 2017 was € 10.3 million, as a result of the payment of 9 monthly instalments;
- the decrease, again in the item "Other current operating liabilities", of the payable of € 6.2 million related to the so-called "*Oneri di Sistema*" charges, following the final conversion into Law, on 23 February 2017, of Decree Law 244 of 30 December 2016 (known as "*Milleproroghe*"), which, as said, allowed MFM S.p.A. not to record in 2017 additional "*Oneri di Sistema*" charges, also causing the elimination of the payment obligations for those related to the previous years for which no payment whatsoever was made;
- the recognition of higher net receivables of € 2.1 million for estimated income tax for the 2016 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 € 3.9 million;
- the recognition of higher net VAT receivables for € 5.1 million (€ 1.1 million at 31 December 2016 against a receivable of € 6.1 million at 31 December 2017), mainly as a result of some amendments to VAT regulations enacted at the end of 2017, which led to some changes in the invoicing process.

Fixed assets

Fixed assets include the following main items:

(in thousands of Euro)	31 December 2017	31 December 2016	Change
Property, plant and equipment and Intangible assets	30,608	32,659	(2,051)
Goodwill	293,238	293,238	0
Equity investments in subsidiaries, associates and joint ventures	154,310	148,356	5,954

(in thousands of Euro)	31 December 2017	31 December 2016	Change
Other investments	4,177	3,451	726
Non-current financial assets	41,834	57,732	(15,898)
Other non-current assets	2,541	2,023	518
Deferred tax assets	12,429	16,595	(4,166)
FIXED ASSETS	**539,137**	**554,055**	**(14,918)**

The most substantial changes concerned:

- an increase in Equity investments in subsidiaries, associates and joint ventures for € 6.0 million, mainly against the acquisition of the remaining 15% of the share capital of Sicura S.p.A. (€ 5.5 million);
- the repayment, on 16 October 2017, of a portion of the subordinated loans granted to subsidiaries in relation to the Senior Secured Notes issued in 2013. Following the early redemption of the Notes, the subordinated loans granted to H2H Facility Solutions S.p.A. and Servizi Ospedalieri S.p.A. were renewed on different terms and specifically H2H Facility Solutions S.p.A. proceeded with the total repayment (€ 16.6 million), while retaining the option to use this credit line in the future;
- a decrease in the balance of Deferred tax assets, mainly as a result of the recognition of lower 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 € 8.2 million and € 9.9 million at 31 December 2017 and 31 December 2016, respectively;
- long-term portion of provisions for future risks and charges (€ 22.7 million at 31 December 2017 against € 40.3 million at 31 December 2016), which included the provision for risks set aside as a result of the sanction imposed by AGCM on the Company, subsequently reclassified for € 14.7 million to *Other current liabilities*;
- deferred tax liabilities of € 10.7 million (€ 10.2 million at 31 December 2016).

Net financial indebtedness

The Parent Company's net financial indebtedness at 31 December 2017 and at 31 December 2016 is reported below:

	31 December 2017	31 December 2016	Change
Long-term financial liabilities	172,150	305,063	(132,913)
Bank borrowings and current portion of long-term	49,508	69,524	(20,016)

	31 December 2017	31 December 2016	Change
debt			
GROSS FINANCIAL INDEBTEDNESS	**221,658**	**374,587**	**(152,929)**
Cash and cash equivalents	(38,564)	(137,963)	99,399
Other current financial assets	(8,584)	(11,175)	2,590
NET FINANCIAL INDEBTEDNESS	**174,510**	**225,449**	**(50,939)**

The 2017 financial year saw a significant improvement in the Company's net financial debt, which decreased from € 225.4 million at 31 December 2016 to € 174.5 million at 31 December 2017. This positive figure was further appreciable given the financial outlay associated with the payment of the dividend to the shareholders in May 2017 (€ 25.1 million), which consisted in the use of extraordinary cash.

As already described in previous paragraphs, MFM S.p.A. and subsidiary Servizi Ospedalieri S.p.A. entered into a 3-year maturity factoring agreement with Banca Farmafactoring S.p.A. in 2016, concerning the assignment of receivables from entities in the National Health System. During 2017 MFM S.p.A. carried out assignments of receivables without recourse, for which the related derecognition was made according to IAS 39 for € 51.3 million (€ 28.5 million in 2016). To these must be added an amount of € 8.7 million relating to stand-alone assignments carried out with Banca Farmafactoring S.p.A., outside the scope of the described three-year contract, concerning receivables from Public Administrations. The consolidated net adjusted financial debt for the amount of receivables assigned without recourse to factoring companies that had not been collected at the reporting date (totaling € 14.4 million at 31 December 2017 against € 9.2 million at 31 December 2016) amounted to € 188.9 million (€ 234.6 at 31 December 2016).

Finally, during the last quarter of the year, the refinancing transaction carried out through the new Group corporate vehicle, CMF S.p.A., had significant effects on the financial structure of MFM S.p.A., which led to a more efficient use of Cash and cash equivalents (which decreased from € 138.0 million at 31 December 2016 to € 38.6 million at 31 December 2017). This liquidity was partly used for the redemption of the Senior Secured Notes issued in 2013 (equal to a nominal amount of € 300 million) against raising a Proceeds Loan with CMF S.p.A. (equal to a nominal amount of € 176.0 million at 31 December 2017) linked to the new Senior Secured bond issue launched by the latter. After having obtained the abovementioned Proceeds Loan, the Parent Company also sustained additional costs for the issue in an initial total amount of € 9.1 million, charged back by CMF S.p.A. in proportion to the proceeds of the new bond issue reserved for it (equal to 52.86% of total issue). These additional costs were also accounted for according to the amortised cost method, which gave rise to amortisation costs of € 1.0 million during the last quarter of 2017. At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement for € 50 million, to which MFM S.p.A. is a party as Borrower. CMF S.p.A. has charged all financing costs (equal to € 1.0 million) back to MFM S.p.A., which will be also amortised on a straight-line basis throughout the entire term of the credit facility.

The year 2017 saw the payment of the six-monthly coupons on the Senior Secured Notes issued during 2013 totalling € 25.5 million, with settlement dates on 2 February and 2 August. Following the abovementioned refinancing process carried out during the last quarter of 2017, the Notes were early

repaid on 13 October 2017 (with settlement on 13 November 2017), with the simultaneous full reversal of the adjustment for amortised cost as a financial cost for the year (€ 5.4 million).

In addition, at 31 December 2016, there was in place a committed credit line of € 10 million, obtained from CCFS, originally due in 2018 but paid in full on 3 July 2017. On 14 November 2017 MFM S.p.A. signed a new credit facility agreement for a total amount of € 10 million, which was disbursed in a first tranche of € 5 million on 31 December 2017 (the second tranche, amounting to further € 5 million, was disbursed on 13 February 2018). The loan has a bullet maturity in April 2023 and is secured by a pledge over the shares of subsidiary H2H Facility Solutions S.p.A..
Furthermore, MFM S.p.A. has an agreement for the assignment of trade receivables with recourse in place with Unicredit Factoring S.p.A., concerning receivables from customers in the Public sector. In 2017, assignments were made in an overall nominal amount of € 47.1 million, while the use was equal to € 30.0 million at 31 December 2017.
Finally, current financial assets decreased by € 2.6 million, mainly as a result of a reduction in the credit balances of current financial accounts registered in the name of subsidiaries (- € 1.9 million).

Industrial Capex

In 2017 industrial capex incurred by the Company totalled € 5.5 million against disinvestments of € 0.1 million (€ 0.2 million at 31 December 2016):

(in thousands of Euro)	For the year ended 31 December	
	2017	2016
Acquisitions of plant and machinery	2,276	1,800
Other investments in intangible assets	3,232	5,667
INDUSTRIAL CAPEX	**5,508**	**7,467**

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

(in thousands of Euro)	31 December 2017		31 December 2016	
	Profit (loss) for the year	Shareholders' Equity	Profit (loss) for the year	Shareholders' Equity
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY	**8,408**	**307,927**	**26,412**	**324,613**
- Elimination of consolidated equity investment values		(150,823)		(142,106)
- Accounting of Shareholders' Equity to replace the values eliminated		54,625		56,625
- Allocation to consolidation difference		69,161		63,724
- Allocation of tangible assets	(4)	64	(4)	68

(in thousands of Euro)	31 December 2017		31 December 2016	
	Profit (loss) for the year	Shareholders' Equity	Profit (loss) for the year	Shareholders' Equity
- Dividends distributed to Group companies	(18,847)		(7,944)	
- Profit generated by consolidated companies	7,127	7,127	10,854	10,854
- Associates and JVs valued at equity	(3,579)	3,587	1,905	7,376
- Tax effects on consolidation adjustments	132	(163)	71	(296)
- Reversal of statutory write-downs	6,963	6,990	2,461	2,461
- Other consolidation adjustments	82	(93)	(106)	(182)
Total consolidation adjustments	**(7,766)**	**(9,526)**	**7,237**	**(1,476)**
Shareholders' equity and profit (loss) for the year pertaining to the Parent Company	**642**	**298,401**	**33,649**	**323,137**
Shareholders' equity and profit (loss) for the year pertaining to Minority Interests	73	381	(116)	235
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS	**715**	**298,782**	**33,533**	**323,372**

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 parameter:

- 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 (market risks), to the unique activities performed by Group companies (operating risks) and financial risks, are shown below.

Risks related to competition

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

Financial risks

Concerning financial risks (liquidity, credit, interest rate, exchange rate and price risks) the Group deals with in its operations and how they are managed, the subject is discussed in detail under note 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 2017 some changes were made to the legislation concerning the legal rules affecting the scope of application of Legislative Decree 231/2001.

In detail:

- On 14 April 2017 Legislative Decree 38 of 15 March 2017 came into force. The measure implemented the Council Framework Decision 2003/568/JHA on combating corruption in the private sector and also concerns those persons who perform managerial duties at the entities. Furthermore, the scope of punishable conduct was also extended, providing for the punishment of giving and solicitation of payment of money or any other benefit, as well as of incitement to corruption, and sanctions were tightened on the entity if the briber is a person who has acted in the name and in the interests of the entity itself.
- On 4 November 2017 Law 161 of 17 October 2017 ("Amendments to the code of anti-mafia laws and prevention measures, referred to in Legislative Decree 159 of 6 September 2011, as well as to the criminal code and to implementing, coordination and transitional provisions of the code of criminal procedure and other provisions. Delegation of powers to the Government for the protection of work in companies involved in seizures and confiscations") was published in the Official Gazette, which came into force from 19 November 2017. Article 30, paragraph 4, of the Law provides for pecuniary and disqualification penalties in relation to the commission of offences of assisting illegal entry and facilitating illegal immigration, referred to in Article 12 of Legislative Decree 286/1998 (Consolidation Act on Immigration). Specifically, under Article 25-*duodecies* of Legislative Decree 231/2001 (which only contemplated the offence of employment of illegally-staying third country nationals, pursuant to Article 22 of Legislative Decree 286/98, Consolidation Act on Immigration), the following paragraphs are added after paragraph 1:
  - 1-bis. In relation to the commission of offences referred to in Article 12, paragraphs 3, 3-*bis* and 3-*ter*, of the consolidation act under Legislative Decree 286 of 25 July 1998, as amended, the entity is punishable with a pecuniary penalty of between four hundred and one thousand quotas;
  - 1-*ter*. In relation to the commission of offences referred to in Article 12, paragraphs 5, of the consolidation act under Legislative Decree 286 of 25 July 1998, as amended, the entity is punishable with a pecuniary penalty of between one and two hundred quotas;
  - 1-*quater*. In the case of conviction for the offences referred to in paragraphs 1-*bis* and 1-*ter* of this article, the disqualification penalties shall apply, which are laid down in Article 9, paragraph 2, for a period of not less than one year, i.e. for the offences relating to the conduct of the persons who manage, organize, finance and carry out the transport of foreigners to Italy or facilitate their stay in order to make unfair profits from their illegal conditions.
- On 27 November 2017 Law 167 of 20 November 2017 ("Provisions governing Italy's obligations to the European Union – European law 2017") was published in the Official Gazette, which came into force from 12 December 2017. The Law introduces new offences under Legislative Decree 231/2001. Specifically, under Chapter II ("Provisions governing justice and safety"), Article 5 ("Provisions governing the full implementation of the Council Framework Decision 2008/913/JHA on combating certain forms and expressions of racism and xenophobia by means of criminal law - EU Pilot case

8184/15/JUST"), paragraph 2, provides for the insertion of Article 25-*terdecies* – (Racism and xenofobia) after Article 25-*duodecies*.

- On 14 December 2017 Law 179 of 30 November 2017 ("Provisions for the protection of whistleblowers reporting offences or irregularities which they become aware of within a public or private employment relationship", Whistleblowing) was published in the Official Gazette, which came into force from 29 December 2017.

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. 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 13 February 2018 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 2018.

The "ODV", which had been appointed on 13 October 2017, is composed of:

- two external professionals, in the persons of Marco Strafurini and Mario Ortello;
- an internal member, in the person of Pietro Testoni, who has also taken on the position of Chairman.

In 2017 the "ODV" formally met seven times (1 February, 20 February, 19 April, 9 June, 26 July, 18 October, 13 December). As regards audit activities, at the meeting held on 19 April 2017 the ODV approved the proposed audit plan for 2017, 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 Board of Directors.

7. ANTITRUST CODE OF CONDUCT

On 23 February 2017 the Board of Directors of the Parent Company MFM S.p.A. resolved to adopt the "Antitrust Compliance Programme and Antitrust Code of Conduct", aimed at all of its management, staff and auxiliary members, in order to clarify the principles and rules applied to protect competition and provide guidance on the conduct to adopt in situtations that might give rise to potential antitrust violations. The Board of Directors also appointed the Manager responsible for the implementation of the Programme ("Antitrust Compliance Officer").

The Antitrust Compliance Programme provides for training and information sessions reserved for employees and aimed at enhancing the knowledge, dissemination and effectiveness of the Code of Conduct. During 2017 2 classroom training sessions were organised (on 24 March 2017 and 13 November 2017), which were attended by executives and first-line managers of the Procurement, Sales and Marketing, Design and Continuous Improvement, Tenders and Contracting functions. Finally, the Antitrust Code of Conduct was updated in September 2017 and the document has been pubslished on the institutional website of MFM S.p.A. (*http://www.manutencoopfm.it/governance_controllo-interno-compliance_codice-antitrust.asp*).

8. LEGAL PROCEEDINGS

Antitrust Authority's order for sanctions on the Consip Tender of 2012 and new proceedings on FM4 Tender

During 2017 administrative proceedings continued in relation to the fine levied by the Competition Authority ("AGCM") on 20 January 2016, due to the breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012.

Parent Company MFM S.p.A., which has continued to reject the arguments on which the charge was based, has challenged, before the Council of State, the judgment handed down by the Lazio Regional Administrative Court (*Tribunale Amministrativo Regionale*, TAR) on 14 October 2016, which had only partially granted the appeal submitted by MFM S.p.A. and referred 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%). However, the Council of State made its decision on 28 February 2017, thus confirming the ruling handed down by the Lazio Regional Administrative Court. MFM S.p.A. also challenged the Council of State's judgment by filing an appeal before the Supreme Court on 21 May 2017.

Furthermore, on 23 December 2016 the Authority executed the Lazio Regional Administrative Court's ruling and adopted a new order, recalculating the fine at € 14,700 thousand. This order was also challenged before the Lazio Regional Administrative Court and the Company is waiting for the hearing to be set. On the other hand, on 24 March 2017, the Lazio Regional Administrative Court decided against the application to stay the related payment lodged by MFM S.p.A. and therefore, the entire amount of the fine was reclassified in the item "Other operating liabilities", given the obligation to make the payment. Finally, the Competition Authority intervened with the measure of 28 April 2017 with regard to the request for payment by instalments submitted by the Company, allowing the latter to pay the fine in 30 monthly instalments at the legal interest rate (currently 0.1%). The Company is paying the monthly instalments on a regular basis.

On 24 April 2017, Law Decree 50 was published on the Official Gazette: Article 64 (Services in school) of this law decree envisages the continuation of the acquisition of cleaning services and other auxiliary services until 31 August 2017 for the regions in which the Consip framework agreements *"for the acquisition of cleaning and other auxiliary services, as well as of interventions in order to keep school buildings and Public Administration training establishments clean and in working order"* have been terminated. In the subsequent Decree Law 91 of 20 June 2017, converted with amendments by Law of 3 August 2017, published in the Official Gazette on 12 August 2017, these services were further extended until 31 December 2017; finally, Article 1, paragraph 687, of Law 205 of 27 December 2017 ("2018 Budget Law") provided for these agreements to continue until 30 June 2019, in order to allow the regular performance of educational activities for the 2018-2019 school year.

On 16 June 2017, Consip officially informed MFM S.p.A. of its own decision concerning the exclusion of the Company from the tenders for new agreements relating to cleaning services of barracks ("Consip Caserme") and to cleaning services with health service providers ("Consip Sanità"), with the intention also to confiscate, in this last case, the surety given by the Company during the tender for the amount of

approximately € 10.4 million (known as "bid bond"). However, on 13 July 2017 and on 14 September 2017 respectively, the Lazio Regional Administrative Court ordered the suspension of the measures of exclusion, deferring the decision on the merits of the appeal to the hearing scheduled for 25 October 2017, which was rescheduled for 21 February 2018. In this venue the Company had its appeal rejected and appointed its legal counsels to file an appeal with the Council of State, while submitting a request for precautionary measure from a single-member court and for suspension of the enforcement of the challenged order. The appeal was served on 10 March 2018.

In relation to the abovementioned exclusions, ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) decided to open two proceedings concerning its entry in the electronic criminal records of ANAC, as "Useful information". These proceedings were also suspended by ANAC until the outcome on the merits mentioned above. ANAC also started proceedings for the application of disqualification measures, which have also been suspended.

The aforesaid decisions do not imply in any case any impediment for MFM S.p.A. to the participation and awarding of new calls for tenders by Consip and, more in general, by the Public Administration, and any other awarding procedure in progress remains absolutely valid. Again on 16 June 2017, MFM S.p.A. received official communication from Consip to sign the agreements for the two batches of the "Consip Mies 2" tender relating to the award of an "integrated technology multi-service with energy supply for buildings used by Public Health Administrations": these agreements were formally signed on 20 September 2017 and the procedure to sign the individual supply orders was subsequently started. These contracts have a term of 5 or 7 years, at the discretion of each administration, starting from the activation of each supply (expected in the 2018 financial year), with a total limit for MFM S.p.A. of more than € 250 million. Both the Consip Sanità and Consip Caserme tenders, and the Consip Mies 2 agreement, did not generate consolidated Revenues during the 2017 financial year and have not been included in the Group's backlog at 31 December 2017.

Finally, 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 and has allowed the Companies to access the papers of the proceedings. The Company firmly rejects the arguments holding an alleged collusive agreement with the other companies involved in the proceedings. By an order of 22 November 2017 the Competition Authority also extended, both objectively and subjectively, the proceedings that had already been started; to date these proceedings also concern the SIE3 and MIES2 tenders and involve the industrial holding companies which control the entities initially involved (even if they have not been extended to the parent company Manutencoop Società Cooperativa).

Detailed information on the pending administrative proceedings and the further evaluations made by the Directors as at the reporting date of the Consolidated Financial Statements at 31 December 2017 is contained in the explanatory notes (note 13), to which reference should be made.

Naples Public Prosecutor's Office investigation into the tender for awarding cleaning services at A.O.R.N. Santobono Pausilipon

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

The Judge for Preliminary Investigations of the Court of Naples initially took a precautionary measure (obligation to stay pursuant to Article 283 of the Italian Code of Criminal Procedure) against the Company's executive who was the only one to be investigated and who was a Company's function manager at the time of the facts being contested; instead, he ordered the revocation of the precautionary measure at the end of the custodial interrogation. Finally, on 27 April 2017, the summons for the hearing was formally served on MFM S.p.A. for discussing the request for applying the precautionary disqualification measure to the Company formulated by the Public Prosecutor pursuant to Legislative Decree 231/2001; however, the Judge for Preliminary Investigations of the Court of Naples rejected this request for disqualification measure, since he did not believe that the requirements had been met for the application of this measure. With regard to the only two employees who at the time of the facts were executives, on 2 August 2017, the Judge for Preliminary Investigations of the Court of Naples, at the request of the Public Prosecutor, also ordered the dismissal of the related proceedings.

Finally, on 28 December 2017, the Judge for Preliminary Investigations ordered the commitment for trial for the Company and two employees. MFM S.p.A. confirms that it is completely extraneous to the alleged offences with which it is charged, while specifying that the two employees committed for trial at the time of the facts did not hold any executive office and that one of them left the Manutencoop Group well before the execution of the alleged unlawful agreement objected against. The first hearing for the trial was set for 1 March 2018 and was postponed due to a defect in the service of process to 3 May 2018.

ANAC's order relating to the tender for awarding cleaning services at A.O.R.N. Santobono Pausilipon

On 10 November 2017 ANAC, after the completion of proceedings initiated in November 2016 following a report made by A.O.R.N. Santobono Pausilipon in Naples, imposed a sanction on MFM S.p.A., raising objections concerning the failure to provide a declaration relating to the absence of criminal proceedings against one of the Company's proxy holder in the documentation submitted for the same tender being involved in the investigation conducted on the part of the Naples Public Prosecutor's Office in 2013, as described above. On the other hand, this proxy holder meet the legal requirements in full. The ANAC order provided for the Company to be excluded from all public tenders for a period of 6 months. The Company, which considers that the order is unfounded and based on erroneous legal grounds, in addition to being

disproportionate with respect to the alleged infringement, filed an appeal with the Lazio Regional Administrative Court, while asking the President of the competent division to order the immediate suspension of the ANAC measure before any discussion on the merits of the case ("request for precautionary measure from a single-member court"). On 15 November this request was granted and all the effects of the ANAC order were suspended until the issue of the subsequent ruling handed down by the Lazio Regional Administrative Court. On 21 December 2017 the Lazio Regional Administrative Court granted the appeal, as regards the merits, submitted by the Company and annulled the sanctioning order. Subsequently ANAC challenged the administrative court's ruling before the Council of State, while submitting a request for precautionary measures for the suspension of the effects of the trial judgment. At the hearing held to discuss this request on 8 March 2018 the Council of State rejected this request, ordering ANAC to pay expenses, waiting for the hearing on the merits to be set.

9. HUMAN RESOURCES AND ORGANISATION

As at the closing date of the 2017 financial year, the MFM Group employed 16,319 people (at 31 December 2016: 16,197 people), including personnel on lease from the Parent Company Manutencoop Società Cooperativa to Group companies, equal to 433 people (31 December 2016: 442 people).
Below is the Group's staff broken down by different employee categories:

	31 December 2017	31 December 2016
Executives	51	60
Office workers	1,210	1,255
Manual workers	15,058	14,882
EMPLOYEES	**16,197**	**16,197**

Prevention and protection

During 2017 the system of delegated powers concerning safety at work was updated consistently with the most recent organizational structure. More specifically, delegated powers concerning 1st-level safety were granted and formalised by the CEO to the Managers responsible for the competent Areas and Functions.
During 2016 the "Risk Assessment Document" was revised (rev. no. 6 of 14 December 2016), while during 2017 external advice was requested for the purposes of updating the document.
Specifically, the following activities had been completed on the reporting date:

- Update of Work-related Stress Assessment
- Update of Chemical Risk assessment (hygiene)
- Update of Vibration Risk assessment
- Update of Manual Load Handling-towing and pushing Risk scenarios

The following activities are still in progress:

- Update of Chemical Risk assessment (integrated services)
- Update of porterage service assessment

- Update of recurring maintenance movement assessment
- Update of the Health Protocol.

Furthermore, updating work continued for the performance of activities in "Confined Spaces" and activities are in progress to update the corporate procedure. The purpose is to facilitate the recognition and analysis of confined places. During periodic annual meetings (Article 35 of Legislative Decree 81/2008) these issues were discussed and shared with Occupational Physicians and Workers' Safety Representatives. The new revision of the document is expected to be published by the middle of the year.

In continuing the work for the certification of the "safety management system OHSAS 18001", which was started by RINA in 2012, some sample orders were assessed by the certifying body in 2017. The findings of the audits carried out reported some instances of non-compliance with respect to which the Area Managers concerned and the various Corporate staff Functions (Prevention and Protection Service, Procurement Department, HR Department) have taken any related action. These instances are mainly formal and not material. However, the audit carried out by RINA has been concluded positively as a whole and has allowed the certification to be maintained.

Furthermore, the Company underwent a periodic audit on the part of the certifying body KHC for the approval of the Safety Management Systems limited to cleaning services in the healthcare sector.

In 2017 the Prevention and Protection Service conducted 56 audits, distributed throughout all the areas. These audits were carried out to verify compliance with the regulations governing occupational safety and, in the event of any non-conformities, generated an improvement plan, shared with Area Operations Managers. In any case it has been seen that Safety is managed satisfactorily overall.

Healthcare supervision, performed by 33 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 per the 2017 schedule, healthcare supervision was carried out on the staff members employed based on their duties in compliance with the health protocol attached to the Company's Risk Assessment Document. About 6,000 medical examinations were conducted, including periodic, long-term work absence, pre-employment and on-demand checks. The most significant healthcare supervision case that requires to be investigated relates to the Operations function's need to manage operating staff in a more flexible manner. This entailed an in-depth analysis and consultation with occupational physicians in order to improve the procedure to assess the suitability of workers who operate in more than one working environment (for example, civil and healthcare sector). When cross-checking data coming from various attendance recording systems at work sites, it has been possible to identify the staff members who were exposed to risks such as to entail compulsory healthcare supervision as a result of moving from one site to another location. Therefore, these employees will be included in the schedule of periodic medical examinations during 2018.

The increasing trend in average age compared to the set of rules and restrictions issued by occupational physicians bring out the need for an investigation into the impact of restrictions on activities concerning:

- hygiene sector: manual load handling – overload of upper limbs:
- integrated services sector: working at height; load handling; exposure to unfavourable microclimatic conditions.

The situation referred to above also entails the risk of occupational diseases, which might generally be reported by workers to INAIL (National Institute for Insurance against Accidents at Work) through their trade unions.

Furthermore, reporting building activities were started and completed during the year in support of the Operations function in order to stay informed of the trend in the Company's rate of accidents on a periodical basis.

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 (data updated at 28 February 2018, net of events not recognized by INAL to date):

	2017	2016	2015	2014
Impact (no. of accidents x 1,000/average number. of workers)	70.63	62.60	66.02	70.54
Frequency (no. of accidents x 1,000,000/total worked hours)	59.56	52.64	55.33	58.83
Severity (days of accident +relapses x 1,000/ total worked hours)	1.48	1.61	1.51	1.59

There were no fatal accidents at work during 2017.

There are currently 32 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.

26 Health and Safety at Work inspections were also conducted at MFM S.p.A. during the year by control bodies (Local Health Authorities (ASL) and Provincial Labour Head Offices) on various operating units throughout the country. Finally, no environmental risk inspections were conducted by control bodies during 2017.

During the year the Prevention and Protection Service's work was oriented to define a logistics and procedural planning programme aimed at meeting regulatory requirements based on the environment of each site. For this purpose, it has developed an analysis that considers the present distribution of temporary deposits throughout the territory compared to the distribution of relevant sites to meet intervention requirements. In order to resolve some management issues, we have submitted a proposal for ruling to Legacoop concerning the possibility of also applying Article 266, paragraph 4, of the Consolidation Act to cleaning activities, so as to have waste management centralised at temporary deposits, in the same way as happens for maintenance operations. To date we are not yet informed of whether Legacoop has taken any action for this purpose. In the meantime MFM S.p.A. has given priority, where possible, to solutions aimed at reducing and eliminating package through the use of soluble single-dose packs at smaller and more dispersed sites.

In order to better regulate waste management, legal advice was requested which was aimed at supporting the updating of the MFM.PA.04.07 WASTE MANAGEMENT procedure. The activities are now in progress. The general procedure will include specific Operating Instructions on waste classification, temporary deposit, tracking (SISTRI system, loading and unloading records) and transport on own account.

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
- Category 2bis (transport on own account) since 2017

In 2017 we took steps to register the Company's transport on own account under Category 2bis in the Emilia area for road maintenance operations. The registration involves only one vehicle but other areas are interested in adding other vehicles for some local areas that are difficult to manage.

Training

In the course of the 2017 financial year 527 training sessions were held, which involved 6,750 participants for a total of 50,819 training hours.

The table below shows the comprehensive results, divided into subjects and compared to the 2016 data:

	2017			2016		
Subject	**Editions**	**Participants**	**Hours**	**Editions**	**Participants**	**Hours**
Safety	354	4,454	30,628	405	4,073	29,671
Technical-professional	100	931	9,247	269	1,865	20,936
IT	8	41	236	14	72	1,144
Quality and Environment	39	605	465	24	164	423
Management	71	719	10,244	54	34	2,158
TOTAL	**572**	**6,750**	**50,819**	**766**	**6,208**	**54,332**

During 2017 we reclassified training areas, as per the strategic plan, separating Language Training from the Technical and Professional Area and including the Quality and Environment training area in the Safety area. Below is the summary of overall 2017 data reclassified based on the new organisation by Subject:

	2017		
Subject	**Editions**	**Participants**	**Hours**
IT	8	41	236
Management	71	719	10,244
Safety, Quality and Environment	393	5,059	31,093
Technical-professional	88	873	8,613

	2017		
Subject	**Editions**	**Participants**	**Hours**
English language	12	58	634
TOTAL	**572**	**6,750**	**50,819**

As regards Safety training, the Group continued to arrange special obligatory courses for each organisational duty, while, as regards the Technical and Professional Area, data were in line with those posted in the 2015 financial year (10,864 hours) but were significantly different compared to 2016, when the strategic plan had strengthened the Area based on training requirements. After internal reorganisation the Group continued to develop training sessions on learning about and enhancement of Accounting tools, reserved for employees who are responsible for customer relationships at a local level.

As regards the Operations Department training sessions were held for the staff members providing both hygiene services (such as operating methods and disinfection in public places) and 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 Engineers and Architects, which were necessary in order for them to retain their registration, concerning the issues of the new Thermal Account 2.0, the Code of Public Contracts and Energy Efficiency.

In 2017 the Group's work focused on professional development, starting a Talent Management project, which involved about one sixth of the company population, with the aim to outline paths to growth and enhancement of Management skills and Potential Talent. Furthermore, a number of courses were organised, which were reserved for operators at a local level in order to develop and improve customer relations and managerial courses aimed at developing Self-Awareness and Emotional Intelligence.

Finally, the Company went on with its project involving some employees attending the Executive MBA at the Alma Mater Studiorum Bologna Business School every year and training sessions were held on the issues of Negotiation and Conflict.

In 2017 great efforts were made to finance 87% of training costs by using the Formatemp and Foncoop Funds.

10. ENVIROMENT AND QUALITY

During 2017 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 EN 14065:2004 (assessed according to the RABC guidelines issued by ASSOSISTEMA Rev. 1, as approved on 30 June 2010).

In 2017 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 IQC standard for the voluntary accreditation of suppliers of hospital cleaning and sanitation services.
As required by Article 30 of Legislative Decree 81/08, as amended, 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", extending the scope to the "Delivery of auxiliary services in the public healthcare sector".
Furthermore, the Company obtained the renewal of its certification according to standard UNI CEI 11352:2014 (delivery of energy services).

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

e-Digital Services	Work focused on maintaining the Quality Management System certification (UNI EN ISO 9001:2015) for "Planning and creation of process & technology outsourcing services for public and private clients. Delivery of call center services". Furthermore the Company obtained the certification according to standard UNI EN 15838:2010 (Contact Centers) for "Design and delivery of customised contact center services".
Yougenio S.r.l.	Work focused on the certification according to UNI EN ISO 9001:2015 standard (Quality Management System) for "Planning and delivery of facility management services (maintenance, cleaning, rearrangement of rooms and gardening)". During the year the Company obtained the qualifying company certification pursuant to Regulation (EC) no. 842/2006, Presidential Decree 43/2012 and ACCREDIA Technical Regulation 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.	The certification was renewed according to standards UNI EN ISO 9001:2015 (Quality Management System), UNI EN ISO 13485:2004 (Quality Management Systems. Requirements for regulatory purposes"), UNI EN 14065:2016 (Laundry processed textiles. Bio-contamination control system), UNI EN ISO 20471:2013 (High-visibility clothing – testing methods and requirements), BS OHSAS 18001:2007 (Occupational Health and Safety Management System), 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. Furthermore, the SA8000:2014 certification and finally the UNI CEI EN ISO 50001:2011 certification (Energy management systems – Requirements and guidelines for use ") were also obtained.

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 ACCREDIA Technical Regulation RT-05 for: Design, installation and maintenance of firefighting equipment, fire barriers and anti-intrusion systems, anti-shoplifting devices, CCTV circuits and access control systems; Sale of products and services for safety at work; Provision of environmental, safety and business organisation consulting and training services; Design, construction and marketing of accident prevention equipment and safety systems for industrial machinery; Provision of labour medicine and preventive medicine services. 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 fluorinated greenhouse 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.
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 2017.

11. 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 2017 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 2017, to which reference should be made.

12. CORPORATE GOVERNANCE

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, which replaced the "dual" system pursuant to articles 2409-*octies* and ff. of the Italian Civil Code, previously adopted.

The "ordinary" model provides for a Board of Directors, which is responsible for management and the supervision of strategy, and a Board of Statutory Auditors with control functions. The 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.

13. RESEARCH AND DEVELOPMENT

During 2017 the Parent Company MFM S.p.A. and subsidiaries H2H Facility Solutions S.p.A., e-Digital Service S.r.l. and Yougenio S.r.l. started a number of R&D projects in order to improve their business and delivery of services. The projects were developed and coordinated by internal resources based on their specific skills and duties, with the involvement of specific consultants for the various areas of business and were all completed in 2017.

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

Total R&D costs incurred by the Group Companies in 2017 totalled € 2,157 thousand, an amount of € 1,144 thousand of which was stated as increases in the fixed assets for the year.

The proceeds relating to this tax credit were accounted for in the consolidated Statement of profit or loss as operating grants, as a decrease in related costs, for a total of € 506 thousand. The subsidiary Yougenio S.r.l. also incurred R&D costs recognised under intangible assets for which a capital grant was granted, which was taken as a direct reduction in the historical cost of the assets, for € 572 thousand.

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

The company does not hold own shares, or shares or interests in parent companies, neither through trusts nor intermediaries.
In 2017 the company did not purchase or dispose of own shares, or shares or interests in parent companies, neither through trusts nor intermediaries.

15. 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..

16. SECONDARY OFFICES

The MFM Group has no secondary offices.

17. 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:

- CMF S.p.A. (sole shareholder of MFM S.p.A.)
- Manutencoop Immobiliare S.p.A.
- Segesta Servizi per l'ambiente S.r.l.
- Nugareto S.r.l.
- M.P.H. S.p.A.

18. SUBSEQUENT EVENTS

Approval of the plan for the merger of CMF S.p.A. by incorporation into MFM S.p.A.

On 19 March 2018 the Board of Directors of the Parent Company Manutencoop Facility Management S.p.A. presented the plan for the merger of the controlling company CMF S.p.A. by incorporation into its subsidiary MFM S.p.A.. The Merger will be then completed pursuant to Article 2501-*bis* of the Italian Civil Code, since CMF S.p.A. has raised a debt to acquire the total control over MFM S.p.A. and the equity of MFM S.p.A., being acquired, constitutes a general guarantee and the source of repayment of this debt.
The merger plan provides for statutory, accounting and tax effects of the merger running from 1 July 2018.

Acquisition and disposal of shareholdings

On 28 February 2018 the subsidiary Manutencoop International FM S.r.l. acquired a stake of 1% of the share capital of EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S., based in Ankara (Turkey) at a price equal to € 2 million. Following the acquisition, pursuant to IFRS 10, the Group acquired control over the Turkish company, whose share capital was already held by Servizi Ospedalieri S.p.A. at a percentage of 50%. Therefore, the Group's stake held in EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S. is now equal to 51%.

On 15 January 2018 the subsidiary Manutencoop International FM S.r.l. transferred a stake of 30% of the capital of Manutencoop France S.a.r.l. at a price of € 30 thousand to TMS Servizi Integrati S.r.l.. Following this transfer, the Group's percentage of ownership of Manutencoop France S.a.r.l. amounted to 70%.

19. OUTLOOK

The second half of the 2017 financial year was marked by an opposite trend with respect to the trend of reduction in revenues that characterised the most recent years.
During the 2018 financial year further signs of recovery are expected in facility management volumes, supported by revenues arising from the signature of the Consip MIES2 agreement, which was in progress on the reporting date of the Financial Statements and which should show an impact on revenues as early as from the first half of 2018.
In 2018 profit margins are expected to remain substantially stable, mainly supported by further actions aimed at improving efficiency of variable costs and optimizing fixed costs, continuing the path that the Company successfully embarked on during the most recent years.

Furthermore, the Group is continuing its path to internationalisation through the penetration of foreign markets and the assessment of M&A opportunities, which should show their impact on consolidated revenues in 2018. During the first weeks of 2018 the acquisition of control over the Turkish investee EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S., a company that was established by Servizi Ospedalieri S.p.A. in joint venture with local partners in 2012, was the positive evolution of an interesting business development experience in the market of medical device sterilisation, which had already seen, in past years, the export of the Group's know-how and professional skills and expertise to a country where great development opportunities are offered in the healthcare sector. In Turkey preliminary agreements were also signed with local partners in the facility management sector for the development of new business opportunities. Furthermore, positive developments are also taking place in France, where the Group was recently awarded a 3-year contract for cleaning services on behalf of SNCF (the leading national operator for the management of railway transport services) in the Montrouge district (Paris), the provision of which should generate total revenues of about € 20 million over 5 years and is expected to be started by the first half of 2018.

From a financial point of view, the Group completed, during the second half of 2017, an important reorganisation plan aimed at the exit of minority shareholders which have held a stake in the share capital of MFM S.p.A. since 2008. The new corporate structure, based on which Manutencoop Società Cooperativa now holds 100% of the shares of MFM S.p.A. through the newly-established vehicle CMF S.p.A., has been supported by an important refinancing that has provided the financial resources required to complete the transaction.
The exit of minority shareholders also involved the replacement of the Group's management staff members, with the appointment of a new Board of Directors and a new Chief Executive Officer (in the person of Giuliano di Bernardo, formerly Chairman), in addition to the appointment of a General Manager (in the person of Andrea Gozzi, formerly COO), on the part of the sole shareholder.
In early 2018, the process was also started for the reverse merger by incorporation of CMF S.p.A. (the vehicle that launched the new Senior Secured Notes bond issue) into MFM S.p.A., with statutory, accounting and tax effects running from 1 July 2018. The planned merger complies with some provisions

laid down in the Indenture that was signed with the subscribers at the time of the bond issue and allows, among others, the placement of the medium/long-term debt raised by CMF S.p.A. for the acquisition of MFM S.p.A. at the same level of the operating company generating cash flows expected to serve the redemption, optimizing the consolidated financial structure.
The process for the corporate reorganisation of the Group controlled by Manutencoop Società Cooperativa will allow the internal resources to refocus their work on the business, with the key aim to resume, as soon as possible, the path to increasing revenues and profit margins and to deleverage.

20. ALLOCATION OF THE RESULT FOR THE YEAR

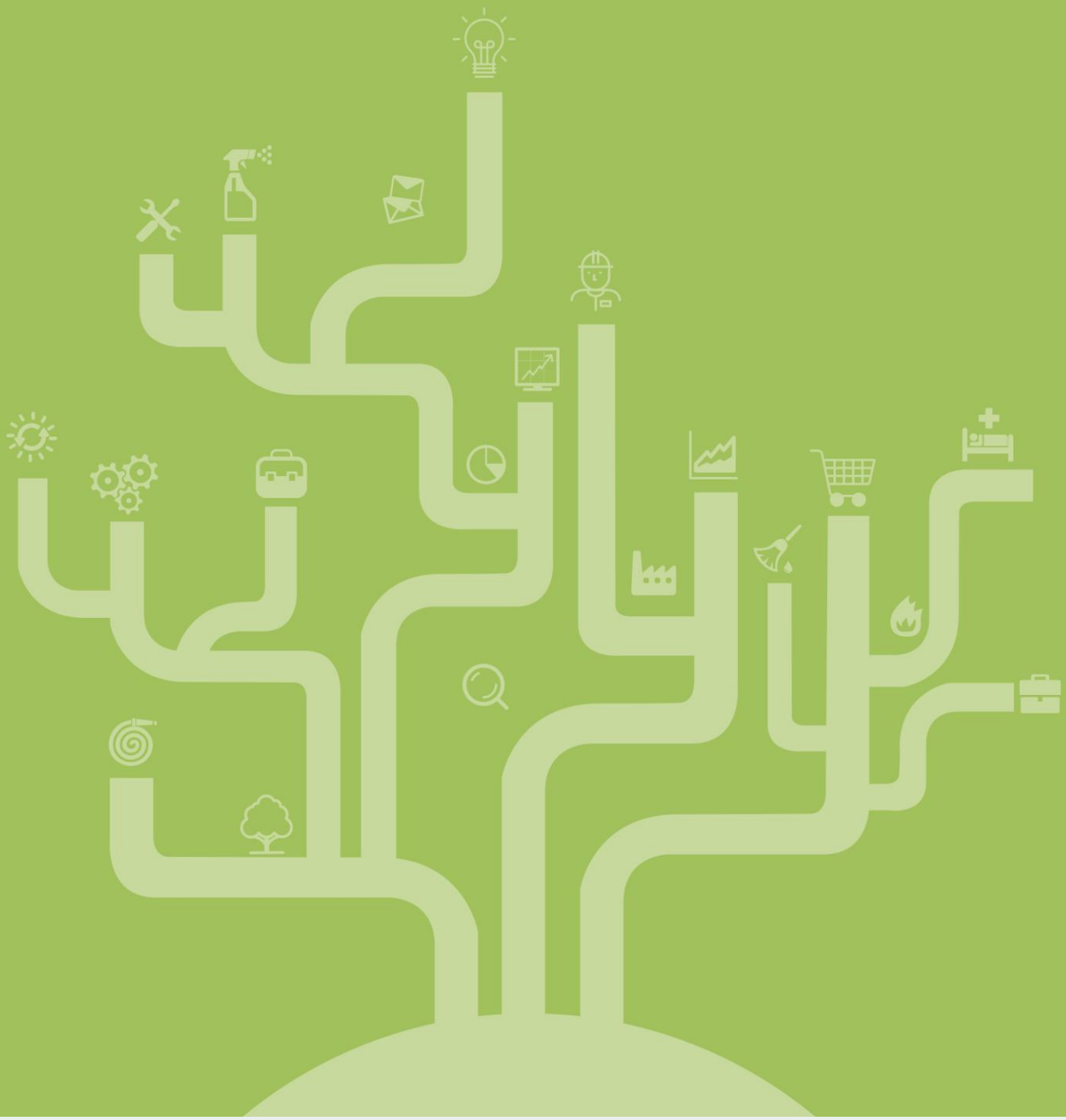
In concluding the report on 2017 the Directors invite you to approve the Financial Statements of Manutencoop Facility Management S.p.A. for the year ended 31 December 2017 and to allocate the profit for the year of € 8,408,370.60 as follows:

- € 420,418.53 to Legal Reserve
- € 7,987,952.07 to Extraordinary Reserve.

Zola Predosa, 19 March 2018

The Chairman of the Board of Directors and CEO

Giuliano Di Bernardo

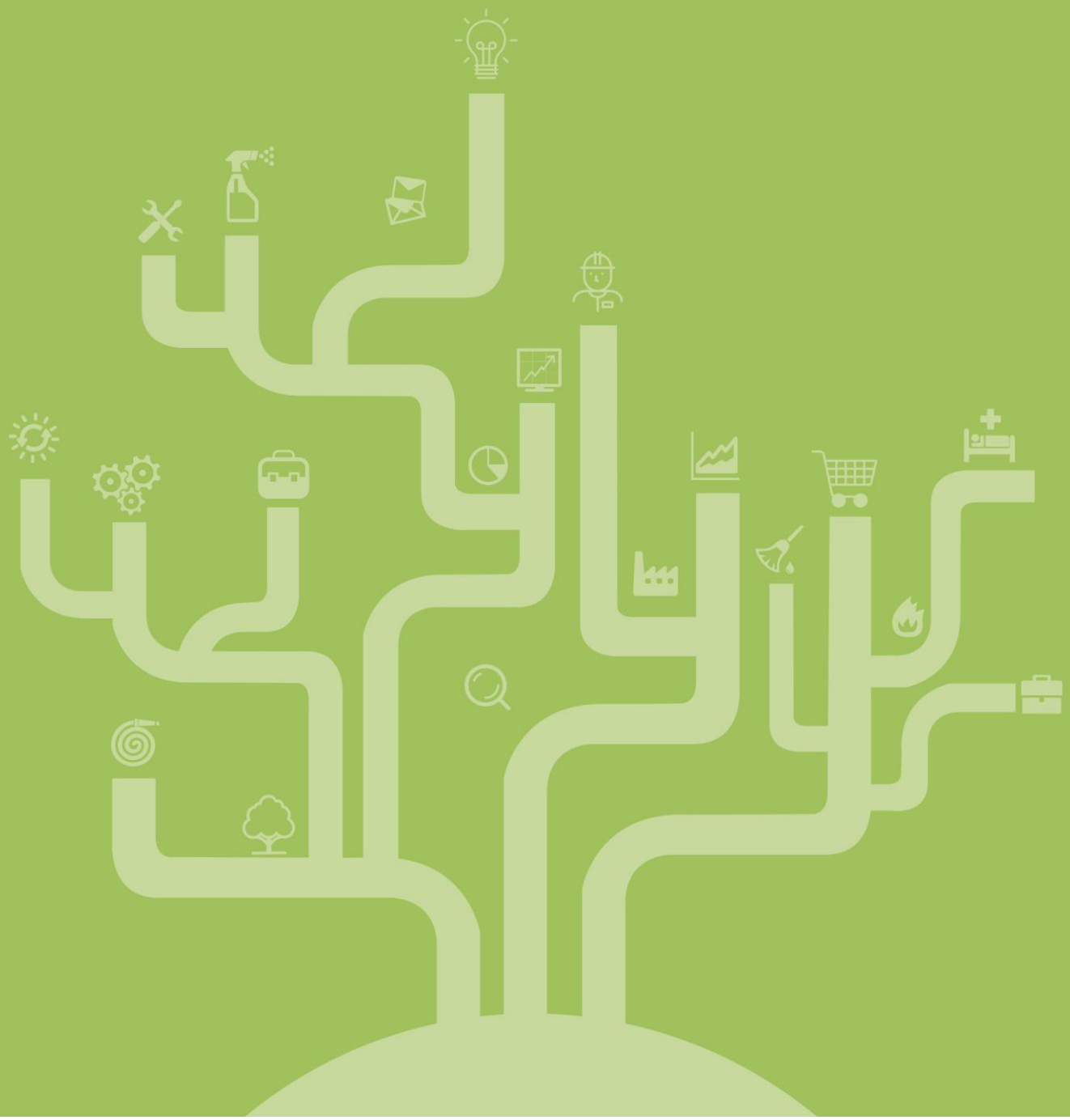


CONSOLIDATED FINANCIAL STATEMENTS

2017

AT 31 DECEMBER 2017

MANUTENCOOP



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	NOTE	31 December 2017	31 December 2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipments	3	65,564	64,483
Property, plant and equipments under lease	3	5,779	1,627
Goodwill	4-5	370,363	370,456
Other intangible assets	4	25,169	26,114
Investments accounted for under the equity method	6	27,294	30,534
Other investments	7	4,757	3,850
Non-current financial assets	7	11,369	11,769
Other non-current assets	7	2,998	2,323
Deferred tax assets	33	16,383	20,971
TOTAL NON-CURRENT ASSETS		**529,676**	**532,127**
CURRENT ASSETS			
Inventories	8	6,057	4,382
Trade receivables and advances to suppliers	9	429,165	456,095
Current tax receivables	28	8,745	3,500
Other current assets	9	30,842	25,932
Current financial assets	10	1,870	2,387
Cash and cash equivalents	10	59,870	174,992
TOTAL CURRENT ASSETS		**536,549**	**667,288**
Assets held for sale		0	0
TOTAL NON-CURRENT ASSETS HELD FOR SALE		**0**	**0**
TOTAL ASSETS		**1,066,225**	**1,199,415**

(in thousands of Euro)	NOTE	31 December 2017	31 December 2016
SHAREHOLDERS'EQUITY			
Share capital		109,150	109,150
Reserves		144,854	187,856
Retained earnings		43,755	(7,518)
Profit/(loss) for the year attributable to equity holders of the Parent		642	33,649
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**298,401**	**323,137**
Capital and reserves attributable to non-controlling interests		308	351
Profit/(loss) for the year attributable to non-controlling interests		73	(116)
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**381**	**235**
TOTAL SHAREHOLDERS' EQUITY	**11**	**298,782**	**323,372**
NON-CURRENT LIABILITIES			
Employee termination indemnity	12	15,519	17,043
Provisions for risks and charges, non-current	13	27,624	44,522
Long-term financial debt	15	175,281	305,482
Deferred tax liabilities	33	12,294	11,812
Other non-current liabilities		86	50
TOTAL NON-CURRENT LIABILITIES		**230,804**	**378,909**
CURRENT LIABILITIES			
Provisions for risks and charges, current	13	6,711	10,715
Trade payables and advances from customers	16	393,022	346,308
Current tax payables	28	326	1,363
Other current liabilities	16	93,415	85,909
Bank borrowings, including current portion of long-term debt, and other financial liabilities	15	43,165	52,839
TOTAL CURRENT LIABILITIES		**536,639**	**497,134**
Liabilities directly associated with non-current assets held for sale	10	0	0
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES		**1,066,225**	**1,199,415**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(in thousands of Euro)	NOTE	For the year ended	
		31 December 2017	31 December 2016
REVENUE			
Revenue from sales and services	18	916,127	926,758
Other revenue	19	1,964	2,340
TOTAL REVENUE		**918,091**	**929,098**
OPERATING COSTS			
Costs of raw materials and consumables	20	(119,742)	(117,615)
Change in inventories of finished and semi-finished products		0	(55)
Costs for services and use of third-party assets	21	(328,258)	(331,365)
Personnel costs	22	(382,138)	(376,266)
Other operating costs	23	(281)	(7,900)
Lower costs for internal work capitalised		935	0
Amortization, depreciation, write-downs and write-backs of assets	24	(30,280)	(32,714)
Accrual (reversal) to provisions for risks and charges	13	(143)	10,107
TOTAL OPERATING COSTS		**(859,907)**	**(855,808)**
OPERATING INCOME		**58,184**	**73,290**
FINANCIAL INCOME AND EXPENSES			
Share of net profit of associates		(1,945)	1,688
Dividend and net income/(loss) from sale of investments	25	175	498
Financial income	26	3,762	1,964
Financial expenses	27	(43,125)	(30,183)
Gains / (losses) on exchange rate		(326)	(38)
PROFIT/(LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS		**16,725**	**47,219**
Income taxes	28	(16,010)	(14,738)
PROFIT/(LOSS) FROM CONTINUING OPERATIOS		**715**	**32,481**
Profit/(loss) after taxes from discontinued operations	29	0	1,052
NET PROFIT (LOSS) FOR THE YEAR		**715**	**33,533**
Net profit (loss) attributable to non- controlling interests		(73)	116
NET PROFIT (LOSS) FOR THE YEAR		**642**	**33,649**

	For the year ended	
	31 December 2017	31 December 2016
Basic earnings/(losses) per share	0.006	0.308
Diluted earnings/(losses) per share	0.006	0.308
Basic earnings/(losses) per share from continuing operations	0.006	0.299
Diluted earnings/(losses) per share from continuing operations	0.006	0.299

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of Euro)	NOTE	For the year ended	
		31 December 2017	31 December 2016
NET PROFIT /(LOSS) FOR THE YEAR		**715**	**33,533**
Other components of the comprehensive income, which will be subsequently reclassified under profit/(loss) for the year:			
Differences arising from translation of financial statements in foreign currency		(75)	(11)
Share of other comprehensive income for the year of entities accounted for using the equity method, which will be subsequently reclassified under profit/(loss) for the year	6	(220)	342
Other components of the comprehensive income for the year, which will be subsequently reclassified under profit/(loss) for the year		**(295)**	**331**
Other components of the comprehensive income, which will be subsequently reclassified under profit/ (loss) for the year:			
Actuarial gains /(losses on defined benefit plans		7	(398)
Income taxes		(9)	28
Net effect of actuarial gains /(losses)	**12**	**(2)**	**(370)**
Share of other comprehensive income for the year of entities accounted for using the equity method, which will not be subsequently reclassified under profit/(loss) for the year	6	10	(58)
Other components of the comprehensive income for the year, which will not be subsequently reclassified under profit/(loss) for the year		**8**	**(428)**
TOTAL PROFIT/(LOSS) IN THE STATEMENT OF COMPREHENSIVE INCOME, NET OF TAXES		**(287)**	**(97)**
TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAXES		**428**	**33,437**
Equity holders of the Parent		355	33,553
Non-controlling interests		73	(116)

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Euro)	NOTE	For the year ended	
		31 December 2017	31 December 2016
Net profit (loss) from continuing operations for the year		**715**	**32,481**
Income taxes for the year		16,010	14,738
Profit/(Loss) before taxes from continuing operations		**16,725**	**47,219**
Profit(loss) for the period from discontinued operations		0	*1,052*
Capital (profits)/losses from discontinued operations		0	*(1,409)*
Amortization, depreciation, write-downs and (write-backs) of assets		30,280	32,714
Accrual (reversal) of provisions for risks and charges		143	(10,107)
Employee termination indemnity provision		935	889
Payments of employee termination indemnity		(2,453)	(2,673)
Utilization of provisions for risks and charges		(6,252)	(7,503)
Share of net profit of associates, net of dividends collected		3,610	(1,688)
Financial charges (income) for the year		39,689	28,257
Operating cash flows before movements in Working Capital		**82,677**	**86,751**
Of which related to discontinued operations		*0*	*(1,409)*
Of which related to continuing operations		*82,677*	*88,160*
Decrease (increase) of inventories		(1,675)	381
Decrease (increase) of trade receivables		24,131	58,123
Decrease (increase) of other current assets		(5,902)	4,804
Increase (decrease) of trade payables		38,582	(33,828)
Increase (decrease) of other current liabilities		(7,212)	(8,621)
Change in Working Capital		**47,924**	**20,859**
Net interest received (paid) in the year		(43,495)	(26,471)
Income tax paid in the year		(17,231)	5,300
Net cash flow from operating activities		**69,876**	**86,439**
Purchase of intangible assets, net of sales	4	(6,501)	(6,857)
Purchase of property, plant and equipment	3	(25,048)	(23,677)
Proceeds from sales of property, plant and equipment	3	498	835
Acquisition of investments		(1,487)	(505)
Decrease (increase) of financial assets		(27)	(490)
Discontinuing activities	29	1,060	9,274
Net cash flow used in investing activities		**(31,504)**	**(21,420)**
Change in finance lease debt	15	2,708	(570)
Acquisition of non-current borrowings	15	195,300	0
(Repayment) of non-current borrowings	15	(324,310)	0
Proceeds from/(repayment of) short term bank debt	15	(5,857)	(22,207)
Proceeds from non-current borrowings	15	3,683	18,386
Dividends paid	11	(25,111)	(25)

(in thousands of Euro)	NOTE	For the year ended	
		31 December 2017	31 December 2016
Changes of minority interests in subsidiaries	11	93	(4)
Net cash flow from / (used in) financing activities		**(153,494)**	**(4,420)**
Changes in cash and cash equivalents		**(115,122)**	**60,599**
Cash and cash equivalents at the beginning of the year		174,992	114,393
Changes in cash and cash equivalents		(115,122)	60,599
Cash and cash equivalents at the end of the year		**59,870**	**174,992**
Details of cash and cash equivalents:			
Cash and bank current accounts		59,870	174,992
TOTAL CASH AND CASH EQUIVALENTS		**59,870**	**174,992**

SUPPLEMENTARY INFORMATION

(in thousands of Euro)	For the year ended	
	31 December 2017	31 December 2016
Interest paid	(47,254)	(28,712)
Interest received	3,759	2,241
Dividends paid	(25,111)	0
Dividends received	1,840	483

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Reserves	Retained earnings	Result for the year	Total Shareholders' equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total shareholders' equity
1 January 2017	**109,150**	**187,856**	**(7,518)**	**33,649**	**323,137**	**235**	**323,372**
Allocation of previous year result		(42,715)	51,273	(8,558)	**0**	0	**0**
Dividends distribution				(25,091)	**(25,091)**	(20)	**(25,111)**
Acquisition/sale of minority interests in subsidiaries					**0**	93	**93**
Total comprehensive income		(287)		642	**355**	73	**428**
31 December 2017	**109,150**	**144,854**	**43,755**	**642**	**298,401**	**381**	**298,782**

	Share capital	Reserves	Retained earnings	Result for the year	Total Shareholders' equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total shareholders' equity
1 January 2016	**109,150**	**188,349**	**37,498**	**(45,412)**	**289,585**	**380**	**289,965**
Allocation of previous year result		(396)	(45,016)	45,412	**0**	**0**	**0**
Dividends distribution					**0**	(25)	**(25)**
Acquisition/sale of minority interests in subsidiaries					**0**	(4)	**(4)**
Total comprehensive income for the year		(97)		33,649	**33,553**	(116)	**33,437**
31 December 2016	**109,150**	**187,856**	**(7,518)**	**33,649**	**323,137**	**235**	**323,372**

1. GENERAL INFORMATION

The publication of the consolidated Financial Statements of the Manutencoop Facility Management Group (the "MFM Group" or the "Group") for the year ended 31 December 2017 was authorized by resolution of the Board of Directors of 19 March 2018.
At 31 December 2017 the Group was wholly owned by the sole shareholder CMF S.p.A..
On 25 May 2017 CMF S.p.A. was established for the launch of a bond issue (Senior Secured Notes) with the purpose of repurchasing the Notes already issued by subsidiary Manutencoop Facility Management S.p.A. (hereinafter "MFM S.p.A.") during 2013 and repaying the other financial payables of the entire Group controlled by Manutencoop Società Cooperativa. The transaction, which was accompanied by a corporate reorganisation of the group, provided Manutencoop Società Cooperativa with the financial resources required to allow the exit of the Investors holding non-controlling interests in MFM S.p.A. in consideration of the Investment Agreements that were signed in previous years. In fact, on 13 October, CMF S.p.A. completed the purchase of the shares of the Investors, representing 33.2% of the share capital of MFM S.p.A., in accordance with the Call Option transferred to it by Manutencoop Società Cooperativa and recognised by the Shareholders' Agreement signed in July 2016. On the same date, there was also the transfer and sale of the additional shares of MFM S.p.A. owned by Manutencoop Società Cooperativa to CMF S.p.A., which thus became its sole shareholder.

1.1 The business

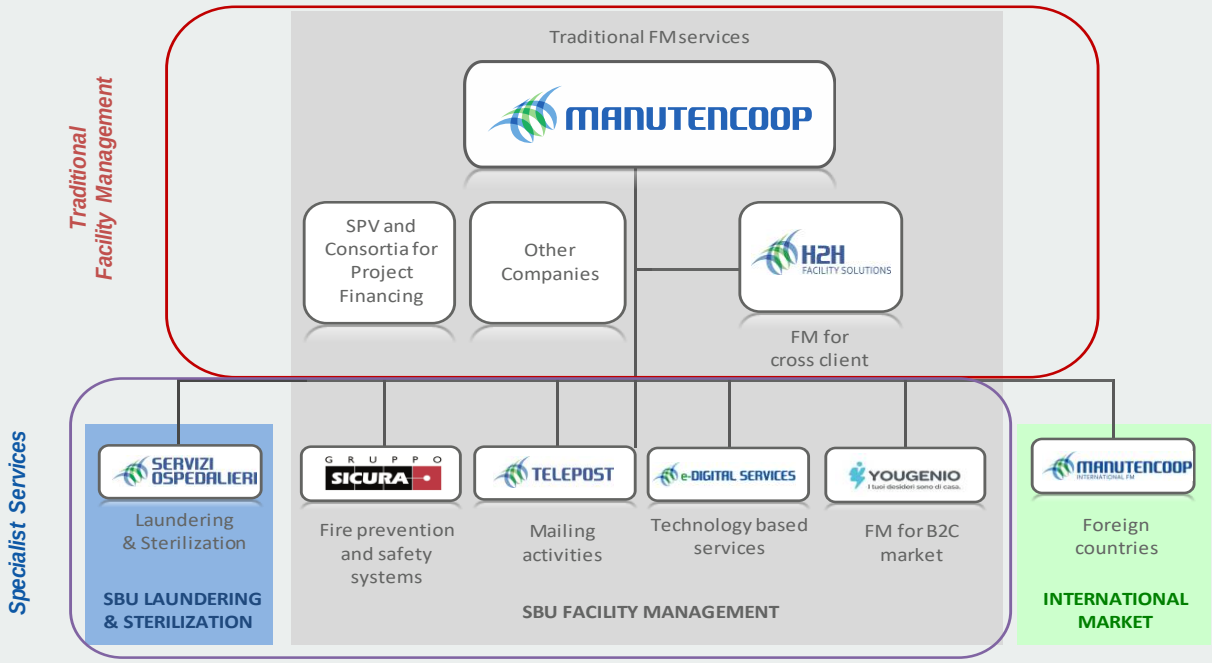
The Group is active in the management and provision of integrated services to public and private customers, targeted at properties, the area and to support so-called "Integrated Facility Management" health care activities.
In particular, the MFM Group provides a wide and coordinated range of integrated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

At present the MFM Group is structured into a single operating holding company which combines so-called "traditional" facility management production resources with those related to supporting the whole Group's business. As early as from the previous financial years a strategy has been pursued by the central holding functions to diversify: (i) operations, also through a series of acquisitions, with some "specialist" facility management services beside the historical core business (hygiene services, green spaces and technical and maintenance services): these services involve fire prevention and safety products and systems, in addition to linen rental and industrial laundering services and surgical instrument sterilization at healthcare facilities and high technology B2B services, (ii) markets, through the sub-holding

Manutencoop International FM S.r.l., which was established to start the commercial development in international markets at the end of 2015.

During 2016 diversification was further boosted in May by establishing Yougenio S.r.l., an innovative start-up active in the provision of services to private consumers through an e-commerce platform, in which MFM invests indirectly through its subsidiary e-Digital Services S.r.l., which is the ultimate parent company. This event led the Group to enter the B2C services market.

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



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

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

- Cleaning;
- Technical Services;
- Landscaping.

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

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

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

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

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

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

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

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

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

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

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

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

2. ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

The consolidated Financial Statements at 31 December 2017 comprise the Consolidated Statement of financial position, the Consolidated Statement of profit or loss, the Consolidated Statement of other comprehensive income, the Consolidated Statement of Cash flows, the Consolidated Statement of changes in Shareholders' Equity and the related Explanatory Notes.

The consolidated Financial Statements at 31 December 2017 were prepared on a historical cost basis, except for the derivative financial instruments that have been measured at fair value.

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

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

The Financial Statements at 31 December 2017 have been presented in Euro, which is the Group's functional currency. All values showed in the statements and in the explanatory notes are in thousands of Euro, unless otherwise stated.

2.1 Statement of compliance with international accounting standards (IFRS)

The Consolidated Financial Statements at 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). The MFM Group is subject to Letter f) of Article 2 under the Italian Legislative Decree no. 38 of 28 February 2005, which rules the exercise of the options provided for by the Article 5 of Regulation (EC) 1606/2002 about the International Financial Reporting Standards and, therefore, pursuant to Article 3, paragraph 2, and Article 4, paragraph 5, of the aforesaid Italian Legislative Decree, the Group has applied the IFRS as adopted by the European Union in the preparation of its consolidated and separate Financial Statements as from the year ended 31 December 2005.

2.2 Changes in accounting standards and disclosures

The criteria adopted for the preparation of the consolidated Financial Statements are consistent with those used to prepare the consolidated Financial Statements of the previous year, with the exception of the aspects detailed below for the standards and interpretations which are newly issued and applicable from 1 January 2017.
The Group did not provide for the early adoption of any standard, interpretation or improvement issued but still not obligatorily in force.

New or revised IFRS and interpretations applicable as from 1 January 2017

The Group has adopted, for the first time, some amendments to the standards that are applicable for the financial years that commenced on or after 1 January 2017.
The amendments are described below:

- Amendments to IAS7 – Statement of Cash Flows. The improvement gives indications on the disclosures to be provided in relation to the liabilities that arise from financing activities, including any cash and non-cash changes (such as, for example, foreign exchange gains or losses).
- Amendments to IAS12 – Recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. An entity must establish whether tax regulations restrict the tax deduction from which the temporary difference arises. Furthermore, the amendments give indications on how an entity should calculate future taxable income and explain the circumstances in which taxable income can ensure the recoverability of these assets.
- Amendments to IFRS 12 – "Disclosure of Interests in Other Entities" are included in the annual improvements for 2014-2016 cycle in relation to IFRS.

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

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

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

IFRS15 – Revenues from contracts with customers (applicable from the financial years that will end after 1 January 2018). The new standard replaces the previous IAS11 – Construction contracts, IAS18 – Revenue, IFRIC13 – Customer Loyalty Programme, IFRIC15 – Agreements for the construction of real estate, IFRIC18 – Transfers of Assets from Customers, SIC31 – Barter Transactions Involving Advertising Services. This standard provides a model for the recognition and measurement of all revenues from non-financial assets, including the disposals of property, plant and equipment or intangible assets. The general principle is that the entity must recognise revenue in the amount corresponding to the consideration to which it expects to be entitled for transferring goods or providing a service to a customer. Guidelines are laid down for identifying the contract, the performance obligations and the transaction price. If there are multiple services, suggestions are also given regarding the allocation of their prices. Finally, the criteria for accounting for the revenue when the performance obligation has been satisfied are explained and suggestions are made for accounting for the incremental costs of obtaining the contract if these costs are directly attributable to its performance. Finally, the standard provides guidance on its application to specific issues such as licences, guarantees, right of withdrawal, agency relationships, termination of contracts. The standard is applicable according to a full retrospective approach or a modified retrospective approach. Furthermore, in April 2016 the IASB issued some amendments to IFRS15, containing some clarifications on its application, which also became applicable from 1 January 2018. The qualitative analysis continued during the year, which had been started as early as from 2016, to assess the potential impact that the application of the new standard IFRS 15 - Revenue from Contracts with Customers may have on the consolidated financial statements, opting for the application of the simplified retrospective approach. No potential significant impact is expected to affect the Group's financial position, results of operations and cash flows based on a preliminary evaluation.

IFRS9 – Financial Instruments (applicable from the financial years that will end after 1 January 2018). The aim of the new standard is to make it simpler for the user of the financial statements to understand the amounts, timing and uncertainty of cash flows by replacing the different types of financial instruments referred to in IAS 39. In fact all financial assets are initially accounted for at fair value, adjusted by transaction costs if they are not accounted for at fair value through profit or loss (FVTPL). Nevertheless, trade receivables that do not have a significant financial component are initially measured at their transaction price, as defined by the new IFRS 15 – Revenues from Contracts with Customers. Debt

instruments are measured on the basis of the contract cash flows and the business model on the basis of which they are held. Instruments only involving cash flows for the payment of interest and principal are accounted for according to the amortised cost method, while those also involving the exchange of financial assets are measured at fair value in the OCIs and subsequently reclassified in profit or loss (FVOCI). Finally, there is an express option for accounting at fair value (FVO). Similarly, all equity instruments are initially measured at FVTPL but the entity has an irrevocable option to account for it at FVTOCI. Any additional classifications and the measurement rules laid down under IAS39 have been reported under the new IFRS9. As regards impairment, the IAS39 model based on the losses incurred has been replaced by the ECL (Expected Credit Loss) model. Finally, some changes are made in Hedge Accounting, with the possibility of conducting a prospective effectiveness and quality test, measuring risk factors independently if they can be identified. No potential significant impact is expected to affect the Group's financial position, results of operations and cash flows based on a preliminary qualitative evaluation of IFRS9.

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

IFRIC 22 – Foreign Currency Transactions and Advance Consideration (applicable from the financial years that will end after 1 January 2018). The interpretation clarifies the type of exchange rate to be used in transactions that include the receipt or payment of advance consideration in a foreign currency. No significant impact is expected from the application of the interpretation on the Consolidated Financial Statements.

IFRS17 – Insurance Contracts (applicable from the financial years that will end after 1 January 2021). The standard replaces the previously applicable IFRS 4 and requires all insurance contracts to be accounted for

in a consistent manner, as well as insurance obligations to be accounted for by using current values instead of historical costs. The new standard requires the current estimates of future cash flows and the recognition of the profit in the period in which services are provided under the contract. IFRS 17 also requires the entities to disclose the results from insurance services (including the presentation of insurance revenue) separately from revenue or costs in the insurance sector, as well as to make an accounting policy choice on the recognition of all financial income and costs from insurance services through profit or loss or to state some of these income or costs in other comprehensive income. The standard will be applicable for financial years commencing on 1 January 2021, with early adoption permitted. No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.

IFRIC 23 – Uncertainty over Income Tax treatments (applicable from the financial years that will end after 1 January 2019). The interpretation clarifies the accounting for uncertainties in income taxes in the application of recognition and measurement requirements in IAS 12 – "Income taxes". The interpretation specifically concerns: (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (iv) how an entity considers changes in facts and circumstances. The interpretation does not add new disclosure requirements: however, it deals with the requirements laid down in IAS 1 relating to disclosures on judgments, information on the assumptions made and other estimates and information on contingent tax items under IAS 12 "Income taxes". An entity may elect to apply the interpretation either (i) retrospectively using IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*", if that is possible; or (2) retrospectively, with the cumulative effect of initially applying the Interpretation recognised at the date of initial application as an adjustment to equity and without any restatement of comparative information. The date of initial application is the beginning of the annual reporting period in which an entity applies this interpretation for the first time. No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.

Amendments to IFRS9 - Prepayment Features with Negative Compensation (applicable from the financial years that will end after 1 January 2019). It enables the entities to measure certain particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through "other comprehensive income", if a specific condition is satisfied, instead of measuring them at fair value through profit or loss. The Group is assessing the impact from the adoption of these amendments on the Consolidated Financial Statements.

Amendments to IAS28 - Long-term interests in associates and joint ventures (applicable from the financial years that will end after 1 January 2019). It clarifies how entities must use IFRS 9 to recognise long-term

interests in associates or joint ventures, for which the equity method is not applied. The Group is assessing the impact from the adoption of these amendments on the Consolidated Financial Statements.

Finally, in February 2018 the IASB issued the "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)" document, which specifies how the entities must determine pension expenses when changes to a certain pension plan occur. IAS 19 "Employee Benefits" specifies how an entity accounts for a defined-benefit plan. When a plan amendment, adjustment, curtailment or settlement occurs, IAS 19 requires entities to remeasure the net defined-benefit asset or liability. The amendments require entities to use the updated assumptions based on such remeasurement to determine current service cost and net interest for the remainder of the period after a plan amendment. The amendments will be applicable after 1 January 2019. The Group is assessing the impact from the adoption of these amendments on the Consolidated Financial Statements.

Improvements to IFRS

The Annual improvement to international standards is the instrument by which the IASB introduces amendments or improvements to the standards that are already being applied, thus promoting the ongoing review of the accounting policies of the IAS adopters.

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

In December 2017, the IASB also issued the "Annual Improvements to IFRS 2015-2017 Cycle", which make amendments to IFRS in response to issues mainly raised about: (I) IFRS 3 – "Business Combinations", clarifying that when an entity obtains control of a business that is a joint operation, it must remeasure previously held interests in that business; (II) IFRS 11 – "Joint Arrangements", clarifying that when an entity obtains control of a business that is a joint operation, it does not remeasure previously held interests min that business; (III) IAS 12 – "Income Taxes", clarifying that the impact relating to income taxes arising from dividends (i.e. distribution of profits) should be recognised through profit or loss, regardless of how the tax arises; (IV) and IAS 23 – "Borrowing Costs", clarifying that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally. The amendments will be applicable from 1 January 2019.

No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.

2.3 Discretionary assessments and significant accounting assumptions

The preparation of the consolidated Financial Statements requires Directors to make discretionary assessments, estimates and assumptions that affect the amounts of revenues, costs, assets and liabilities, and the indication of contingent liabilities at the date of the financial statements. However, the uncertainty of these assumptions and estimates could lead to outcomes which may require a significant adjustment to the carrying amount of said assets and/or liabilities in the future.

Discretionary assessments

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

Uncertainty of estimates

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

Impairment test

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

At 31 December 2017 the carrying amount of the Goodwill was equal to € 370,363 thousand (down by € 93 thousand compared to 31 December 2016). See note 5 for details.

Provisions for risks and charges and Allowance for doubtful accounts

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

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

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

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

Recognition of revenues and costs relating to contract work in progress

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

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

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

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

The cost of defined-benefit pension plans and of any other post-employment medical benefit, as well as the present value of the defined-benefit liability, are determined on the basis of actuarial assumptions. Actuarial assessments require various assumptions to be made which can differ from actual developments in the future. These assumptions also include the calculation of the discount rate, future pay rises, the mortality rate and future increases in pensions. Owing to the complexity of the assessment and its long-

term nature, these estimates are extremely sensitive to changes in assumptions. All the assumptions are reviewed on an annual basis. See note 12 for details.

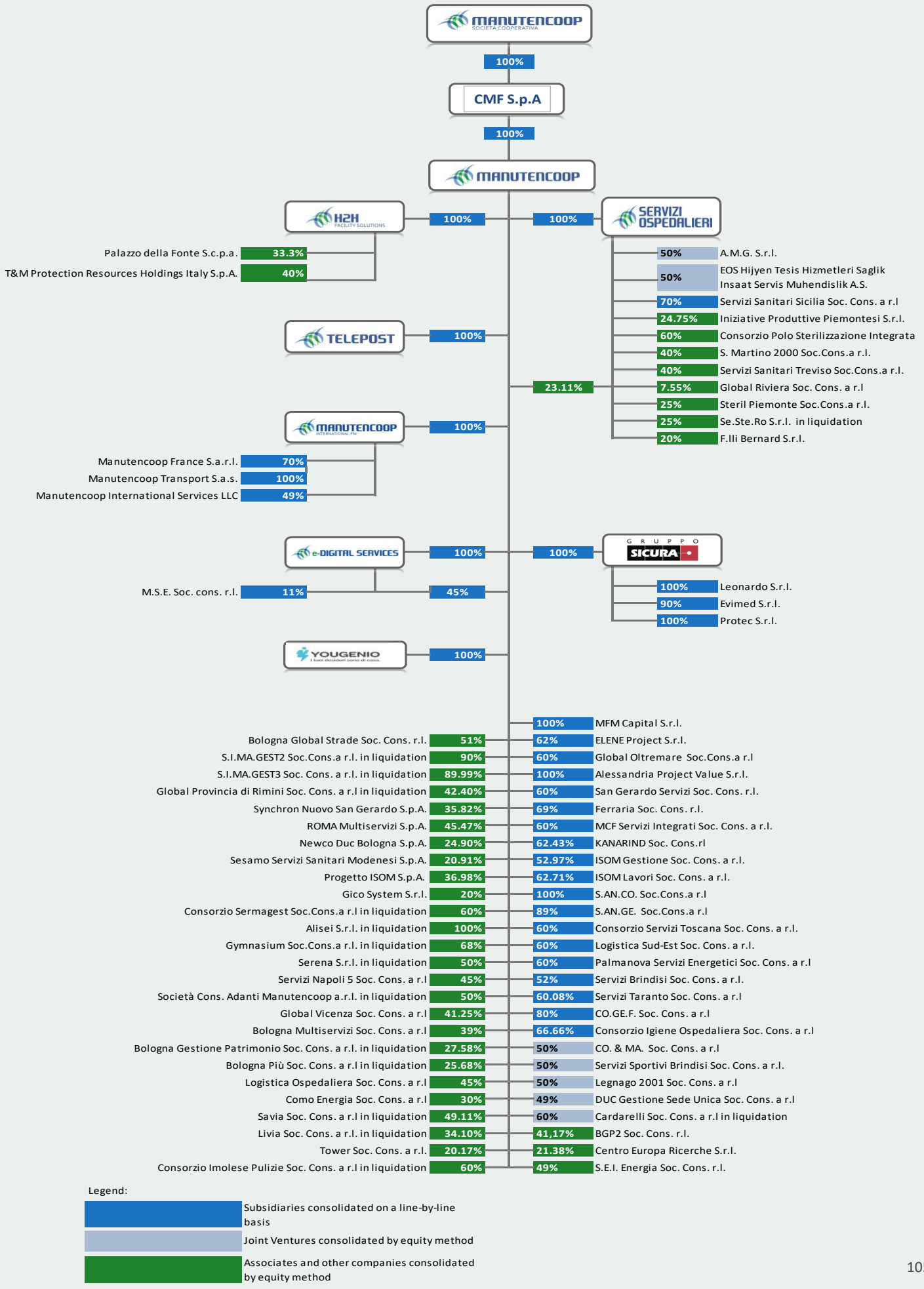
Consolidation principles

The Consolidated Financial Statements include the financial statements of MFM S.p.A. (the ''Parent Company") and its subsidiaries, prepared as at 31 December 2017. The financial statements of the subsidiaries have been prepared by adopting for each closing date the same accounting standards as those applied for the parent company.
All Intra-Group balances and intercompany transactions, including unrealized profits or losses arising from intra-Group transactions, which are recognized under assets, are eliminated in full.

Subsidiaries are consolidated on a line-by-line basis starting from the acquisition date, i.e. the date on which the Group acquires control, and are deconsolidated on the date in which control is transferred out of the Group. Acquisitions of subsidiaries, with the exception of those deriving from combinations of entities subject to joint control, are accounted for using the purchase method. This involves the allocation of the cost of the business combination to the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and the inclusion of the result of the acquiree starting from the date of acquisition until the end of the fiscal year. Joint-ventures with other shareholders and associates are accounted for under equity method.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.
Minority interests represent the portion of profits or losses and net assets not held by the Group and are disclosed under a separate item in the consolidated Statement of profit or loss and in the Consolidated Statement of Financial Position under Equity items, separately from the Group's Equity.

The consolidation area as at 31 December 2017 is shown below.


MANUTENCOOP SOCIETÀ COOPERATIVA
100%
CMF S.p.A
100%
MANUTENCOOP
H2H FACILITY SOLUTIONS
100%
100%
SERVIZI OSPEDALIERI
Palazzo della Fonte S.c.p.a. 33.3%
T&M Protection Resources Holdings Italy S.p.A. 40%
50% A.M.G. S.r.l.
50% EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.
70% Servizi Sanitari Sicilia Soc. Cons. a r.l
24.75% Iniziative Produttive Piemontesi S.r.l.
60% Consorzio Polo Sterilizzazione Integrata
40% S. Martino 2000 Soc.Cons.a r.l.
40% Servizi Sanitari Treviso Soc.Cons.a r.l.
23.11%
7.55% Global Riviera Soc. Cons. a r.l
25% Steril Piemonte Soc.Cons.a r.l.
25% Se.Ste.Ro S.r.l. in liquidation
20% F.lli Bernard S.r.l.
TELEPOST
100%
MANUTENCOOP INTERNATIONAL FM
100%
Manutencoop France S.a.r.l. 70%
Manutencoop Transport S.a.s. 100%
Manutencoop International Services LLC 49%
e-DIGITAL SERVICES
100%
100%
GRUPPO SICURA
M.S.E. Soc. cons. r.l. 11%
45%
100% Leonardo S.r.l.
90% Evimed S.r.l.
100% Protec S.r.l.
YOUGENIO
100%
100% MFM Capital S.r.l.
Bologna Global Strade Soc. Cons. r.l. 51%
62% ELENE Project S.r.l.
S.I.MA.GEST2 Soc.Cons.a r.l. in liquidation 90%
60% Global Oltremare Soc.Cons.a r.l
S.I.MA.GEST3 Soc. Cons. a r.l. in liquidation 89.99%
100% Alessandria Project Value S.r.l.
Global Provincia di Rimini Soc. Cons. a r.l in liquidation 42.40%
60% San Gerardo Servizi Soc. Cons. r.l.
Synchron Nuovo San Gerardo S.p.A. 35.82%
69% Ferraria Soc. Cons. r.l.
ROMA Multiservizi S.p.A. 45.47%
60% MCF Servizi Integrati Soc. Cons. a r.l.
Newco Duc Bologna S.p.A. 24.90%
62.43% KANARIND Soc. Cons.rl
Sesamo Servizi Sanitari Modenesi S.p.A. 20.91%
52.97% ISOM Gestione Soc. Cons. a r.l.
Progetto ISOM S.p.A. 36.98%
62.71% ISOM Lavori Soc. Cons. a r.l.
Gico System S.r.l. 20%
100% S.AN.CO. Soc.Cons.a r.l
Consorzio Sermagest Soc.Cons.a r.l in liquidation 60%
89% S.AN.GE. Soc.Cons.a r.l
Alisei S.r.l. in liquidation 100%
60% Consorzio Servizi Toscana Soc. Cons. a r.l.
Gymnasium Soc.Cons.a r.l. in liquidation 68%
60% Logistica Sud-Est Soc. Cons. a r.l.
Serena S.r.l. in liquidation 50%
60% Palmanova Servizi Energetici Soc. Cons. a r.l
Servizi Napoli 5 Soc. Cons. a r.l 45%
52% Servizi Brindisi Soc. Cons. a r.l.
Società Cons. Adanti Manutencoop a.r.l. in liquidation 50%
60.08% Servizi Taranto Soc. Cons. a r.l
Global Vicenza Soc. Cons. a r.l 41.25%
80% CO.GE.F. Soc. Cons. a r.l
Bologna Multiservizi Soc. Cons. a r.l 39%
66.66% Consorzio Igiene Ospedaliera Soc. Cons. a r.l
Bologna Gestione Patrimonio Soc. Cons. a r.l. in liquidation 27.58%
50% CO. & MA. Soc. Cons. a r.l
Bologna Più Soc. Cons. a r.l in liquidation 25.68%
50% Servizi Sportivi Brindisi Soc. Cons. a r.l.
Logistica Ospedaliera Soc. Cons. a r.l 45%
50% Legnago 2001 Soc. Cons. a r.l
Como Energia Soc. Cons. a r.l 30%
49% DUC Gestione Sede Unica Soc. Cons. a r.l
Savia Soc. Cons. a r.l in liquidation 49.11%
60% Cardarelli Soc. Cons. a r.l in liquidation
Livia Soc. Cons. a r.l. in liquidation 34.10%
41,17% BGP2 Soc. Cons. r.l.
Tower Soc. Cons. a r.l. 20.17%
21.38% Centro Europa Ricerche S.r.l.
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation 60%
49% S.E.I. Energia Soc. Cons. r.l.
Legend:
Subsidiaries consolidated on a line-by-line basis
Joint Ventures consolidated by equity method
Associates and other companies consolidated by equity method

During the year 2017 the following changes were recorded in the consolidation area:

- On 20 March 2017 Manutencoop Transport S.a.S. was established, which is wholly owned by Manutencoop France S.a.r.l.;
- On 29 May 2017 the total shares of Yougenio S.r.l. were transferred from e-Digital Services S.r.l. to the Parent Company MFM S.p.A.;
- 30 June 2017 saw the exercise of the call option granted to MFM S.p.A. on the total stake held by minority interests in the share capital of subsidiary Sicura S.p.A. (equal to 15%). The company is now wholly owned by MFM S.p.A. following the transfer of shares that took place on 10 August 2017;
- On 25 October 2017 MFM Capital S.r.l. was established, which is wholly owned by MFM S.p.A.;
- On 25 October 2017 Elene Project S.r.l. was established, which is wholly owned by MFM S.p.A.;
- On 24 July 2017 Manutencoop International Services LLC was established, which is based at Doha in Qatar and which is wholly owned by Manutencoop International S.r.l..

2.4 Summary of the main accounting policies

Conversion of foreign currency items

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

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

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

Property, plant and equipment

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

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

The residual value of the asset, useful life and method applied are reviewed annually and adjusted, if necessary, at the end of each financial year.

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

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

The plant and equipment category includes not only plant and equipment in the strictest sense, but also machinery, motor vehicles, office machines and furniture.
Financial costs arising from the purchase are charged to the income statement except in the case in which they are directly attributable to the acquisition, construction or production of an asset which justifies their capitalisation (qualifying asset), in which case they are capitalised.
A qualifying asset is an asset that requires a certain period of time to be ready for use. The capitalisation of financial costs ceases when all the activities needed to make the qualifying asset ready for use have been completed.
Extraordinary maintenance expenses are only included in the carrying amount of the asset when the company is likely to receive the associated economic benefits in the future and the cost can be reliably measured. The costs of repairs, maintenance or other operations to ensure the functioning of the assets are charged to the income statement in the year in which they are incurred.

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

Goodwill

Goodwill acquired in a business combination, is initially valued at cost, represented by the excess of the cost of the business combination with respect to the share pertaining to the Group in the net fair value relating to the identifiable values of assets, liabilities and contingent liabilities. After the initial recognition, goodwill is valued at cost less any accumulated impairment losses. Goodwill is subject to an analysis of fairness on an annual basis, or more frequently if events or changes are identified which may give rise to impairment losses.

For the purposes of this analysis of fairness, goodwill is allocated, from the date of acquisition, when the allocation is possible without arbitrariness, to each of the cash-generating units of the Group which believe that they will benefit from the synergies of the acquisition, irrespective of the allocation of other assets or liabilities to said units. Each unit to which goodwill is allocated:

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

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

Other intangible assets

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

The useful life of the intangible assets is finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and subject to fairness tests whenever there is evidence of potential impairment losses. The amortisation period and method applied thereto are reviewed at the end of each financial year or more frequently if necessary. Changes in the expected useful life or the methods with which the future economic benefits of the intangible asset are achieved by the Group are recorded by modifying the amortisation period or method, as necessary, and treated as changes in the accounting estimates. The amortisation charges of intangible assets with a finite useful life are recorded in the income statement under the cost category 'amortisation, depreciation, write-downs and write-backs of assets'.

The Group did not record any intangible assets with an indefinite useful life, with the exception of goodwill.

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

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

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

Equity investments in joint venture and in associates

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

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

Impairment of assets

At the reporting date of the financial statements, the Group assesses whether there is any evidence of impairment of assets. In this case, or in the event an annual impairment test is required, the Group prepares an estimate of the recoverable value. The recoverable value is the higher of the fair value of an asset or cash-generating unit, net of selling costs and its value in use and is determined for each individual asset, except when said asset does not generate cash flows that are largely independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its

recoverable value, said asset has been impaired and is subsequently written down to its recoverable value. In calculating the value in use, the Group discounts estimated future cash flows at the present value by using a pre-tax discount rate which reflects the market valuations on the time value of money and the specific risks of the asset. Impairment losses of operating assets are recognized in the income statement under 'amortisation, depreciation, write-downs and write-backs of assets'.

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

Financial assets

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

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

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

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

The accounting policies applied by the Group are the following:

Loans and receivables

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

Available-for-sale financial assets

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

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

Inventories

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

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

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

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

Trade receivables and other receivables

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

Contracts for construction work and plant building

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

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

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

Cash and cash equivalents

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

Loans

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

Derecognition of financial assets and liabilities

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

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

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

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

Impairment of financial assets

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

Assets valued according to the amortised cost criterion

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

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

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

Assets recognised at cost

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

Available-for-sale financial assets

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

Provisions for risks and charges

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

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

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

Provision for employee termination benefits

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

Employee benefits

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

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

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

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

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

The Group has no other significant defined benefit pension plans.

Leasing

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

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

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

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

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

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

Where a review is carried out, accounting of the leasing will start or end from the date on which the circumstances change which gave rise to the revision for cases a), c) or d) and on the renewal or extension date for scenario b).

For contracts signed prior to 1 January 2005, the start date is considered 1 January 2005, in line with the transitional provisions of IFRIC 4.

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

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

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

Revenue recognition

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

Provision of services

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

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

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

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

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

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

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

Building activity

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

Sale of assets

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

Interest

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

Dividends

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

Government grants

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

Income taxes

Current taxes

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

Deferred taxes

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

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

Deferred tax assets are recognised against all deductible temporary differences and for tax assets and liabilities carried forward, to the extent it is possible that there will be adequate future tax profits that

make the use of temporary deductible differences and tax assets and liabilities carried forward applicable, except in the case in which:

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

The value of deferred tax assets to be recognized in the financial statements is reviewed at each reporting date of the financial statements and reduced to the extent it is no longer likely that sufficient tax profits will be available in the future to permit all or part of said receivable to be used. Unrecognised deferred tax assets are reviewed annually at the reporting date of the financial statements and are recognized to the extent it has become likely that the tax profit is sufficient to allow said deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured on the basis of the tax rates that are expected to be applied in the year in which said assets are sold or said liabilities are extinguished, considering the rates in force and those already issued or substantially issued at the balance sheet date.

Income taxes relating to items recorded directly in equity are charged directly to equity and not to the income statement.

Deferred tax assets and liabilities are offset, if there is a legal right to offset the current tax assets with current tax liabilities and the deferred taxes refer to the same tax entity and the same tax authorities.

VAT

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

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

Service concession arrangements

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

by other means, the authorisation granted and any other interest in the infrastructures upon expiry of the concession agreement.

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

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

Earnings per share

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

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

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

Operating segments

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

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

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

Methods of calculation of the costs allocated to the segments

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

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

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

Changes in accounting estimates and errors

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

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

information presented in the financial statements for that subsequent period if they are material errors and the correction is deemed feasible, restating the opening balances of assets, liabilities and equity for that period.

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

3. PROPERTY, PLANT AND EQUIPMENT

The table below shows the changes in property, plant and equipment owned in the year ended 31 December 2017. The lower part of the table reports historical costs and accumulated depreciation at the beginning and at the end of the year.

	Property	Plant and equipment	Property under lease	Plant and equipment under lease	Total
At 1 January 2017, net of accumulated depreciation and impairment	**13,704**	**50,779**	**26**	**1,601**	**66,110**
Additions from acquisitions	71	20,488	4,489		**25,048**
Disposals		(498)			**(498)**
Depreciation for the year	(346)	(18,667)	(81)	(223)	**(19,317)**
Others		33	(26)	(7)	**0**
At 31 December 2017	**13,429**	**52,135**	**4,408**	**1,371**	**71,343**
At 1 January 2017					
Historical cost	16,005	334,865	236	4,950	**356,056**
Accumulated depreciation and impairment losses	(2,301)	(284,086)	(210)	(3,349)	**(289,945)**
NET BOOK VALUE	**13,704**	**50,779**	**26**	**1,601**	**66,110**
At 31 December 2017					
Historical costs	16,076	354,888	4,699	4,943	**380,606**
Accumulated depreciation and impairment losses	(2,648)	(302,752)	(291)	(3,572)	**(309,263)**
NET BOOK VALUE	**13,428**	**52,136**	**4,408**	**1,371**	**71,343**

The additions from acquisitions recognised for the year mainly refer to the purchases of linen made by the Laundering&Sterilization segment for € 12,827 thousand and to the purchases of other machinery and specific equipment for € 7,661 thousand relating to the various sectors in which the Group operates. Moreover, on 3 March 2017 the subsidiary Servizi Ospedalieri S.p.A. signed a financial lease agreement with Unicredit Leasing S.p.A. for the purchase of the factory of Lucca, already used through a lease

contract with Manutencoop Immobiliare S.p.A. (company of the Manutencoop Società Cooperativa Group that owned it previously). The financed amount was equal to € 4,467 thousand plus additional charges of € 17 thousand. The finance lease had a duration of 12 years with an initial down payment of € 1,117 thousand and constant monthly instalments.
Furthermore plant and equipment were disposed of for a total additional amount of € 498 thousand.

The table below shows the changes in property, plant and equipment owned in the year ended 31 December 2016. The lower part of the table reports historical costs and accumulated depreciation at the beginning and at the end of the year.

	Property	Plant and equipment	Property under lease	Plant and equipment under lease	Total
At 1 January 2016, net of accumulated depreciation and impairment	**4,800**	**57,355**	**178**	**2,039**	**64,372**
Additions from acquisitions	7,674	16,003			**23,677**
Impairment losses		(614)			**(614)**
Disposals	(135)	(700)			**(835)**
Depreciation for the year	(153)	(19,890)	(13)	(435)	**(20,491)**
Others	1.518	(1,375)	(139)	(3)	**0**
At 31 December 2016	**13,704**	**50,779**	**26**	**1,601**	**66,110**
At 1 January 2016					
Historical cost	6,949	321,551	375	4,953	**333,827**
Accumulated depreciation and impairment losses	(2,148)	(264,196)	(197)	(2,914)	**(269,455)**
NET BOOK VALUE	**4,801**	**57,355**	**178**	**2,039**	**64,372**
At 31 December 2016					
Historical cost	16,005	334,864	236	4,950	**356,055**
Accumulated depreciation and impairment losses	(2,301)	(284,086)	(210)	(3,349)	**(289,945)**
NET BOOK VALUE	**13,704**	**50,779**	**26**	**1,601**	**66,110**

4. OTHER INTANGIBLE ASSETS

The table below shows the changes in intangible assets in the year ended 31 December 2017. The lower part of the table reports historical costs and accumulated amortisation at the beginning and at the end of the year.

	Other intangible assets	Goodwill	Total
At 1 January 2017, net of accumulated amortization and impairment	**26,114**	**370,456**	**396,570**
Additions from acquisitions	6,501		**6,501**
Amortization	(7,446)		**(7,446)**
Others		(93)	**(93)**
At 31 December 2017	**25,169**	**370,363**	**395,532**
At 1 January 2017			
Cost	102,934	372,849	**475,783**
Accumulated amortization and impairment losses	(76,820)	(2,393)	**(79,213)**
NET BOOK VALUE	**26,114**	**370,456**	**396,570**
At 31 December 2017			
Cost	109,436	372,756	**482,192**
Accumulated amortization and impairment losses	(84,267)	(2,393)	**(86,660)**
NET BOOK VALUE	**25,169**	**370,363**	**395,532**

Goodwill is tested annually for impairment; see note 5 for details.
Other changes include other adjustments relating to the agreement reached to settle disputes that arose in relation to acquisitions of business units made in previous years.

Other intangible assets, amounting to € 25,169 thousand at 31 December 2017, mainly consist of investments in software carried out as part of the projects aimed at upgrading and enhancing the corporate information systems. The additions from acquisitions for the year (€ 6,501 thousand) were mainly attributable to the Facility Management SBU (€ 6,312 thousand) and specifically to the investments relating to subsidiary Yougenio S.r.l. (€ 1,501 thousand) for the implementation and upgrading of the e-commerce portal intended for the B2C market, as well as to the investments made by Parent Company Manutencoop Facility Management S.p.A. (€ 4,465 thousand).
During the year Yougenio S.r.l. recognised proceeds, as a direct reduction in the historical cost of some acquisitions (totalling € 1,144 thousand), for tax credits on R&D projects equal to 50% of their value. These research projects meet the requirements laid down in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), as partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as well as in the Implementing Provisions under a Decree issued by the Ministry of Economy and Finance in agreement with the Ministry of Economic Development on 27 May 2015 and fall within the scope of the parameters set out in the Communication from the Commission (2014/C 198/01) of 27 June 2014, which was published in the Official Journal C/198 of 27 June 2014. See note 9 for details.

The table below shows the changes in intangible assets in the year ended 31 December 2016:

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

5. IMPAIRMENT TEST OF GOODWILL

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

SBU – Facility management

The SBU is identified with:

- Manutencoop Facility Management S.p.A.
- H2H Facility Solutions S.p.A.
- the Group controlled by Sicura S.p.A., operating in the facility management segment as supplier of specialist services
- Telepost S.p.A., a specialist company for internal mailing services for the Telecom Italia Group
- e-Digital Services S.r.l., which is active in the sector of high technology services to businesses
- Yougenio S.r.l., which is active in the facility management for the B2C market
- Manutencoop International F.M. S.r.l. and its foreign subsidiaries, dedicated to commercial development in international markets
- other minor investee companies operating in the same segment.

SBU – Laundering & Sterilization

The SBU is identified with:

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

The table below sets forth the carrying amounts of the goodwill recognized in the Consolidated Financial Statements at 31 December 2017 and at 31 December 2016, relating to the different CGUs:

	31 December 2017	31 December 2016
Goodwill allocated to Facility Management CGU	358,600	358,693
Goodwill allocated to Laundering & Sterilization CGU	11,763	11,763
CONSOLIDATED GOODWILL	**370,363**	**370,456**

Facility management CGU goodwill

The goodwill allocated to the Facility management CGU, which amounted to € 358,600 thousand at 31 December 2017, was recognized as a result of various business combinations from 2004 to date, the most important of which are listed below:

- Operation 'Palladio', which took place on 29 December 2003, involved the Group acquiring control of the business unit relating to facility management technical services previously managed by the parent company Manutencoop Società Cooperativa;
- Acquisition of MCB S.p.A., a company through which the Group established the first facility management unit for "network" customers (banks, insurance companies, etc.). In 2010, MCB S.p.A. was merged by incorporation into MP Facility S.p.A. (now H2H Facility Solutions S.p.A.);
- Acquisition of Teckal S.p.A., which was merged by incorporation into Manutencoop Facility Management S.p.A. in 2010, through which the Group strengthened the production structure of traditional facility management, in particular in the heat management service;
- Acquisition of Altair IFM S.p.A. (the most significant transaction to date), which enabled the Group to gear the customer portfolio towards large private customers. In 2010 the larger companies in the Altair sub-group were merged by incorporation into Manutencoop Facility Management S.p.A.;
- Acquisition of Gruppo Sicura S.r.l. (now Sicura S.p.A.), which paved the way for an expansion in the range of specialist facility management services in the fire prevention and accident prevention market;
- Acquisition of a fire fighting services business unit including its assets, equipment, trademarks and distinctive marks in addition to all the existing contractual relationships, from Triveneta Servizi S.r.l.. The transfer of the business unit came into effect on 1 August 2015. During 2017 a negative change on goodwill was recorded for € 93 thousand, as a result of the agreement reached to settle some disputes that had arisen in relation to this acquisition.

Laundering & Sterilization CGU goodwill

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

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

Impairment Test

Pursuant to IAS 36, goodwill is not amortised, but is tested for any possible impairment on an annual basis, or more frequently, should specific events or circumstances arise which provide evidence of an impairment loss. The impairment test, prepared by the Management and presented to the Board of Directors at the time of the approval of the draft financial statements, was carried out through the comparison between the net book value and the recoverable value of the individual CGUs/SBUs to which goodwill was allocated, determined on the basis of the discounting-back of expected future cash flows relating to the period from 2018 to 2022 and extrapolated from the Business Plan of the Manutencoop Group.

The Business Plan used for the analysis described in this note was approved by the Board of Directors of Manutencoop Facility Management S.p.A. on 23 January 2018.

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

- The expected future cash flows, for the period from 2018 to 2022, extrapolated from the Business Plan, are derived from projected cash flows obtained through:
    - determination of the value of the forecast gross margins according to the projection of the backlog of existing service contracts, augmented by the assumption of new portfolio acquisitions;
    - estimates of changes in Net Working Capital on the basis of the target days of stock rotation, the payment of amounts due and collection of receivables.
- A terminal value used to estimate future results beyond the time horizon expressly considered. The terminal value was determined by applying a NOPLAT equal to 2022 adjusted by the average expected depreciation and amortisation and investments, net of a nominal tax rate. As regards long-term

growth rates, an assumption of 1% was considered both for the Facility management SBU and for the Laundering & Sterilization SBU.

- The expected future cash flows were discounted back at a discount rate (WACC) of 8.04% for the Facility management SBU (2016: 7.20%) and at a discount rate (WACC) of 7.05% (2016: 6.61%) for the Laundering & Sterilization SBU. The WACC was determined by using the Capital Asset Pricing Model ("CAPM"), by which the risk-free rate was calculated with reference to the curve of the rates of return of Italian long-term government bonds, while the non-diversifiable systematic risk ratio (βeta) and the debt/equity ratio were extrapolated from the analysis of a group of comparable companies operating in the European facility management and laundering sector. In addition, in order to reflect the uncertainty of the current economy and the future market conditions, the cost of the equity component of the WACC rate was increased with a risk premium of 200 basis points for the Facility management SBU and 100 basis points for Laundering & Sterilization SBU in each period of time.

For all CGUs/SBUs analysed, the analysis confirmed that the recoverable value of the same exceeds the associated carrying amount, therefore not requiring any write-downs. On a prudential basis, a "Worst Case" was outlined with reference to the WACC and to the growth rates applied. However, in simulating nil or negative growth rates, also in combination with WACCs exceeding those applied by two percentage points (and, then, equal to 10.04% for Facility management and to 9.05% or Laundering & Sterilization, respectively), there would be no need to make write-downs in both CGUs/SBUs, as the recoverable value would exceed the related book value.

6. INVESTMENTS IN COMPANIES VALUED UNDER THE EQUITY METHOD

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

At 31 December 2017 the net-book value of investments valued at Equity reported a net amount of € 27,214 thousand, against a net amount of € 30,462 thousand in the previous year.

	Net Assets 31 December 2017	Net Assets 31 December 2016
Investments valued at Equity	27,294	30,534
Provision for risks on investments	(80)	(72)
INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	**27,214**	**30,462**

The breakdown of changes during the year is shown in Annex II attached to the Consolidated Financial Statements, to which reference should be made.
During 2017 investments accounted for under the equity method recorded a net cost of € 1,945 thousand, for the share attributable to the Group, as a result of the recognition of income from equity investments of € 1,704 thousand and costs from equity investments of € 3,648 thousand. Furthermore, negative effects were recognized directly in the consolidated equity to an overall amount of € 210 thousand.

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

	Ownership %	Total Assets	Total Liabilities	Shareholders' equity	Net financial position	Revenues	Profit (loss) for the year
Palazzo della Fonte S.c.p.a.	33.3%	83,793	(47,023)	(36,770)	(43,251)	15,185	1
Roma Multiservizi S.p.A.	45.47%	56,700	(39,080)	(17,620)	(4,837)	90,211	2,840
Project financing companies	<50%	256,405	(230,361)	(26,044)	(106,006)	71,310	(69,124)

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

7. OTHER ITEMS OF NON-CURRENT ASSETS

The table below sets forth the breakdown of other non-current assets at 31 December 2017 and at 31 December 2016:

	31 December 2017	31 December 2016
Other investments	4,757	3,850
Non-current financial assets	11,369	11,769
Other non-current assets	2,998	2,323
OTHER NON-CURRENT ASSETS	**19,124**	**17,942**

The financial assets accounted for as *Other investments* relate to investments in companies in which the Group has no significant or controlling interests and that have been acquired for strategic/production purposes. There are also investments in National Cooperative Consortia, as well as investments in

production sites, or in other minor activities such as industrial laundering services, performed by minor companies that may also act as sub-contractors.
Other investments are measured at purchase or establishment cost, since there is no active market in the securities concerned, which for the most part cannot be freely transferred to third parties due to limitations and restrictions preventing their free circulation.

Non-current financial assets, amounting to d € 11,369 thousand at 31 December 2017 (€ 11,769 thousand at 31 December 2016), are composed of:

- € 7,319 thousand of non-current financial receivables due from associates, affiliates and joint ventures (€ 7,616 thousand at 31 December 2016). The face value of these receivables is € 7,421 thousand, while the discounting fund amounts to € 102 thousand. Some of these are non-interest bearing since they were drawn down proportionally from each consortium partner and are thus discounted on the basis of their expected residual maturity, applying Eurirs as the reference interest rate, plus a spread;
- € 3,949 thousand of non-current financial receivables from third parties, showing a slight decrease compared to the balance at 31 December 2016 (€ 4,053 thousand);
- € 101 thousand of securities held to maturity, which remained unchanged compared to 31 December 2016.

Other non-current assets, amounting to € 2,998 thousand at 31 December 2017 (€ 2,323 thousand at 31 December 2016) mainly consist of security deposits related to long-term manufacturing contracts (€ 1,400 thousand) and long-term prepaid expenses relating to certain job orders (€ 1,128 thousand).

8. INVENTORIES

The Group recognized inventories of € 6,057 thousand at 31 December 2017, marking an increase of € 1,675 thousand compared to the previous year.

	31 December 2017	31 December 2016
Inventories of raw materials, consumables and goods for resale	6,282	4,605
Provision for write-down of raw materials, finished products and goods for resale	(225)	(223)
INVENTORIES	**6,057**	**4,382**

The final inventory of raw materials is composed of materials present in the warehouses, while waiting to be used at work sites, valued at the average weighted purchase cost, goods for resale (mostly safety and

fire prevention devices) stored in the warehouses of the Sicura Group and stocks of fuel in tanks belonging to integrated service customers.

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

The following table includes the breakdown of Trade receivables and advances to suppliers and Other current operating receivables at 31 December 2017 and 31 December 2016:

	31 December 2017	of which from related parties	31 December 2016	of which from related parties
Inventories of contract work in progress	22,047		18,178	
Trade receivables, gross	401,322		428,037	
Allowance for doubtful accounts	(32,987)		(33,410)	
Trade receivables from third parties	**390,382**	**0**	**412,805**	**0**
Trade receivables from Parent Companies	100	100	60	60
Trade receivables from Group companies	31,343	31,343	36,261	36,261
Trade receivables from Affiliates and Joint Ventures	4,280	4,280	4,090	4,090
Trade receivables from Manutencoop Group	**35,723**	**35,723**	**40,411**	**40,411**
Advances to suppliers	3,060	56	2,879	21
TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS	**429,165**	**35,779**	**456,095**	**40,432**
Other tax receivables due within 12 months	19,767		13,629	
Other current receivables from third parties	7,542		6,987	
Short-term receivables from social security institutions	1,120		2,700	
Short-term receivables from employees	203		480	
Other current assets from third parties	**28,632**	**0**	**23,796**	**0**
Current assets from Manutencoop Società Cooperativa	45	45	7	5
Current assets from associates	664	664	826	649
Other current assets from Manutencoop Group	**709**	**709**	**833**	**654**
Accrued income	0		0	
Prepaid expenses	1,501		1,303	
Accrued income and prepaid expenses	**1,501**	**0**	**1,303**	**0**
OTHER CURRENT ASSETS	**30,842**	**709**	**25,932**	**833**

The balance of trade receivables and advances to suppliers, which also includes inventories of contract work in progress, amounted to € 429,165 thousand at 31 December 2017, showing a decrease of € 26,930 compared to the amount at 31 December 2016 (€ 456,095 thousand. The change in question was mainly contributed to by the decrease of € 26,292 thousand in trade receivables from third parties, net of the change recorded in the provision for bad debts, as well as by a decrease of € 4,688 thousand in trade receivables from the Manutencoop Group companies, which were only partially offset by an increase of € 3,869 thousand in the inventories of contract work in progress.

In 2017 work continued on the assignments without recourse of trade receivables claimed from the National Health System under the contract that was entered into between the Parent Company MFM S.p.A. and Servizi Ospedalieri S.p.A. with Banca Farmafactoring S.p.A. during 2016, for an assignable annual amount of receivables of the same type equal to a maximum amount of € 100 million. It is a committed credit line expiring in 2019. During the year assignments were made in a nominal amount totalling € 83,134 thousand. Furthermore, the Parent Company MFM S.p.A. made assignments without recourse of trade receivables claimed from Public Administration entities for a total of € 8,671 thousand, against the counterparty Banca Farmafactoring S.p.A. itself, but not linked to the contract referred to above. In all assignments, the assigned trade receivables were subjected to derecognition according to IAS 39 in consideration of the characteristics of the transactions and entailed interest discount costs totalling € 1,546 thousand. At 31 December 2017 the balance of receivables assigned without recourse but not yet collected by Banca Farmafactoring amounted to € 19,341 thousand (of which an amount of € 17,379 thousand related to the assignments of receivables from the National Health System and an amount of € 1,962 thousand related to the assignments of receivables from Public Administration).
Finally, trade receivables from the Group amounted to € 35,723 thousand (€ 40,411 thousand at 31 December 2016).

A specific provision for bad debts was recognized in connection with non-performing receivables, which are difficult to fully recover, amounting to € 32,987 thousand at 31 December 2017 (€ 33,410 thousand at 31 December 2016). Below are the changes for the year:

	31 December 2016	Increases	Uses	Releases	Other changes	31 December 2017
Provision for bad debts	**33,410**	3,658	(3,756)	(458)	133	**32,987**

Increases, equal to € 3,658 thousand, relate to the assessment of the risk arising from the failure to recover amounts from some customers.
The other changes relate to increases in the consolidated provision for write-down of default interest (€ 19 thousand) and reclassifications of provisions initially set aside as provision for risks on job orders for € 114 thousand.

An analysis of trade receivables at 31 December 2017 and as at the end of the previous year is provided below, broken down by maturity. The balances shown are net of the provision for bad debts.

	Total	Trade receivables reaching maturity	Overdue trade receivables				
			< 30 days	30 - 60 days	60 - 90 days	90 – 120 days	Beyond 120 days
31 December 2017	368,335	256,985	23,221	11,428	7,527	10,467	58,707
31 December 2016	394,627	266,166	27,227	16,048	6,809	7,164	71,213

Other current assets, equal to € 30,842 thousand (€ 25,932 thousand at 31 December 2016) showed a total increase of € 4,910 thousand in the year.

The most significant entries of this item are made up of tax receivables and other current receivables from third parties. Tax receivables mostly relate to the VAT payments made by the Group companies (€ 18,095 thousand against € 12,197 thousand at 31 December 2016), which continue to show a credit balance given the widespread application of the regulations governing "Split-payment" and "Reverse charge" to the cycle of purchasing and sales invoicing.

During the year the Group made assignments without recourse of VAT receivables requested for refund for a total amount of € 18,743 thousand against interest discount costs of € 323 thousand in order to meet the requirements of a considerable allocation of financial resources arising from this credit position.

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

Finally, during 2017 the Parent Company MFM S.p.A. and subsidiaries H2H Facility Solutions S.p.A., e-Digital Service S.r.l. and Yougenio S.r.l. started a number of R&D projects in order to improve their business and delivery of services. The projects were developed and coordinated by internal resources based on their specific skills and duties, with the involvement of specific consultants for the various areas of business and were all completed in 2017.

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

excess of the average of the same investments made in the three tax periods for the financial years 2012, 2013 and 2014, to an extent of 50% of the total incremental expense.

Total R&D costs incurred by the Group Companies in 2017 totalled € 2,157 thousand, an amount of € 1,144 thousand of which was stated as increases in the fixed assets for the year. The proceeds relating to this tax credit were accounted for in the consolidated Statement of profit or loss as operating grants, as a decrease in related costs, for a total of € 507 thousand. The subsidiary Yougenio S.r.l. also incurred R&D costs recognised under intangible assets for which a capital grant was granted, which was taken as a direct reduction in the historical cost of the assets, for € 572 thousand. The total tax credit, stated under Other current receivables, is equal to € 1,078 thousand.

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

A breakdown of the balance as at 31 December 2017 and 31 December 2016 is shown below:

	31 December 2017	31 December 2016
Bank and postal deposits	51,817	141,486
Cash in hand	38	38
Current financial accounts - consortia	8,015	33,468
CASH AND CASH EQUIVALENTS	**59,870**	**174,992**
Current financial receivables from third parties	1,683	1,668
Current financial receivables from Group Companies	185	717
Other receivables for dividends	2	2
RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS	**1,870**	**2,387**

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

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

At 31 December 2017 *Current financial assets* amounted to € 1,870 thousand (at 31 December 2016 equal to € 2,387 thousand). At the end of the year under examination the following items were mainly recognised:

- An overall amount of € 302 thousand of receivables from short-term loans and financial accounts held with non-consolidated Group companies (€ 717 thousand at 31 December 2016);

- The balance of pledged current accounts dedicated to the operation of the service within the scope of assignments of trade receivables without recourse with Banca Farmafactoring, equal to € 1,494 thousand (€ 524 thousand at 31 December 2016).

During the year the remaining receivable was collected, which was claimed for the earn-out paid on the transfer of the business of SMAIL S.p.A., a company merged by incorporation into MFM S.p.A. from 1 January 2016, which had made the transfer during the 2015 financial year (€ 950 thousand).

11. SHARE CAPITAL AND RESERVES

	31 December 2017	31 December 2016
Share Capital - Ordinary shares	109,150	109,150

Ordinary shares have a nominal value of Euro 1 each. Ordinary shares issued and fully paid up at 31 December 2017 amounted to 109,149,600.

The Parent Company does not hold own shares.

Reserves and Retained Earnings

The table below shows changes in Equity reserves in the year :

	Share premium reserve	Legal reserve	SE reserves companies valued at equity	Cash flow hedge reserve	SORIE reserve	Other reserves	Total reserves
1 January 2016	**145,018**	**18,383**	**3,079**	**0**	**(4,465)**	**26,334**	**188,349**
Allocation of profits of previous years					(396)		**(396)**
Economic effects on equity			285		(370)	(11)	**(96)**
31 December 2016	**145,018**	**18,383**	**3,364**	**0**	**(5,231)**	**26,323**	**187,857**
Allocation of profits of previous years		1,321				(44,037)	**(42,716)**
Economic effects on equity			(210)		(2)	(75)	**(287)**
31 December 2017	**145,018**	**19,704**	**3,154**	**0**	**(5,233)**	**(17,789)**	**144,854**

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

- The reserve originating from the recognition of joint operations, which includes the differences between the purchase cost and the net carrying amount of the assets acquired under business combinations between jointly-controlled entities, for a negative amount of € 45,400 thousand at 30 December 2017;
- The Parent Company's extraordinary reserve equal to € 28,973 thousand.

The Shareholders' Meeting of the Parent Company MFM S.p.A., convened on 27 April 2017 for the approval of the 2016 Financial Statements, resolved to distribute to the shareholders a dividend of € 25,091 thousand, after fully covering losses from previous years amounting to € 44,256 thousand by partially using the Extraordinary Reserve. The dividend was paid on 25 May and on 26 May.

The table below shows changes in *Retained earnings*:

	Accumulated profits (losses) of the Parent Company	Consolidation reserve	Total retained earnings
1 January 2016	**3,809**	**33,689**	**37,498**
Allocation of profits of previous years	(44,256)	(760)	(45,016)
31 December 2016	**(40,447)**	**32,929**	**(7,518)**
Allocation of profits of previous years	44,256	7,017	51,273
31 December 2017	**3,809**	**39,946**	**43,755**

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

	31 December 2017	31 December 2016
Equity attributable to minority interests	**381**	**235**
of which attributable to:		
Subsidiaries of Sicura S.p.A.	218	164
Other minor consortia	163	71

	31 December 2017	31 December 2016
Profit (loss) attributable to minority interests	**73**	**(116)**
of which attributable to:		
Subsidiaries of Sicura S.p.A.	73	(116)

The equity and profit (loss) attributable to minority interests relate to the minorities present in some subsidiaries.

MFM S.p.A. held a stake of 85% in the share capital of Sicura S.p.A.. However, no equity attributable to minority interests has been recognized as the Parent Company held a Call option on the minority interest, linked to an additional put option in favour of the minority shareholders which is recognised as a financial liability in the Consolidated Financial Statements. The call option was subsequently exercised on 30 June

2017 and, therefore, MFM S.p.A. held the entire share capital of the sub-holding Sicura S.p.A. at 31 December 2017.

Therefore, the equity and the result for the year attributable to minority interests relates to the minorities present in some indirect subsidiaries relating to the same sub-group.

12. EMPLOYEE TERMINATION INDEMNITY (TFR)

Below are the changes in the liabilities relating to Employee Termination Indemnity (TFR) in 2017, compared with changes in the previous year.

	For the year ended	
	31 December 2017	31 December 2016
At 1 January	17,043	18,424
Current service cost	691	527
Interest costs on benefit obligations	244	362
Benefits paid	(2,453)	(2,444)
Net actuarial (gains)/ losses from benefit obligations	(7)	398
Other changes	1	(224)
AT 31 DECEMBER	**15,519**	**17,043**

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

	For the year ended	
	31 December 2017	31 December 2016
Current service cost	691	527
Interest costs on benefit obligations	244	362
Net cost of the benefits recognized through profit or loss	**935**	**889**
Net actuarial (gains)/ losses recognized in equity	(7)	398
TOTAL NET BENEFIT COSTS	**928**	**1,287**

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

	31 December 2017	31 December 2016
Discount rate	1.65%	1.5%
Inflation rate	1.50%	1.2%
Estimated turnover	From 3.5% to 11.50%	From 1.5% to 11.50%

The discount rates used to assess the TFR obligation are defined on the basis of curves of rates of return of high-quality fixed-interest securities, the amounts and maturity dates of which correspond to the amounts and maturity dates of the payments of expected future benefits. In 2017 the discount rate was equal to 1.65% (2016: 1.5%).

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

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

	Discount rate	Actuarial assumptions	Employee termination indemnity
Financial year ended 31 December 2017	+ 0.25 bps	+ 0.25 pps	15,089
	- 0.25 bps	- 0.25 pps	15,966
Financial year ended 31 December 2016	+ 0.25 bps	+ 0.10 pps	16,510
	- 0.25 bps	- 0.10 pps	17,498

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

	For the Financial year ended	
	31 December 2017	31 December 2016
Executives	56	58
Office workers	1,232	1,253
Manual workers	14,947	15,004
AVERAGE STAFF	**16,235**	**16,315**

The average number of leased employees provided to the Group by Manutencoop Società Cooperativa was equal to no. 429 units at 31 December 2017 (31 December 2016 : n. 463 units).

13. PROVISIONS FOR RISKS AND CHARGES

The breakdown and changes in the provisions for risks and charges for the period ended 31 December 2017 are shown below:

	Risks on investments	Risks on job orders	Pending legal disputes	Tax litigation	Agents' indemnity leave	Termination employee benefits	Other provisions	Total
At 1 January 2017	**72**	**8,153**	**43,038**	**478**	**202**	**2,000**	**1,294**	**55,237**
Accruals	8	2,261	2,034			407	881	**5,591**
Uses		(2,254)	(1,793)			(2,128)	(77)	**(6,252)**
Reversal		(3,003)	(2,434)				(10)	**(5,447)**
Others		(114)	(15,331)		21	630		**(14,794)**
At 31 December 2017	**80**	**5,043**	**25,514**	**478**	**223**	**909**	**2,088**	**34,335**
At 31 December 2017:								
Current	*80*	*4,936*	*290*	*478*	*0*	*909*	*17*	***6,711***
Non-current	*0*	*106*	*25,224*	*0*	*223*	*0*	*2,071*	***27,624***
At 31 December 2016:								
Current	*72*	*7,779*	*362*	*478*	*0*	*2,000*	*24*	***10,715***
Non-current	*0*	*374*	*42,676*	*0*	*202*	*0*	*1,270*	***44,522***

Provision for risks on investments

The item, amounting to € 80 thousand at 31 December 2017, includes the provision for unrecoverable future losses of Group companies and related to the subsidiary Alisei S.r.l. in liquidation.

Provision for risks on job orders

This provision includes, at consolidated level:

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

The balance at the end of the year amounted to € 5,043 thousand, against accruals of € 2,261 thousand, in addition to uses, releases and other changes that led to an overall decrease of € 5,371 thousand in the provision.

Provision for pending disputes

On 20 January 2016 AGCM considered that it had found a breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012 and levied a fine of € 48,510 thousand against the parent company MFM S.p.A., which rejected the arguments on which the charge was based and lodged an appeal against the Authority's order with the Lazio Regional Administrative Court (*Tribunale Amministrativo Regionale*, TAR). On 14 October 2016 it ruled by partially granting the appeal filed by MFM S.p.A. and referring the papers to the Authority for a new calculation of the fine, with the recommendation to reduce both the related taxable base, thus limiting it to the contracted tender amount, and the percentage to be applied to the abovementioned amount, from 15% to 5%. MFM S.p.A. challenged the trial judgment before the Council of State; on 28 February 2017 the latter handed down its ruling, confirming the judgment issued by the Lazio Regional Administrative Court. However, MFM S.p.A. has also challenged the Council of State's ruling, filing an appeal with the Supreme Court on 21 May 2017. Finally, on 23 December 2016, the Authority executed the Lazio Regional Administrative Court's ruling and adopted a new order, recalculating the fine at € 14,700 thousand. This order was also challenged before the Lazio Regional Administrative Court and the Company is waiting for the hearing to be set.

When closing the Financial Statements at 31 December 2016, in the light, among other things, of the appeals lodged by the parties, on which the competent courts had already ruled, the Directors recalculated the risk of outflows related to the fine as a maximum amount of € 14.7 million. On the other hand, on 24 March 2017, the Lazio Regional Administrative Court decided against the application to stay the related payment lodged by MFM S.p.A. and therefore, the entire amount of the fine was reclassified in the item "Other operating liabilities" and reported in the statement of changes in the provisions in "Other changes". Finally, the Competition Authority intervened with the measure of 28 April 2017 with regard to the request for payment by instalments submitted by MFM S.p.A., allowing the latter to pay the fine in 30 monthly instalments at the legal interest rate (currently 0.1%). The Company is paying the monthly instalments on a regular basis.

As a result of the Competition Authority's fine ruling, on 4 February 2016 Consip S.p.A. initiated a procedure to terminate the Agreements entered into within the tender in question, also informing the Company that it would consider the possibility of excluding it from future tenders for "work of the same type", including pursuant to article 38, paragraph 1, letter f) of Legislative Decree 163/06. On 23 November 2016 Consip S.p.A. also gave MFM S.p.A. notice of the final termination of the agreements, expressly stating that it would confiscate the part of the final guarantee deposit (performance bond) which remained after the deposit had been partially released considering the work done normally up to the termination date. It also notified the intention to report the facts to the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) and to the Public Prosecutor's Office. On 24 April 2017, Italian Law Decree no. 50 was published on the O.G.: Article 64 (Services in school) of this law decree envisages the continuation of the acquisition of cleaning services and other auxiliary services until 31 August 2017 for

the regions in which the Consip framework agreements have been terminated. In the subsequent Decree Law no. 91 of 20 June 2017, converted with amendments into Law on 3 August 2017, these services were further extended until 31 December 2017; finally, Article 1, paragraph 687, of Law no. 205 of 27 December 2017 ("2018 Budget Law") provided for these agreements to continue until 30 June 2019, in order to allow the regular performance of educational activities for the 2018-2019 school year.

Finally, on 2 December 2016 Consip S.p.A. formally notified the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) of its accusations against MFM S.p.A., as notified in the notice of termination of the Agreements, together with the intention to make a report to the Public Prosecutor's Office. On 7 January 2017 the Company served a writ of summons on the entity, asking the Ordinary Court of Rome to establish the unlawfulness of the notice of termination of the agreements and order Consip S.p.A. to compensate for any damage suffered by the Company. The first hearing for the discussion of the requests submitted during preliminary investigations was held on 5 December 2017; the next hearing has been set for 16 October 2018. The tender performance bond (initially equal to € 24.5 million) might also be partially enforced if the Company loses the case against Consip S.p.A.. After the Regional Administrative Court's judgment of 14 October 2016, which was confirmed by the Council of State's judgment of 1 March 2017, and which substantially reduced the fine that had previously been imposed while not accepting the Company's argument that it was completely extraneous to the accusations, the Directors decided to maintain the provisions for future charges in the Financial Statements at 31 December 2017 (equal to € 17.5 million), also taking account of the risk of enforcement of the abovementioned performance bond and despite the fact that MFM S.p.A. could submit sound arguments against the enforcement of the bond in court. To date the Anti-Corruption Authority has not yet concluded its preliminary investigations.
On 16 June 2017, Consip officially informed MFM S.p.A. of its own decision concerning the exclusion of the Company from the tenders for new agreements relating to cleaning services of barracks ("Consip Caserme") and to cleaning services with health service providers ("Consip Sanità"), with the intention also to confiscate, in this last case, the surety given by the Company during the tender for the amount of approximately € 10.4 million (known as "bid bond"). However, on 13 July 2017 and on 14 September 2017 respectively, the Lazio Regional Administrative Court ordered the suspension of the measures of exclusion, deferring the decision on the merits of the appeal to the hearing scheduled for 25 October 2017, which was rescheduled for 21 February 2018. In this venue the Company had its appeal rejected and appointed its legal counsels to file an appeal with the Council of State, while submitting a request for precautionary measure from a single-member court and for suspension of the enforcement of the challenged order. The appeal was served on 10 March 2018.
In relation to the above-mentioned exclusions, ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) decided to open two proceedings concerning its entry in the electronic criminal records of ANAC, as "Useful information". These proceedings were also suspended by ANAC until the outcome on the merits mentioned above and of proceedings for the application of disqualification measures, which have also been suspended.

With reference to the events referred to above, the Directors also point out that, despite a context that is significantly affected by new regulations and more restrictive approaches with respect to the previous ones, the Company believes that a risk may actually arise mainly with regard to delays in awarding some tenders attributable to situations of further worsening of the disputes connected with the participation in or the awarding of said tenders. To date the risk of the Company being temporarily excluded from public tenders as a result of an order issued by the ANAC can be reasonably regarded as not probable, in consideration of the defence arguments discussed with the Company's legal counsels, which may be submitted both upon participation in the ANAC procedure and at the time of any possible appeal filed with administrative courts, as well as based on the rulings recently handed down by the latter, which has suspended the abovementioned exclusion measures already enacted.

The aforesaid decisions do not imply in any case any impediment for MFM S.p.A. to the participation and awarding of new calls for tenders by Consip and, more in general, by the Public Administration, and any other awarding procedure in progress remains absolutely valid. Moreover, on 16 June 2017, MFM S.p.A. received official communication from Consip to sign the agreements for the two batches of the "Consip Mies 2" tender relating to the award of an "integrated technology multi-service with energy supply for buildings used by Public Health Administrations": these agreements were formally signed on 20 September 2017 and the procedure to sign the individual supply orders was subsequently started. These contracts have a term of 5 or 7 years, at the discretion of each administration, starting from the activation of each supply (expected in the 2018 financial year), with a total limit for MFM S.p.A. of more than € 250 million. Both the Consip Sanità and Consip Caserme tenders, and the Consip Mies 2 agreement, did not generate consolidated Revenues during the 2017 financial year and are not included in the Group's backlog at 31 December 2017.

On 23 March 2017 AGCM notified MFM S.p.A. of the initiation of a preliminary investigation procedure against CNS – Consorzio Nazionale Servizi Società Cooperativa, Dussmann Service, S.r.l., Engie Servizi S.p.A. (formerly Cofely Italia S.p.A.), 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 and has allowed the Companies to access the papers of the proceedings. By an order of 22 November 2017 the Competition Authority also extended, both objectively and subjectively, the proceedings that had already been started; to date these proceedings also concern the SIE3 and MIES2 tenders and involve the industrial holding companies which control the entities initially involved (even if they have not been extended to the parent company Manutencoop Società Cooperativa). The Company firmly rejects the arguments holding an alleged collusive

agreement with the other companies involved in the proceedings. The Directors believe that in no case are the requirements met in terms of probability, as well as of reliable estimate, required by the international accounting standards to set aside a provision for risks.

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

Provision for termination employee benefits

This provision has been set aside to include the amounts due for severance and employee redundancy costs, as part of the sundry restructuring plans implemented by some Group companies over the last few years. At 31 December 2016 the Group had recognized provisions totalling € 2,000 thousand (of which € 1,400 thousand in MFM S.p.A. and € 127 thousand in Servizi Ospedalieri S.p.A.). These provisions were used in full during the year, while the accruals (equal to € 407 thousand) relate to the corporate reorganisation process started by Sicura S.p.A..

Other provisions for risks and charges

The provision, amounting to € 2,088 thousand at 31 December 2017, recognized an overall increase equal to € 881 thousand in the year, attributable to subsidiary Sicura S.p.A. within the scope of the abovementioned reorganisation of the company structure, which involved in particular the sales network.

14. DERIVATIVES

At 31 December 2017, the Group did not record any derivative assets or liabilities.

15. BORROWINGS, LOANS AND OTHER CURRENT FINANCIAL LIABILITIES

The items *Non-current loans* and *Loans and other current financial liabilities* include both the non-current and current portion of loans from credit institutions and consortium members, respectively.

Furthermore, in application of the financial method of recognizing leases, payables to other lenders are included, as well as other current debt balances of a financial nature such as, for example, the debt for the acquisition of investments or business units and the liability for dividends to be paid.

The tables below set forth the qualitative breakdown by current and non-current financial liabilities at 31 December 2017 and at December 2016.

	31 December 2017	within 1 year	from 1 to 5 years	after 5 years
C.C.F.S. loan	5,000		5,000	
Prepaid interest expenses	(1,024)	(316)	(708)	
Accrued interest expense	230	230		
Long-term bank borrowings and current portion of long-term bank borrowings	**4,206**	**(86)**	**4,292**	**0**
Proceeds Loan from CMF S.p.A.	168,562	704	167,858	
Current account overdrafts, advance payments and hot money	6,000	6,000		
Finance lease obligations	3,622	491	1,362	1,769
Loans from syndicated shareholders	369	369		
Loan from parent company Manutencoop Società Cooperativa	225	225		
Other financial liabilities	13	13		
Obligations from assignments with recourse	29,999	29,999		
Due to factoring agencies	4,902	4,902		
Debt for the acquisition of investments/business unit	66	66		
Share capital to be paid into investee companies	482	482		
TOTAL FINANCIAL LIABILITIES	**218,446**	**43,165**	**173,512**	**1,769**

	31 December 2016	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	294,648		294,648	
C.C.F.S. loan	10,000		10,000	
Prepaid interest expenses	(47)	(47)		
Accrued interest expense	10,681	10,681		
Long-term bank borrowings and current portion of long-term bank borrowings	**315,282**	**10,634**	**304,648**	**0**
Current account overdrafts, advance payments and hot money	11,857	11,857		
Finance lease obligations	914	495	419	
Loans from syndicated shareholders	357	357		
Other financial liabilities	7	7		
Amounts collected on behalf of assignees of trade receivables	2,744	2,744		
Obligations from assignments of receivables with recourse	20,805	20,805		
Debt for the acquisition of investments / business units	226	226		
Options on subsidiaries' minority shareholdings	5,438	5,438		
Share capital to be paid into investee companies	692	277	415	
TOTAL FINANCIAL LIABILITIES	**358,322**	**52,840**	**305,482**	**0**

Senior Secured Notes 2013 (MFM S.p.A.)

On 2 August 2013 the Parent Company MFM S.p.A. issued secured High Yield bonds (Senior Secured Notes) due 1 August 2020, reserved for institutional investors. The bonds, which are listed on the Euro MTF Market of the Luxembourg Stock Exchange and on the Extra MOT Pro Segment of the Italian Stock Exchange, were initially issued for a nominal value of € 425 million, with an issue price below par by 98.713%, with a fixed annual 8.5% coupon on a six-monthly settlement basis. At 31 December 2016 the nominal value of the debt was equal to € 300 million, given the buy-back transactions carried out during 2014 and 2015, for nominal portions of € 45 million and € 80 million, respectively. None of the Notes purchased (nominal value of € 125 million) were cancelled and they were deposited in a securities account with Unicredit S.p.A.. reported in the Statement of Financial Position as a straight reduction of total financial debt. A part of these securities (amounting to a nominal value of € 14 million) was pledged against committed credit line of € 10 million, due 2018, obtained from CCFS. This credit line was cancelled on 3 July 2017 resulting in the repayment of the debt for principal and, on 20 July 2017, the Parent Company requested the Trustee and the Paying Agent to formally delete all Notes previously held in the portfolio.

On 13 October 2017 the Parent Company MFM S.p.A., in carrying out the refinancing and corporate reorganisation of the Group controlled by Manutencoop Società Cooperativa, took steps for the early redemption of the Senior Secured Notes bond issue at the redemption price of 102.125% envisaged for the early redemption in the Indenture signed during the 2013 financial year (with an issue premium of € 6,375 thousand). The date of redemption (and the consequent cancellation of the Notes) has been set at 13 November 2017 and a negative interest has been paid for the same for 30 days, equal to € 105 thousand.

The redemption of the Notes has also entailed the reversal of the remaining additional costs for the issue, accounted for at amortised cost, through profit or loss, for € 4,368 thousand, to which must be added accrued financial costs, which were already accounted for before the redemption for € 984 thousand (€ 1,213 thousand for the 2016 financial year). Finally, financial costs accrued on the coupons of the cancelled Notes until the redemption date for € 22,029 thousand (€ 25,500 thousand for the entire 2016 financial year).

Proceeds Loan (MFM S.p.A.)

During the last quarter of the 2017 financial year the parent company Manutencoop Società Cooperativa carried out a corporate reorganisation and refinancing of the entire Manutencoop Group.

The corporate reorganisation involved the transfer of the shares held by Manutencoop Società Cooperativa in the Parent Company MFM S.p.A. to a newly-established corporate SPV named CMF S.p.A., which also completed the acquisition of the shares held by Institutional Investors in the share capital of MFM S.p.A. (equal to 33.2%). Therefore CMF S.p.A. is now the sole shareholder of MFM S.p.A..

As already mentioned, the refinancing transaction required MFM S.p.A. to repay the Notes that had been issued during the 2013 financial year through the use of a portion of its own Cash and cash equivalents, while raising an intercompany loan (Proceeds Loan) in a nominal amount of € 190.3 million from its direct controlling company CMF S.p.A.; during the 2017 financial year the latter launched a new Senior Secured Notes bond issue in a nominal amount of € 360 million, below par (at 98%), due 2022 and a six-monthly coupon of 9.0%.

In consideration of this Proceeds Loan, the Parent Company has also sustained additional costs for the issue in an initial total amount of € 9,121 thousand, charged back by CMF S.p.A. in proportion to the proceeds reserved for it (equal to 52.86% of total issue). These additional costs have been also accounted for according to the amortised cost, which gave rise to amortisation costs of € 990 thousand during the last quarter of 2017, an amount of € 687 thousand of which relates to the portion of loan (€ 14.3 million) repaid on 12 December 2017, to provide CMF S.p.A. with the financial resources required to pay the six-monthly coupon due 15 December 2017. The Loan bears interest at 9.0%, which amounted to € 3.6 million at 31 December 2017.

The book value of the Proceeds Loan at 31 December 2017 amounted to € 168,562 thousand, against the residual debt on account of principal for € 175,990 thousand, net of the adjustment relating to amortised cost, equal to € 8,132 thousand and increased by interest accrued on the loan and not yet paid, equal to € 704 thousand.

Super Senior Revolving (RCF)

At the same time as the bond issue, the controlling company CMF S.p.A. also entered into a Super Senior Revolving loan agreement with Unicredit Bank AG (RCF), to which MFM S.p.A. is a party as Borrower.

The 5-year credit facility (expiring on 15 December 2021) provides for a credit line at sight, in a maximum nominal amount of € 50 million, for the entire term. The facility was activated in order to meet temporary cash requirements (if any) and therefore ensures greater financial flexibility. CMF S.p.A. has charged all financing costs (equal to € 1,000 thousand) back to the Parent Company MFM S.p.A., which will be also amortised on a straight-line basis throughout the entire term of the credit facility. This amortisation had an impact of € 52 thousand on the 2017 financial year and the remaining amount of these costs was accounted for as a prepaid expense of € 948 thousand on the reporting date of the Consolidated Financial Statements.

After the planned merger of CMF S.p.A. by incorporation into subsidiary MFM S.p.A., Servizi Ospedalieri S.p.A. may also access the Super Senior Revolving credit facility, providing a specific personal security.

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

reporting date of these financial statements the financial covenants had been complied with and no use of the facility had been requested from the execution of the agreement.

C.C.F.S. loan C.C.F.S.

At 31 December 2016 non-current financial liabilities included a loan with CCFS amounting to € 10,000 thousand, under an agreement that had been entered into by the Parent Company MFM S.p.A. on 6 August 2015, due August 2018. The loan showed a fixed interest rate, net of a spread with quarterly settlement and was backed by a pledge over the Notes repurchased in previous years and held on securities accounts for € 14 million. This credit facility was repaid early on 3 July 2017, at the same time as the cancellation of the pledge on the Notes.

On 14 November 2017 the Parent Company MFM S.p.A. signed a new loan agreement with CCFS for a total amount of € 10 million. The loan includes two lines of credit, the first of which, amounting to € 5,000 thousand, was disbursed at the same time as the execution and will expire in April 2023. The second 66-month line of credit, for an additional amount of € 5,000 thousand, was disbursed on 13 February 2018, after the end of the financial year and provides for the repayment in six-monthly instalments, with a pre-amortisation period of 12 months.

Obligations arising from finance lease

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

On 3 March 2017 the subsidiary Servizi Ospedalieri S.p.A. signed a financial lease agreement with Unicredit Leasing S.p.A. for the purchase of a factory of Lucca, previously used through a lease contract with Manutencoop Immobiliare S.p.A. (company of the Manutencoop Società Cooperativa Group that owned it), for a value of € 4,467 thousand. The finance lease had a duration of 12 years with an initial down payment of € 1,117 thousand and constant monthly instalments, with option for repayment on maturity. The residual debt relating to this financial lease agreement amounted to € 4,060 thousand at 31 December 2017.

Syndicated loans

This item refers to financing provided by the consortium members, which are minorities in the consortium companies included within the scope of consolidation, since they are owned or held in joint venture at 50%. In certain cases, these loans are non-interest-bearing loans and are repayable on request. In other cases, they have a contractually defined maturity and, in others still, they do not have a contractually defined maturity but will essentially be repayable at the end of the long-term service contract, on the basis of which the consortium company was established.

The balance of this item, equal to € 369 thousand, remained substantially unchanged compared to 31 December 2016.

Due to factoring agencies

This item includes receipts from customers on receivables assigned within the factoring of trade receivables without recourse claimed from the National Health System, which was entered into with Banca Farmafactoring S.p.A in 2016, as well as on some of the assignments without recourse of trade receivables claimed from Public Authorities, in relation to which the Parent Company MFM performs the collection service. The amounts collected (equal to € 4,902 thousand at 31 December 2017) were transferred to the factor in the first days of the month after the end of the financial year.

Obligations from assignments of receivables with recourse

During 2015 the Parent Company MFM S.p.A entered into an agreement for the assignment with recourse of trade receivables with Unicredit Factoring S.p.A., concerning receivables from Public Authorities. During 2017 assignments with recourse were made with regard to trade receivables at a nominal value of receivables of € 47,120 thousand. At 31 December 2017 the Group showed obligations arising from assignments with recourse of receivables equal to € 29,999 thousand (€ 20,805 thousand at 31 December 2016).

Options on subsidiaries' minority shareholdings

The options on subsidiaries' minority shareholdings were recognised for an amount of € 5,438 thousand at 31 December 2016 and fully related to the residual value of the Put option held by the minorities of Gruppo Sicura S.r.l. (acquired in 2008 and now merged by incorporation into Sicura S.p.A.). The Investment Agreement signed with the minority shareholders provided for MFM S.p.A. to be granted a Call option exercisable by 30 September 2017. This option was exercised on the expiry date, while the cash outflow (equal to the value previously recognised in the accounts) and the actual acquisition of the shares took place on 10 August 2017.

Prepaid interest expenses

At 31 December 2017 the Group recognised prepaid interest expenses of € 1,024 thousand. The item mainly relates to the arrangement fees initially incurred by CMF S.p.A. for the execution of the RCF agreement (€ 1,000 thousand) and fully charged back to the Parent Company MFM S.p.A..

Share capital to be paid into investee companies

The Group recognized liabilities for capital contribution to be paid to unconsolidated companies for € 482 thousand, against € 692 thousand recognised at 31 December 2016. The change compared to the previous year was due to the partial payment by MFM S.p.A. of the quotas of share capital held in Consorzio Integra.

Debt for the acquisition of investments/business units

This item amounted to € 66 thousand at 31 December 2017 (€ 226 thousand at 31 December 2016). The change was due to the settlement agreement reached by subsidiary Sicura S.p.A. on the residual

consideration relating to the acquisition of the business unit from Triveneta Servizi S.r.l. in the 2015 financial year.

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

The table below sets forth the breakdown of the item at 31 December 2017 and 31 December 2016:

	31 December 2017	of which to related parties	31 December 2016	of which to related parties
Trade payables	340,362		315,137	
Trade payables to third parties	**340,362**	**0**	**315,137**	**0**
Trade payables to Manutencoop Società Cooperativa	12,450	12,450	4,770	4,770
Trade payables to Group companies within 12 months	26,069	26,069	14,648	14,648
Trade payables to the Manutencoop Group	**38,519**	**38,519**	**19,418**	**19,418**
Advances from customers and payables for work to be performed	14,141	0	11,753	5
TRADE PAYABLES AND ADVANCES FROM CUSTOMERS	**393,022**	**38,519**	**346,308**	**19,423**
Fees due to directors and statutory auditors	531		396	
Tax payables	9,323		9,799	
Payables to social security institutions within 12 months	9,823		8,080	
Other payables to TJA	6,824		6,017	
Payables to employees within 12 months	48,974		46,661	
Other payables within 12 months	14,643		11,360	
Property collection on behalf of customers	2,176		2,176	
Other current operating payables to third parties	**92,294**	**0**	**84,489**	**0**
Other current payables to Manutencoop Società Cooperativa	42	42	62	62
Other payables to Group subsidiaries	(10)	(10)	(17)	(17)
Other current operating payables to Manutencoop Group	**32**	**32**	**45**	**45**
Accrued expenses	8		9	
Deferred income	1,081		1,366	
Accrued expenses and deferred income	**1,089**	**0**	**1,375**	**0**
OTHER CURRENT LIABILITIES	**93,415**	**32**	**85,909**	**45**

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

Trade payables and advances from customers at 31 December 2017 amounted to € 393,022 thousand, against a balance of € 346,308 thousand at 31 December 2016.

Trade payables to Manutencoop Group, amounting to € 38,519 thousand at 31 December 2017, are mainly composed of payables due to Manutencoop Società Cooperativa for € 12,450 thousand, Bologna Multiservizi Soc. Cons. a r.l. for € 606 thousand, Como Energia Soc.Cons.a r.l. for € 999 thousand, Bologna Global Strade Soc. Cons. a r.l. for € 3,926 thousand, Servizi Napoli 5 Soc.Cons. a r.l. for € 1,310 thousand, Se.Sa.Tre. Soc. Cons. a r.l. for € 1,352 thousand and CO.& MA. Soc. Cons. a r.l for € 709 thousand.

Other current liabilities showed a balance of € 93,415 thousand at 31 December 2017 (€ 85,909 thousand at 31 December 2016) and are mainly made up of the following items:

- payables to employees of € 48,974 thousand (€ 46,661 thousand at 31 December 2016) including the current monthly salaries to be paid in the months after the closing of the period, as well as payables for additional monthly salaries to be paid (a portion of the 14th salary, to be paid in the month of July, and the 13th salary, to be paid each year in the month of December). Furthermore, the corresponding payables to social security institutions were recognized for € 9,823 thousand (€ 8,080 thousand at 31 December 2016);
- payables to tax authorities for € 9,323 thousand, mainly relating to the balance of payables for VAT payments on the part of some Group companies and of the IRPEF tax payable for employees (€ 9,799 thousand at 31 December 2016);
- receipts on behalf of Temporary Associations of Companies (ATI) for € 6,824 thousand, which relate to the amounts collected by the Group, on behalf of third parties, mostly relating to job orders under "CONSIP" agreements (€ 6,017 thousand at 31 December 2016).

"Other payables within 12 months" included the debt relating to "*Oneri di Sistema*" until 31 December 2016. The Parent Company MFM S.p.A. in fact holds some major contracts for energy services for which operating payables relating to "*Oneri di Sistema*" were recognised for a total amount of € 6,152 thousand in previous years (according to the regulatory provisions laid down in Decree Law 91/2014, as amended and converted by Law 116/2014 and in the related implementing Decree issued in 2015). On 23 February 2017 the Chamber of Deputies finally approved Decree Law 244 of 30 December 2016, the "*Milleproroghe*" Decree, and converted it into law. The introduced amendments had a significant impact on the regulations in force governing the "*Oneri di Sistema*" and in particular abrogated the rule according to which, except for RIUs, the general "*oneri di sistema*" are determined with reference to the consumption of electricity. According to the previous Bersani Decree (Legislative Decree 79/99), the "*oneri di sistema*" are payable based on the energy withdrawn from the grid: consequently, the entities that do not withdraw energy from the grid because they produce it on their own are exempted from the payment of these charges. Therefore, on the basis of the new regulations, the management of the Parent Company MFM S.p.A. believed that there was no need to record additional "*Oneri di Sistema*" in 2017, assimilating also the elimination of the payment obligations for those related to the previous years for which no payment had been made.

On the other hand, in the first half of 2017, the payable related to the Competition Authority fine of € 14,700 was recorded in the same item following the dismissal by the Lazio Regional Administrative Court of the request for suspension of the payment made by MFM S.p.A. (for further details, refer to the previous note 13). Moreover, the Competition Authority intervened with measure of 28 April 2017 by allowing to pay the fine in 30 monthly instalments at the legal interest rate of currently 0.1%. Therefore, MFM S.p.A. reclassified the provision for disputes already allocated in previous financial years, equal to € 14,700 thousand, and paid no. 9 monthly instalments. The balance of the residual debt at 31 December 2017 was equal to € 10,294 thousand.

17. OPERATING SEGMENTS

The services provided by the MFM Group can be divided into three primary areas of business, which coincide with the Strategic Business Units (SBU) where business is channelled. The latter is not affected by significant seasonality factors.
The SBUs identified coincide with the CGUs where the Group's activities are conducted. See note 5 for details.

Information on the operating segments for the financial year ended 31 December 2017

	Facility Management	Laundering & Sterilization	Eliminations	Total
Segment revenues	790,346	130,515	(2,770)	918,091
Segment costs	(748,963)	(113,714)	2,770	(859,907)
Operating income (loss) by segment	**41,383**	**16,801**	**0**	**58,184**
Share of net profit of associates	(2,319)	374		(1,945)
Net financial income (costs)				(39,514)
Profit (loss) before taxes				**16,725**
Income taxes				(16,010)
Profit (loss) from discontinued operations				0
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2017				**715**

	Facility Management	Laundering & Sterilization	Eliminations	Total
Assets allocated to the segment	447,605	116,856	(1,885)	562,576
Goodwill	358,600	11,763		370,363
Investments	26,870	6,290		33,160
Assets held for sale				
Other assets not allocated and related taxes				101,235
SEGMENT ASSETS	**831,966**	**134,910**	**(1,885)**	**1,066,225**
Liabilities allocated to the segment	480,629	57,549	(1,885)	536,293
Other liabilities not allocated and related taxes				231,151
SEGMENT LIABILITIES	**480,629**	**57,549**	**(1,885)**	**767,444**

	Facility Management	Laundering & Sterilization	Total
Other segment information at 31 December 2017			
Investments in segment assets	9,915	21,634	31,549
Amortisation/depreciation and write-downs of segment assets	13,759	16,522	30,280

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

	Facility Management	Laundering & Sterilization	Eliminations	Total
Segment Revenues	797,237	134,788	(2,928)	929,097
Segment costs	(741,494)	(117,241)	2,928	(855,807)
Operating income (loss) by segment	**55,743**	**17,547**	**0**	**73,290**
Share of net profit of associates	1,787	(98)		1,688
Net financial income (costs)				(27,759)
Profit (loss) before taxes				**47,219**
Income taxes				(14,738)
Profit (loss) from discontinued operations	1,052			1,052
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2016				**33,533**

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

	Facility Management	Laundering & Sterilization	Total
Other segment information at 31 December 2016			
Investments in segment assets	8,823	21,712	30,535
Amortisation/depreciation and write-downs of segment assets	13,854	18,861	32,714

Geographical areas

The Group conducts its core business in Italy. At 31 December 2017 the activities conducted abroad were entirely marginal for the Group and generated revenues amounting to € 1,112 thousand (€ 1,752 thousand at 31 December 2016).

The information by geographical area required by IFRS 8 is shown below for the years ended 31 December 2017 and 2016.

	Italy	Foreign countries	Eliminations	Total
Information by Geographical Area at 31 December 2017				
Revenues	916,979	1,112		918,091
Non-current operating assets	469,870	3		469,873

	Italy	Foreign countries	Eliminations	Total
Information by Geographical Area at 31 December 2016				
Revenues	927,346	1,752		929,098
Non-current operating assets	464,989	14		465,003

18. REVENUES FROM SALES AND SERVICES

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Revenues from product sales	11,107	8,700
Service revenues	785,370	810,591
Revenues from construction activities and plant installation	79,923	72,068
Other sales revenues	39,727	35,399
REVENUES FROM SALES AND SERVICES	**916,127**	**926,758**

At 31 December 2017, the item Revenues from sales and services amounted to € 916,127 thousand (€ 926,758 thousand at 31 December 2016).

The decrease recorded in this item was mainly attributable to the Private market, as detailed in the Report on Operations. On the contrary, Revenues substantially remained stable in the Healthcare and Public Administration markets, in which the Company continues to hold a leading market position.

19. OTHER REVENUES

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Grants	819	673
Asset capital gains	313	528
Recovery of costs - seconded personnel	275	252
Payment of damages	320	790
Revenues for leases and rentals	32	15
Other revenues	205	82
OTHER REVENUES	**1,964**	**2,340**

At 31 December 2017 the balance of *Other revenues* was € 1,964 thousand compared to € 2,340 thousand in 2016.

An amount of € 819 thousand was recognised as operating grants, mainly relating to contributions on employee training projects. Capital gains were predominantly realised by Servizi Ospedalieri through the sale of linen and machinery no longer usable in linen rental and industrial laundering activities.

20. COSTS OF RAW MATERIALS AND CONSUMABLES

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Fuel consumption	45,022	48,739
Consumption of raw materials	57,887	51,873
Purchase of semi-finished/finished products	298	56
Purchase of auxiliary materials and consumables	13,897	12,380
Packaging	1,898	1,815
Change in inventories of fuel and raw materials	(1,675)	318
Other purchases	2,415	2,434
CONSUMPTION OF RAW MATERIALS AND CONSUMABLES	**119,742**	**117,615**

At 31 December 2017 the item amounted to € 119,742 thousand compared to € 117,615 thousand at 31 December 2016. The increase, equal to € 2,127 thousand, is mainly due to the higher consumption of auxiliary materials as a result of the integrated service contracts that were mostly developed during the current financial year.

21. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Third-party services	221,594	219,384
Consortia services	10,754	11,017
Equipment maintenance and repair	7,244	7,044

	For the year ended	
	31 December 2017	31 December 2016
Professional services	39,238	38,302
Statutory Auditors' fees	307	495
Transport	7,870	7,981
Advertising and promotion	241	387
Bonuses and commissions	2,201	2,630
Insurance and sureties	4,474	4,355
Bank services	290	301
Utilities	6,860	7,834
Travel expenses and reimbursement of expenses	3,956	3,265
Employee services	6,749	6,815
Other services and contingent items	(828)	1,481
Costs for services	**310,950**	**311,291**
Rent expense	13,075	14,912
Rentals and other	4,233	5,162
Costs for leased assets	**17,308**	**20,074**
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**328,258**	**331,365**

For the year ended 31 December 2017 *Costs for services and use of third party assets* totalled € 328,258 thousand, marking a decrease of € 3,107 thousand compared to the previous year, mainly due to lower costs for hires and rentals.

Specifically, between the end of 2016 and the beginning of 2017, subsidiary Servizi Ospedalieri S.p.A. acquired from Manutencoop Immobiliare S.p.A. the properties located in Ferrara, Lucca and Teramo, which already hosted its production activities. Therefore, costs relating to the use of these properties were recognised as depreciation, in lieu of costs for rentals, during 2017.

Moreover, as early as in previous years, the Group changed the mix of production factors in the performance of certain activities, with a change in favour of the cost of labour, as described in detail under note 22 below.

This item also includes costs for professional services, which were incurred by the Parent Company MFM S.p.A. during the year, against the early redemption of the Senior Secured Notes issued in 2013, as well as costs for advice relating to obtaining the Proceeds Loan from CMF S.p.A. for a total amount of € 4,332 thousand.

22. PERSONNEL COSTS

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Wages and salaries	250,768	247,169
Social security charges	77,801	76,708
Secondment costs	30,426	31,897
ESI paid to INPS (National Social Security Institute) and to funds	14,539	14,517
Directors' fees	1,193	1,602
Other personnel costs	1,857	1,028
Current benefits	**376,584**	**372,921**
Employee termination indemnity provision	935	889
Subsequent benefits	**935**	**889**
Employment termination benefits	4,619	2,456
Employment termination benefits	**4,619**	**2,456**
PERSONNEL COSTS	**382,138**	**376,266**

At 31 December 2017, Personnel Costs, equal to € 382,138 thousand, showed an increase of € 5,872 thousand compared to the previous year (when they amounted to € 376,266 thousand).

During 2017 work continued on the reorganisation efforts of certain Group companies, which entailed additional costs for early retirement incentives for € 4,619 thousand. This item includes non-recurring costs arising from the reorganisation of the Company's units.

At 31 December 2017 the item also included costs arising from a non-recurring bonus paid to the employees in relation to the complex reorganisation of the Manutencoop Group, which led to the exit of the private equity funds that held minority interests in MFM S.p.A. (€ 3,809 thousand).

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

The ratio between *Revenues from sales and services* and the total amount of costs for internal personnel ("*make*") and services costs ("*buy*") relating to third-party services, services provided by consortia and professional services, came to 141% at 31 December 2017 against 144% at 31 December 2016. The "make-or-buy ratio" shows that the Group is continuing to implement an organisational preference for producing by greater recourse to internal production factors than to purchasing services from external sources.

23. OTHER OPERATING COSTS

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Capital losses on disposals of assets	19	69
Losses on receivables		46
Other taxes	2,277	2,144
Fines and penalties	1,341	3,235
Other operating costs and contingent items	(3,356)	2,406
OTHER OPERATING COSTS	**281**	**7,900**

Other operating costs amounted to € 281 thousand, showing a decrease of € 7,619 thousand compared to the previous year (€ 7,900 thousand at 31 December 2016).

"Other operating costs and contingent items" include the contingent asset relating to costs for "*Oneri di Sistema*" allocated in previous years for € 6,152 thousand. The Parent Company MFM S.p.A. in fact holds some major contracts for energy services for which operating payables relating to "*Oneri di Sistema*" were recognised in previous years, according to the regulatory provisions laid down in Decree Law 91/2014, as amended and converted by Law 116/2014 and in the related implementing Decree issued in 2015). On 23 February 2017 the Chamber of Deputies finally approved Decree Law 244 of 30 December 2016 (the "*Milleproroghe*" Decree) and converted it into law. The introduced amendments had a significant impact on the regulations in force governing the "*Oneri di Sistema*" and in particular abrogated the rule according to which, except for RIUs, the general "*oneri di sistema*" are determined with reference to the consumption of electricity. According to the previous Bersani Decree (Legislative Decree 79/99), the "*oneri di sistema*" are payable based on the energy withdrawn from the grid: consequently, the entities that do not withdraw energy from the grid because they produce it on their own are exempted from the payment of these charges. Therefore, on the basis of the new regulations, the management of the Parent Company MFM S.p.A. believed that there was no need to record additional "*Oneri di Sistema*" in 2017, assimilating also the elimination of the payment obligations for those related to the previous years for which no payment had been made.

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

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Amortisation of intangible assets	7,446	6,748
Depreciation of property, plant and equipment	19,317	20,490
Write-downs of receivable, net of releases	3,200	4,507
Write-downs of other investments		123
Impairment of Property, Plant and Equipment		614
Other write-downs	317	232
AMORTIZATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**30,280**	**32,714**

At 31 December 2017 the item *Amortization/depreciation, write-downs and write-backs of assets* amounted to € 30,280 thousand compared to € 32,714 thousand at 31 December 2016. The changes that were reported in the breakdown of the item entail an overall decrease in the charges recognised compared to the balance recorded at 31 December 2016, equal to € 2,434 thousand. Specifically note the following:

- A decrease in amortization/depreciation for a total of € 475 thousand, mainly attributable to property, plant and equipment and arising from an overall lower net book value of fixed assets recognized compared to the previous year;
- A decrease in the write-downs of receivables made for € 1,307 thousand during the year;
- The non-recognition of costs arising from write-downs of fixed assets and other equity investments during 2017, which had been recorded for € 737 thousand in the previous year;
- An increase in other write-downs, mainly concerning some receivables from suppliers, for € 85 thousand.

25. DIVIDENDS, INCOME AND CHARGES FROM INVESTMENTS

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Dividends	175	484
Capital gains (capital losses) from sale of equity investments	0	14
DIVIDENDS, INCOME AND CHARGES FROM INVESTMENTS	**175**	**498**

In 2017, dividends were collected from other companies not included under the scope of consolidation. They amounted to € 175 thousand, € 16 thousand of which from investee companies of the Parent Company MFM S.p.A. and € 159 thousand from investee companies of Servizi Ospedalieri S.p.A..

26. FINANCIAL INCOME

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Interest on bank current accounts	13	17
Interest on non-proprietary and intercompany current accounts	515	574
Interest on trade receivables	3,154	877
Interest from discounting of non-interest bearing loans	3	4
Other financial income	77	492
FINANCIAL INCOME	**3,762**	**1,964**

Financial income recorded an increase compared to the previous year, equal to € 1,798 thousand. The main change in the item related to the recognition of default interest payable by a customer in the public sector following an in-court settlement ruling for € 2,476 thousand.

27. FINANCIAL COSTS

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Charges on current account overdrafts		104
Financial charges on other loans	22,802	26,610
Financial costs for finance leases	125	46
Financial costs on intercompany loans	4,794	
Interest discount on assignments of receivables without recourse	1,869	1,418
Interest on trade payables	126	178
Other financial costs	13,409	1,827
FINANCIAL COSTS	**43,125**	**30,183**

In 2017 *Financial costs* recorded an increase of € 12,942 thousand compared to the previous year. During the last quarter of the year this item included the recognition of non-recurring financial costs arising from the abovementioned Refinancing of the Manutencoop Group, which led the Parent Company MFM S.p.A. to make an early redemption of the Senior Secured Notes bond issue, which had been launched in 2013, initially due 2020 and with a six-monthly coupon of 8.5%, and to obtain an intercompany loan (Proceeds Loan) in a nominal amount of € 190.3 million from its direct controlling company CMF S.p.A.; in 2017 the latter launched a new Senior Secured Notes bond in a nominal amount of € 360 million, below par (at 98%), due 2022 and with a six-monthly coupon of 9%.

Specifically, the Parent Company sustained early redemption costs of € 6,375 thousand (stated under *Other financial costs*), based on the redemption price set in the rules of the cancelled Senior Secured Notes and charges arising from the negative interest accrued with respect to the repayment of the capital quota to bondholders (€ 105 thousand, stated under item *Financial charges on other loans*).
The redemption of the Notes has also entailed the reversal of the remaining additional costs for the issue, accounted for at amortised cost, through profit or loss, for € 4,368 thousand, to which must be added accrued financial costs, which were already accounted for before the redemption for € 984 thousand (€ 1,213 thousand for the 2016 financial year), also stated under *Other financial costs*.
After having obtained the Proceeds Loan from CMF S.p.A., the Parent Company has also sustained additional costs for the issue in an initial total amount of € 9,121 thousand, charged back by CMF S.p.A. in proportion to the proceeds reserved for it (equal to 52.86% of total issue). These additional costs have been also accounted for according to the amortised cost, which gave rise to amortisation costs of € 990 thousand during the last quarter of 2017, an amount of € 686 thousand of which relates to the portion of loan (€ 14,310 thousand) repaid on 12 December 2017, to provide CMF S.p.A. with the financial resources required to pay the six-monthly coupon due 15 December 2017.

Finally, financial costs accrued on the coupons of the cancelled Notes until the redemption date, amounting to € 22.0 million (€ 25.5 million for the entire 2016 financial year), stated under *Financial charges on other loans.*
The Proceeds Loan bears interest equal to 9.0%, amounting to € 3,643 thousand (stated under *Financial costs on intercompany loans*) at 31 December 2017.

At the same time as the bond issue, the controlling company CMF S.p.A. also entered into a Super Senior Revolving loan agreement for € 50 million, to which MFM S.p.A. is a party as Borrower. CMF S.p.A. has charged all financing costs (equal to € 1,000 thousand) back to the Parent Company MFM S.p.A., which will be also amortised on a straight-line basis throughout the entire term of the credit facility (no drawdown had been requested on the reporting date). This amortisation had an impact of € 52 thousand on the 2017 financial year.

Finally, at 31 December 2017 the Group recognised charges correlated to the assignments of receivables without recourse carried out during 2017 for € 1,869 thousand, of which an amount of € 1,546 thousand linked to the assignment of trade receivables and an amount of € 323 thousand linked to the assignment of receivables on VAT requested for refund. At 31 December 2016 the balance of the item amounted to € 1,418 thousand, when charges of € 618 thousand were also recorded in relation to an assignment without recourse of tax credits linked to the application of Decree Law 201 of 6 December 2010, as amended and converted by Law 214 of 22 December 2011, which allowed a number of Group companies to submit a request for IRES (Corporate Income) tax refund in 2012 due to a non-deduction of IRAP (Local Production Activities) tax for a total amount of € 12.4 million.

28. CURRENT, PREPAID AND DEFERRED TAXES

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	For the year ended	
	31 December 2017	31 December 2016
Current IRES tax	9,621	13,108
Current IRAP tax	4,064	4,407
(Income) costs from tax consolidation	(1,857)	(1,534)
Adjustments to current taxes of previous years	(878)	3
Current taxes	**10,950**	**15,984**
Prepaid/deferred IRES tax	4,756	(1,259)

	For the year ended	
	31 December 2017	31 December 2016
Prepaid/deferred IRAP tax	272	(8)
Prepaid/deferred taxes relating to previous years	32	21
Prepaid/deferred taxes	**5,060**	**(1,246)**
CURRENT, PREPAID AND DEFERRED TAXES	**16,010**	**14,738**

In 2017 the Group recorded taxes totalling € 16,010 thousand, marking an increase of € 1,272 compared to the taxes recognized at 31 December 2016.

More specifically, the main changes are as follows:

- A decrease of € 3,487 thousand in the current IRES tax balance;
- A decrease di € 343 thousand in the current IRAP tax balance;
- An increase of € 323 thousand in the balance of income from tax consolidation;
- Positive adjustments to current taxes relating to previous years for € 878 thousand (a positive value of € 3 thousand posted at 31 December2016);
- recognition of a net charge of € 5,060, thousand, relating to the total balance of prepaid and deferred taxes against the recognition of a net income amounting to € 1,246 thousand in the previous year. The future recovery of deferred tax assets has been assessed on the basis of the same forecasts as those used by the Management for the impairment test on goodwill (see note 5).

At 31 December 2017 the Group recognised Current tax receivables for a total amount of € 8,745 thousand, relating to excess IRES tax advances paid to the Tax office or receivables from parent company Manutencoop Società Cooperativa (within the scope of tax consolidation) and Current tax payables equal to € 326 thousand relating to the balance of IRAP tax to be paid.

The reconciliation between current income taxes accounted for and theoretical tax resulting from the application of the IRES tax rate in force for the years ended 31 December 2017 and 31 December 2016 to pre-tax profit is as follows:

	31 December 2017		31 December 2016	
		%		%
PRE-TAX PROFIT	**16,725**		**48,604**	
of which discontinued operations	*0*		*1,385*	
Ordinary rate applicable		24.00%		27.50%
Effect of increases (decreases):				
-Temporary differences	(20,416)	-29.30%	5,517	3.12%
-Permanent differences	36,039	51.72%	(5,247)	-2.97%
IRES taxable income	**32,347**		**48,874**	
EFFECTIVE TAX / RATE	**7,763**	**46.42%**	**13,440**	**27.65%**
OF WHICH DISCONTINUED OPERATIONS	***0***		***333***	

The current IRES tax reported in the statement of reconciliation between theoretical and effective tax rates includes the effects arising from the recognition of income from tax consolidation.

The reconciliation between the effective and theoretical IRAP tax rate is shown below:

	31 December 2017		31 December 2016	
		%		%
PRE-TAX PROFIT	**16,725**		**48,604**	
of which discontinued operations	*0*		*1,385*	
Ordinary rate applicable		2.30%		2.30%
		2.68%		2.68%
		2.78%		2.78%
		2.93%		2.93%
		2.98%		2.98%
		3.90%		3.90%
		4.60%		4.60%
		4.73%		4.73%
		4.82%		4.82%
		4.97%		4.97%
Effect of increases (decreases):				
-Labour cost	332,106		337,322	
-Balance from financial management	19,386		20,113	
-Other differences between taxable base and pre-tax result	(271,770)		(300,661)	
IRAP TAXABLE INCOME	**96,446**		**105,379**	
- of which at 2.3%	272		1,558	
- of which at 2.68%	1,226		233	
- of which at 2.93%	231		250	
- of which at 3.90%	60,018		68,125	

	31 December 2017		31 December 2016	
		%		%
- of which at 4.73%	1,099		1,389	
- of which at 4.82%	29,515		29,861	
- of which at 4.97%	4,085		3,963	
EFFECTIVE TAX / RATE	**4,064**	**24.30%**	**4,407**	**9.07%**
OF WHICH DISCONTINUED OPERATIONS	*0*		***0***	

In 2017, as in 2016, the Group companies did not pay income taxes in areas other than Italy.

Deferred and prepaid taxes

At 31 December 2017 the Group recorded deferred tax assets of € 16,383 thousand, net of deferred tax liabilities of € 12,294 thousand, as shown below:

	Financial Statement Tax Effect		Economic Tax Effect	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Prepaid taxes:				
Multi-year costs	32	120	(88)	(77)
Maintenance exceeding deductible limit	27	57	(30)	(32)
Presumed losses on receivables	5,880	5,595	285	374
Provisions for risks and charges	3,699	5,259	(1,560)	(320)
Write-downs on asset items	492	659	(167)	(390)
Fees due to Directors, Statutory Auditors and Independent Auditors	116	330	(214)	119
Amortization	843	906	(63)	173
Interest expense	3,461	6,211	(2,750)	2,101
Employee benefits and length of service bonuses	1	1		(42)
Employee incentives	7	4	3	(243)
Cash cost deduction	37	8	29	1
Other adjustments	1,788	1,821	(33)	327
Total prepaid taxes	**16,383**	**20,971**	**(4,587)**	**1,991**
Deferred taxes:				
Tax amortisation		(1)	1	14
Lease for tax purposes				39
Employee benefit discounting				51
Goodwill amortisation	(10,110)	(9,454)	(656)	(837)
Purchase Price Allocation (PPA)	(1,760)	(1,828)	68	68

	Financial Statement Tax Effect		Economic Tax Effect	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Capital gains - deferred taxation				10
Undistributed profit	(152)	(326)	174	(38)
Other temporary differences	(271)	(203)	(68)	(52)
Other consolidation adjustments				
Total deferred taxes	**(12,294)**	**(11,812)**	**(482)**	**745**
NET PREPAID/(DEFERRED) TAXES	**(4,090)**	**9,159**	**(5,060)**	**1,246**

29. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

At 31 December 2017 the Group did not own Assets held for sale and did not realise any Profit (Loss) from discontinued operations.

In the Consolidated Financial Statements at 31 December 2016 the economic results achieved by these activities have been excluded from the perimeter of "Continuing operations" and are recognized under a single item of the Statement of Profit or Loss as "Profit (loss) from discontinued operations", in accordance with IFRS5.

Profit (loss) from discontinued operations

Below is the breakdown of profit (loss) from discontinued operations at 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Capital gain from the sale of MIA S.p.A.		185
Earn-out on the transfer of the SMAIL business		1,200
PROFIT (LOSS) BEFORE TAXES FROM DISCONTINUED OPERATIONS	**0**	**1,385**
Income taxes from discontinued operations		(333)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**1,052**
Basic earnings per share from discontinued operations	0	0.0096
Diluted earnings per share from discontinued operations	0	0.0096

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

- An amount of € 970 thousand (€ 1,200 thousand, net of a tax effect of € 330 thousand) relating to the payment of the earn-out on the transfer of the business of SMAIL S.p.A. that took place in 2014, as a result of the fulfilment of some contract conditions;
- An amount of € 182 thousand (€ 185 thousand, net of a tax effect of € 3 thousand) relating to the positive adjustment to the receivable for escrowed sums collected in the year and relating to the sale of MIA S.p.A. that took place in December 2014.

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

In 2017 discontinued operations generated the following cash outflows, compared with the cash flows generated during the same period of 2016:

	31 December 2017	31 December 2016
Deferred transfer price of MIA S.p.A. (2014)	0	8.948
Deferred transfer price relating to the transfer of Energyproject S.r.l. (2014)	110	76
Collection of Earn-Out amounts on the sale of SMAIL S.p.A. (2015)	950	250
NET CASH FLOW GENERATED FROM DISCONTINUED OPERATIONS	**1,060**	**9,274**

During 2017 work continued on the partial collection for a total amount of € 110 thousand (€76 thousand in 2016) of the residual receivable that MFM S.p.A. claims from the buyer of Energyproject S.r.l., which was sold in 2014.

Furthermore, the residual receivable was fully collected for the earn-out to be paid on the transfer of SMAIL S.p.A., which took place in 2015, totalling € 950 thousand (€ 250 thousand in 2016).

Finally, the cash flows reported at 31 December 2016 included an amount of € 8,948 thousand for the collection of escrowed sums deposited by the buyer of the total quota held in MIA S.p.A., which took place on 30 December 2014.

30. EARNINGS PER SHARE

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

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

	For the year ended	
	31 December 2017	31 December 2016
Net profit attributable to shareholders (in thousands of Euro)	642	33,649
Number of ordinary shares (excluding own shares) for the purpose of basic earnings per share	109,149,600	109,149,600
BASIC AND DILUTED EARNINGS PER SHARE (IN EURO)	**0.006**	**0.308**

	For the year ended	
	31 December 2017	31 December 2016
Net earnings deriving from continuing operations (in thousands of Euro)	715	32,481
Net profit /(loss) deriving from continuing operations pertaining to minority interests (in thousands of Euro)	(73)	116
Net profit deriving from continuing operations pertaining to the Group (in thousands of Euro)	**642**	**32,597**
Number of ordinary shares for the purpose of basic earnings per share	109,149,600	109,149,600
BASIC AND DILUTED EARNINGS PER SHARE OF CONTINUING OPERATIONS (IN EURO)	**0.006**	**0.299**

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

Dividends

In 2017 the Parent Company distributed a dividend of € 25,091 thousand on the profits accrued at 31 December 2016.

31. COMMITMENTS AND CONTINGENT LIABILITIES

Financial lease

The Group signed financial lease agreements primarily for plant and equipment used in the production processes of the Laundering & Sterilization SBU and for motor vehicles. On 3 March 2017 the abovementioned real property lease agreement was also signed by subsidiary Servizi Ospedalieri S.p.A. for the acquisition of the factory located in Lucca.

The table below details the amount of future rental fees deriving from financial leases and the current value of these fees:

	31 December 2017		31 December 2016	
	Rental fees	Present value of rental fees	Rental fees	Present value of rental fees
Within one year	586	491	523	495
From one year to five years	1,474	1,362	439	419
After five years	2,442	1,769	0	0
TOTAL LEASE FEES	**4,502**	**3,622**	**962**	**914**
Financial costs	(880)		(48)	
PRESENT VALUE OF LEASE FEES	**3,622**	**3,622**	**914**	**914**

At 31 December 2017 the Group granted sureties to third parties for:

- guarantees against financial obligations amounting to € 11,037 thousand (€ 4,834 thousand compared to 31 December 2016), of which € 4,425 thousand issued in the interest of associates for bank overdrafts and other financial obligations (€ 4,834 thousand at 31 December 2016);
- sureties granted to third parties to ensure the correct fulfilment of contract obligations in place with customers and suppliers, amounting to € 234,241 thousand (31 December 2016: € 229,871 thousand), of which € 435 thousand issued in the interest of associates;
- other guarantees granted to third parties in favour of associates, joint ventures and other equity investments for € 10,014 thousand (€ 15,056 thousand at 31 December 2016);
- other guarantees granted to third parties to replace security deposits required to activate utilities or to execute lease agreements, as well as for VAT refunds from Inland Revenue Agency, for a total amount of € 5,040 thousand (31 December 2016: € 4,657 thousand).

The guarantees in favour of Factoring Agencies, issued to ensure correct fulfilment of factoring contracts, were cancelled in 2017 (€ 2,104 thousand at 31 December 2016).

Guarantees given within the Senior Secured Notes bond issue of 2013

The Parent Company MFM S.p.A. and the subsidiaries Servizi Ospedalieri S.p.A. and H2H Facility Solutions S.p.A. issued, in favour of the bondholders for the bond issue placed in 2013, the following collaterals:

- first-recorded pledge on the shares held by MFM S.p.A. in H2H Facility Solutions S.p.A. and in Servizi Ospedalieri S.p.A., equal to 100% of the capital of the same;
- assignment as security of receivables from private customers claimed by MFM S.p.A. and H2H Facility Solutions S.p.A.;

- execution of a deed of pledge on the current accounts held with Unicredit S.p.A., which were credited with the amounts collected from private customers assigned as security;
- the release by Servizi Ospedalieri S.p.A. and H2H Facility Solutions S.p.A. of a personal security.

The guarantees listed above could be called by the counterparties only if one of the default events envisaged in the abovementioned contracts occurred and, therefore, until the occurrence of these events, the guaranteed assets were fully available to the Group. No default event occurred until the early redemption of the Notes. All guarantees provided within the bond issue were cancelled following the early redemption of the Notes, which took place on 13 October 2017.

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

The controlling company CMF S.p.A., which was established by parent company Manutencoop Società Cooperativa in 2017, launched a Senior Secured Notes bond issue in 2017, due 2022. On 29 June 2017 CMF also signed, as the Parent Company, a Super Senior Revolving loan agreement for € 50 million, governed by English law, to which MFM S.p.A. became a party as Borrower. In this context the Parent Company MFM S.p.A. benefitted from a Proceeds Loan bearing interest at a rate equal to that of the bond issue.

During 2018 CMF S.p.A. will be the object of a reverse merger by incorporation into its subsidiary MFM S.p.A., pursuant to the provisions laid down in the Indenture signed on 13 October 2017. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security.

The payment obligations connected to both the Bond Issue and the Super Senior Revolving facility are mainly backed by the following collateral provided on 13 October 2017 *pro indiviso* in favour of bond and bank creditors:

- a first-degree pledge over the total shares of MFM S.p.A.;
- an assignment, by way of security, involving receivables arising from the abovementioned Proceeds Loan.

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

After the completion of the Merger, MFM S.p.A. shall also create:

- a pledge over the total shares of Servizi Ospedalieri S.p.A.;
- an assignment, by way of security, involving receivables held by MFM S.p.A., arising from intercompany loans granted by it to some of its subsidiaries.

Furthermore, after the completion of the merger, the first-degree pledge over the shares of MFM S.p.A. will be the object of a deed of acknowledgment and confirmation to be signed by Manutencoop Società Cooperativa.

The guarantees listed above may be called by the counterparties only in the case that one of the events of default envisaged in the abovementioned contracts occurs; up to the occurrence of the same, the assets covered by the guarantee are fully available to the Group. At 31 December 2017 no events of default had occurred.

Contingent liabilities

As at the date of approval of the Consolidated Financial Statements at 31 December 2017 contingent liabilities had arisen for the MFM Group which had not been recognised in the accounts, for which the Management believes that the related financial risks can be regarded as possible but unlikely.

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

MFM S.p.A. is the entity liable to compensate the aggrieved party for damages for the offences of fire by negligence and violations of safety regulations following the fire which broke out in the former Olivetti area at Scarmagno, in the Province of Turin, on 19 March 2013. During 2017 hearings continued to be held before the Court of Ivrea, until the Court of first instance's ruling was issued on 24 February 2017, whereby the defendants were acquitted "for not having committed the crime". However, this judgment was appealed against by the Public Prosecutor's Office and by the aggrieved parties Prelios SGR, Telecom Italia S.p.A and Olivetti S.p.A in July 2017 and we are waiting for the hearing to be set before the Turin Court of Appeal.

In relation to this fire, the insurance companies involved paid the injured parties over € 38 million in damages and then formalised their application to recover the sum from both the individual persons charged and their employers, including MFM S.p.A.. The claim for damages amount to about € 50 million in all, including the claims from the owners of the properties affected and the above insurance company claims. On the other hand, on 24 February 2017, a writ of summons was served by AIG Europe Limited (one of the insurance companies party to the action) on MFM S.p.A. and the persons involved in order to obtain, by way of subrogation, what had already been paid to Telesystem Electronics S.r.l (owner of goods stored at the factory of Scarmagno) for a value of € 187 thousand. As part of the above proceedings, Generali Assicurazioni also appeared before the court with notice of voluntary joinder by making a similar claim for more than € 24 million.

After careful assessment of the available evidence and also following the acquittal in first instance, the Directors considered the risk as possible but unlikely.

Naples Public Prosecutor's Office investigation into the tender for awarding cleaning services at A.O.R.N. Santobono Pausilipon

On 3 April 2017 the Naples Public Prosecutor's Office served a search order against some executives of the Company, which was executed at the registered office of the same. These executives are involved in the investigation started by the Naples Public Prosecutor's Office as to the tender for awarding cleaning services at A.O.R.N. Santobono Pausilipon of Naples. The executives are charged, among other things, with

the offence of corruption pursuant to Articles 319 and 319-*bis* of the Italian Criminal Code, which is potentially relevant pursuant to Legislative Decree 231 of 2001.
The Judge for Preliminary Investigations of the Court of Naples initially took a precautionary measure (obligation to stay pursuant to Article 283 of the Italian Code of Criminal Procedure) against the Company's executive who was the only one to be investigated and who was a Company's function manager at the time of the facts being contested; instead, he ordered the revocation of the precautionary measure at the end of the custodial interrogation. Finally, on 27 April 2017, the summons for the hearing was formally served on MFM S.p.A. for discussing the request for applying the precautionary disqualification measure to the Company formulated by the Public Prosecutor pursuant to Legislative Decree 231/2001; however, the Judge for Preliminary Investigations of the Court of Naples rejected this request for disqualification measure, since he did not believe that the requirements had been met for the application of this measure.
With regard to the only two employees who at the time of the facts were executives, on 2 August, the Judge for Preliminary Investigations of the Court of Naples, at the request of the Public Prosecutor, ordered the dismissal of the related proceedings.
Finally, on 28 December 2017, the Judge for Preliminary Investigations ordered the commitment for trial for the Company and two employees. MFM S.p.A. confirms that it is completely extraneous to the alleged offences with which it is charged, while specifying that the two employees committed for trial at the time of the facts did not hold any executive office and that one of them left the Manutencoop Group well before the execution of the alleged unlawful agreement objected against. The first hearing for the trial was set for 1 March 2018 and was then postponed due to a defect in the service of process to 3 May 2018.

32. TRANSACTIONS WITH RELATED PARTIES

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

Non-interest bearing loans are only disbursed in the case of pro-quota financing granted by syndicated shareholders to consortium companies. These loans were, however, discounted in the financial statements of the Parent Company MFM S.p.A..
The Parent Company not only provides technical-production services relating to the core business, but also administrative and IT services for certain Group companies. The Parent Company also has some administrative, financial and lease service contracts in place with its indirect parent company Manutencoop Società Cooperativa, as well as a loan agreement named Proceeds Loan with its direct controlling company CMF S.p.A..

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

- e-Digital Solutions S.r.l. signed a contract with associate Roma Multiservizi S.p.A. on the basis of which it is committed to providing an Information System service. The contract makes provision for an annual consideration of € 815 thousand and will expire on 31 December 2018.
- Manutencoop Società Cooperativa sub-leased to MFM S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The lease is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 1,325 thousand to be paid in monthly instalments.
- The affiliate company Manutencoop Immobiliare S.p.A. leased to Sicura S.r.l. the property located in Vicenza (VI), at via Zamenhof no. 363, for use as offices/warehouse. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 370 thousand, to be paid in monthly instalments.
- The affiliate company Manutencoop Immobiliare S.p.A. leased to MFM S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. Annual rent is expected to be € 320 thousand, to be paid in 12 monthly instalments.
- On 6 July 2007, MFM S.p.A. signed a framework agreement with its parent company, Manutencoop Società Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Società Cooperativa to MFM S.p.A, pursuant to Title III, Chapter I of Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a legislative contract that does not grant rights to third parties, MFM S.p.A. and the parent company Manutencoop Società Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Società Cooperativa, and the operating rules for establishing and terminating said contracts.
- Manutencoop Società Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the MFM Group, to preparing pay packets.
- MFM S.p.A. signed agreements with Manutencoop Società Cooperativa and its subsidiaries for the provision of tax consultancy services.
- On 13 October 2017 MFM S.p.A. entered into a loan agreement named Proceeds Loan with the sole shareholder CMF S.p.A., expiring on 15 June 2022 and bearing interest at an annual fixed rate of 9.0%, payable on a six-monthly basis on 15 June and 15 December.

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

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

	31 December 2016	31 December 2015
BALANCE SHEET		
ASSETS		
A) Subscribed capital, unpaid	18	42
B) Fixed assets	273,189	318,497
C) Current assets	27,337	40,916
D) Accrued income and prepaid expenses	1,583	1,811
TOTAL ASSETS	**302,127**	**361,266**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity:		
Share capital	6,350	7,198
Reserves	220,471	246,108
Profit/(Loss) for the year	(44,042)	(25,637)
B) Provisions for risks and charges	4,511	2,096
C) Employee Severance Indemnity	1,506	1,700
D) Payables	112,494	129,096
E) Accrued expenses and deferred income	837	705
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**302,127**	**361,266**
INCOME STATEMENT		
A) Value of production	35,338	35,099
B) Cost of production	(39,017)	(34,539)
C) Financial income and costs	(42,610)	(4,881)
D) Value adjustments to financial assets	(4,096)	(20,108)
Income taxes for the year	6,343	(1,208)
Profit/(Loss) for the year	**(44,042)**	**(25,637)**

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

On 13 October 2017 the Shareholders' Meeting of MFM S.p.A., after the completion of the reorganisation and refinancing of the Group controlled by Manutencoop Società Cooperativa, approved the new Articles of Association and appointed a new Board of Directors and a Board of Statutory Auditors with control functions.

Fees paid to members of governing and control bodies reported below include the total fees paid to the members of these corporate bodies which acted during 2017, as well as those paid to executives with strategic responsibilities in the Parent Company, including for roles held in other Group companies:

	31 December 2017	31 December 2016
Board of Directors/Management Board		
Short-term benefits	608	703
Post-employment benefits	0	0
Total Board of Directors/Management Board	**608**	**703**
Executives with strategic responsibilities		
Short-term benefits	5,153	2,527
Post-employment benefits	141	120
Total other executives with strategic responsibilities	**5,294**	**2,647**
Board of Statutory Auditors / Supervisory Board		
Short-term benefits	196	375
Total Board of Statutory Auditors / Supervisory Board	**196**	**375**

The table below reports the fees accounted for in the 2017 consolidated income statement for audit and non-audit services rendered by EY S.p.A. and by other entities in its network:

	31 December 2017	31 December 2016
Audit services	807	586
Certification services	54	0
Other services	73	30
TOTAL FEES DUE TO THE INDEPENDENT AUDITORS	**934**	**616**

Audit services include the fees paid for the audit of annual and interim consolidated financial statements.
Certification services relate to the fees paid for the issue of tax compliance certificates and the engagements for performance of agreed-upon procedures.
Other services concerned advice services concerning the start-up of the Group's foreign operations.

33. MANAGEMENT OF FINANCIAL RISKS

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

The other financial instruments that are traditionally used by the Group Companies are made up of:

- short-term loans and revolving non-recourse and recourse factoring transactions targeted at funding working capital;
- the very short-term credit facilities used for contingent cash requirements;
- medium/long-term loans with a multi-year repayment plan to cover investments in fixed assets and acquisitions of companies and business units.

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

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

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

The table below shows the hierarchy for each class of financial asset measured at fair value at 31 December 2017 and 31 December 2016.

		Hierarchy				Hierarchy		
	31 December 2017	Level 1	Level 2	Level 3	31 December 2016	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss								
Financial receivables, securities and other non-current financial assets	**101**	101			**101**	101		
- of which securities	**101**	101			**101**	101		
Available-for-sale financial assets								
Financial receivables and other current financial assets	**0**	0			**0**	0		
- of which hedging derivatives	**0**	0			**0**	0		
- of which non-hedging derivatives	**0**	0			**0**	0		
TOTAL FINANCIAL ASSETS	**101**	**101**			**101**	**101**		

The other financial assets posted in the Statement of financial position are not measured at fair value and the Group has no financial liabilities measured at fair value at 31 December 2017 and 31 December 2016. During the period under consideration there were no transfers between fair value measurement levels.

There were no changes in allocation of financial assets that led to a different classification of asset. The Group does not hold instruments to warrant amounts receivable to mitigate credit risk. The carrying amount of financial assets, therefore, represents its potential credit risk.

Classes of financial assets and liabilities

The following table shows the classification of financial assets and liabilities recorded in the consolidated Financial Statements of the MFM Group, as required by IFRS 7, and the associated economic effects for the year ended 31 December 2017:

	31 December 2017	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	4,757	4,757	
Non-current financial assets	11,369		11,369
Other non-current assets	2,998		2,998
Total non-current financial assets	**19,124**	**4,757**	**14,367**
Current financial assets			
Trade receivables and advances to suppliers	429,165		429,165
Current tax receivables	8,745		8,745
Other current assets	30,842		30,842
Current financial assets	1,870		1,870
Cash and cash equivalents	59,870		59,870
Total current financial assets	**530,492**	**0**	**530,492**
TOTAL FINANCIAL ASSETS	**549,616**	**4,757**	**544,859**
Financial income (costs)	**3,937**	**175**	**3,762**

	31 December 2017	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	175,281		175,281
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	86		86
Total non-current financial liabilities	**175,367**	**0**	**175,367**
Current financial liabilities			
Trade payables and advances from customers	393,022		393,022
Current tax payables	326		326
Other current liabilities	93,415		93,425
Bank borrowings and other financial liabilities	43,165		43,165
Total current financial liabilities	**529,928**	**0**	**529,928**
TOTAL FINANCIAL LIABILITIES	**705,295**	**0**	**705,295**
Financial income (costs)	**(41,256)**	**0**	**(43,125)**

The same information for the year ended 31 December 2016 is shown below:

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

	31 December 2016	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	305,482		305,482
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	50		50
Total non-current financial liabilities	**305,532**	**0**	**305,532**
Current financial liabilities			
Trade payables and advances from customers	346,308		346,308
Current tax payables	1,363		1,363
Other current liabilities	85,909		85,910
Bank borrowings and other financial liabilities	52,839		52,839
Total current financial liabilities	**486,419**	**0**	**486,420**
TOTAL FINANCIAL LIABILITIES	**791,951**	**0**	**791,952**
Financial income (Costs)	**(31,601)**	**0**	**(31,601)**

During the year the Group controlled by Manutencoop Società Cooperativa carried out a reorganisation and refinancing transaction, which led to establishing a SPV named CMF S.p.A., which is now the direct

controlling company of MFM S.p.A.. Specifically, CMF S.p.A. was established for the launch of a bond issue (Senior Secured Notes) aimed at repurchasing the Notes already issued by the Parent Company MFM S.p.A. in 2013, as well as purchasing the shares held by the minority interests in the share capital of the Parent Company MFM S.p.A. and repaying the other financial debt of the entire Group controlled by Manutencoop Società Cooperativa.

On 6 July 2017, CMF S.p.A. launched a bond issue named "*€360,000,000 9.0% Senior Secured Notes due 2022*", which is not convertible and not subordinated, for a total amount on account of principal of € 360 million and due 15 June 2022, at a price equal to 98% and a coupon at a fixed rate of 9.0% p.a., payable on a six-monthly basis. The terms and conditions referred to in the rules of the Bond Issue are laid down in the Indenture, which is governed by the law of the State of New York.

This bond issue was initially deposited by Bank of New York in escrow account, until the release of the same on 13 October 2017. On the same date MFM S.p.A. received from CMF S.p.A. a Proceeds Loan amounting to € 190,300 thousand, which was partially repaid for € 14,310 thousand on 12 December 2017 in order to allow CMF S.p.A. to pay the six-monthly coupon expiring on 15 December 2017. The Parent Company MFM S.p.A. has then used the cash obtained under the Proceeds Loan agreement and a portion of its own cash generated during the period for making the early redemption of the Notes issued in 2013. The Proceeds Loan is expected to expire on 15 June 2022 and to accrue interest at an annual fixed rate of 9%, with six-monthly payments on 15 June and 15 December.

In 2018 the Group will carry out the merger of CMF S.p.A. by incorporation into its subsidiary MFM S.p.A., while paying off the Proceeds Loan and acquiring the bond issue directly in MFM S.p.A., with related obligations and guarantees already described in note 31 above.

Liquidity risk

The Group's objective is to maintain a balance between funding and flexibility through the use of current account overdrafts, short-term bank loans (hot money and advances), finance leases and medium/long-term loans.

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

For this purpose the Group may make use of committed credit lines in the form of loans or of assignments without recourse of trade receivables in order to meet financial requirements (if any).

On 23 February 2016, MFM S.p.A. and Servizi Ospedalieri S.p.A. entered into a factoring maturity contract, without recourse, with Banca Farmafactoring S.p.A. in relation to the assignment of receivables from entities in the National Health System, for an annual cumulative amount of up to € 100 million. It is a committed credit line with a term of three years (expiring in February 2019).

Within the context of the abovementioned refinancing transaction, CMF S.p.A. also signed a Super Senior Revolving (RCF2) loan agreement for a total amount of € 50 million, governed by English law, to which MFM is a party as a borrower. Specifically, the Super Senior Revolving Loan agreement was entered into between, among others, CMF S.p.A., on the one hand, and J.P. Morgan Limited and UniCredit S.p.A., which act as Mandated Lead Arrangers, UniCredit Bank AG, Milan Branch, as Agent and Security Agent, and the Original Lenders, on the other hand. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security. No amount arising from uses under the Super Senior Revolving Loan Agreement may be used, directly or indirectly, in order to, among other things, proceed with the repurchase or redemption of the Bond Issue or the purchase of shares in MFM or distributions to CMF S.p.A.. The RCF line, which had not yet been used at the reporting date, is an important cash elasticity tool that can be activated on demand within a limited number of business days.

Finally, on 14 November 2017 the Parent Company MFM S.p.A. signed a new loan agreement with CCFS for a total amount of € 10 million. The loan includes two lines of credit, the first of which, amounting to € 5,000 thousand, was disbursed at the same time as the execution and will expire in April 2023. The second 66-month line of credit, for an additional amount of € 5,000 thousand, was disbursed on 13 February 2018, after the end of the financial year and provides for the repayment in six-monthly instalments, with a pre-amortisation period of 12 months.

The Group's management believes that the structure of the financial debt maturity, as well as the availability of the abovementioned committed credit lines, allow the Group to meet its financial requirements in an adequate manner.

Price risk

Risks of this nature which the Group is exposed to could involve changes in the price:

- of oil products relating to heat management activities,
- of cotton, the raw material in the linen used for laundering activities.

However, concerning oil products, these changes are, for the most part, accommodated by the conditions of contracts in place with customers, given that price revision is provided for both by contract, and by art. 115 of Decree Law no. 163 of 12 April 2006. Therefore, it is deemed that the effect on the Group's profit for the year arising from changes in prices, even significant, would essentially have been insignificant, in terms of amount.

Credit risk

The Group's portfolio mix, which, in the past, was made up mainly of contracts with the Public Administration, a situation that did not present insolvency problems, but which required constant contact with customers in order to minimise delays caused by the Authority's red-tape and jointly resolve problems relating to their financial management.

At present the portfolio mix also includes some large Italian industrial and banking groups, mainly organised as a network all over the country.

There are no significant credit concentration risks to report, which are carefully monitored by the Group. Furthermore, given the continuing economic downturn, the Group has equipped itself with specific procedures and structures aimed at a more efficient management of its working capital, as well as of debt collection.

Fair value

The carrying amount of the Group's financial instruments recorded in the Consolidated Financial Statements does not deviate from the fair value, including the value of those classified as assets held for sale. Market interest rates were applied to financial assets and liabilities as at the balance sheet date.

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

	Carrying Amount		Fair value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Financial assets				
Cash and cash equivalents	59,870	174,992	59,870	174,992
Receivables and other current financial assets	1,870	2,387	1,870	2,387
Other minority interests	4,757	3,850	4,757	3,850
Non-current financial receivables	11,369	11,769	11,369	11,769
Financial liabilities				
Loans:				
- Variable rate loans	44,620	23,846	44,620	23,846
- Fixed rate loans	168,562	328,197	168,562	328,197
Other current financial liabilities	5,263	6,278	5,263	6,278

Interest rate risk

With the refinancing transaction carried out through CMF S.p.A., the Group has requalified its own financial structure, extending the maturity of the medium/long-term debt and keeping a short-term debt portion balanced with respect to the financing requirements of its working capital.

The financial resources required to complete the early redemption of the bond issue launched in 2013 have been provided by CMF S.p.A. through the disbursement of a Proceeds Loan to the parent company MFM S.p.A., at a rate equal to that of the Notes issued (equal to 9.0%). The residual debt on account of principal of this Proceeds Loan amounted to € 175,990 thousand at 31 December 2017.

In addition to the Proceeds Loan, the Group uses, as medium/long-term financing, bank loans subject to the application of fixed interest rates and finance lease agreements subject to the application of variable interest rates.
The forms of short-term financing used by the Group, which are mainly subject to the application of variable rates which can be identified as the EURIBOR rate, include current account overdrafts, short- and very short-term (hot money) bank loans and assignments of receivables.
The Group's indebtedness mix is then mainly linked to medium/long-term fixed interest rates.

The breakdown of financial instruments of the Group exposed to interest rate risks are those listed in note 14 (to which reference is made) such as Loans (other than the Proceeds Loan), as well as financial statement items recorded under *Cash and cash equivalents*, *Receivables and other current financial assets* (note 10) and *Non-current financial assets* (note 7).

Interest rate sensitivity analysis

The structure of the consolidated debt is affected, to a marginal extent, by the changes in market rates, as it is mainly based on forms of financing subject to the payment of interest calculated on the basis of fixed rates, as described above. For the remaining amount, the Group makes recourse to variable rate loans, which are linked to the EURIBOR performance.

The table below shows the sensitivity of pre-tax profit for the year to reasonably possible variations in interest rates, all the other variables being kept constant.

	Increase / Decrease	Effect of the profit (loss), gross of taxes
Financial year ended 31 December 2017	+ 150 bps	(1,260)
	- 30 bps	252
Financial year ended 31 December 2016	+ 150 bps	(896)
	- 30 bps	179

2018 will see the completion of the merger of CMF S.p.A. by incorporation into its subsidiary MFM S.p.A., while paying off the Proceeds Loan and acquiring the bond issue directly in MFM S.p.A. (with related obligations and guarantees already described in note 31 above).
The Senior Secured Notes will entail the payment of interest on the coupons equal to € 32,400 thousand on an annual basis (at a fixed rate of 9.0% p.a.).

Exchange rate risk

The Group operates predominantly in the national market, where it is not exposed to exchange rate risks.

Capital management

The key objective of the Group's capital management is to guarantee that a solid credit rating is maintained as well as adequate capital ratios to support operations and to maximise value for shareholders.

The Group manages the capital structure and amends it on the basis of changes in economic conditions. In order to maintain or adjust the capital structure, the Group can adjust the dividends paid to shareholders, repay principal or issue new shares.

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

	31 December 2017	31 December 2016
Employee termination indemnity	15,519	17,043
Non-current loans	175,281	305,482
Trade payables and advances from customers	393,022	346,308
Other current liabilities	93,415	85,909
Loans and other current financial liabilities	43,165	52,839
Cash and cash equivalents	(59,870)	(174,992)
Other current financial assets	(1,870)	(2,387)
Total Net Debt	**658,662**	**630,202**
Group shareholders' equity	298,401	323,137
Undistributed net profit (loss)	(642)	(33,649)
Total Capital	**297,759**	**289,488**
EQUITY AND NET DEBT	**956,421**	**919,690**
INDEBTEDNESS RATIO	**68.9%**	**68.5%**

The debt ratio substantially remained stable compared to the previous year since, against an increase of € 8.3 million in the capital as a result of the allocation of a portion of the profit accrued for the 2017 financial year to reserves, there was an increase in net debt for € 28.5 million.

34. SUBSEQUENT EVENTS

Approval of the plan for the merger of CMF S.p.A. by incorporation into MFM S.p.A.

On 19 March 2018 the Board of Directors of the Parent Company Manutencoop Facility Management S.p.A. presented the plan for the merger of the controlling company CMF S.p.A. by incorporation into its subsidiary MFM S.p.A.. The Merger will be then completed pursuant to Article 2501-*bis* of the Italian Civil

Code, since CMF S.p.A. has raised a debt to acquire the total control over MFM S.p.A. and the equity of MFM S.p.A., being acquired, constitutes a general guarantee and the source of repayment of this debt.
The merger plan provides for statutory, accounting and tax effects of the merger running from 1 July 2018.

Acquisition and disposal of shareholdings

On 28 February 2018 the subsidiary Manutencoop International FM S.r.l. acquired a stake of 1% of the share capital of EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S. ("EOS"), based in Ankara (Turkey) at a price equal to € 2 million. The share capital of EOS was already held by Servizi Ospedalieri S.p.A. at a percentage of 50%, which was transferred to Manutencoop International S.r.l. at the same time. Following the acquisition, the stake held in EOS rose up to 51% and, pursuant to IFRS 3 and IFRS 10, the Group acquired control over the Turkish company.

On 15 January 2018 the subsidiary Manutencoop International FM S.r.l. transferred a stake of 30% of the capital of Manutencoop France S.a.r.l. at a price of € 30 thousand to TMS Servizi Integrati S.r.l.. Following this transfer, the Group's percentage of ownership of Manutencoop France S.a.r.l. amounted to 70%.

Zola Predosa, 19 March 2018

Chairman and CEO

Giuliano Di Bernardo

ANNEX I

GROUP COMPANIES

PARENT COMPANY

Name	Registered Office	City
Manutencoop Facility Management S.p.A.	Via Poli n. 4	Zola Predosa (BO)

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Name	Registered Office	City	% held	Type
Alessandria Project Value S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
CO.GE.F. Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	80%	Subsidiary
Consorzio Igiene Ospedaliera So1c. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	66.66%	Subsidiary
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Evimed S.r.l.	Via Zamenhof 363	Vicenza	90%	Subsidiary
e-Digital Services S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Elene Project S.r.l.	Via Poli 4	Zola Predosa (BO)	62%	Subsidiary
Ferraria Soc. cons. a r.l.	Via Poli 4	Zola Predosa (BO)	69%	Subsidiary
Global Oltremare Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
H2H Facility Solutions S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
ISOM Lavori Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	62.71%	Subsidiary
ISOM Gestione Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	52.97%	Subsidiary
KANARIND Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	62.43%	Subsidiary
Leonardo S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
Logistica Sud Est Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Manutencoop France S.a.r.l.	4 place Louis Armand-Tour de l'Horloge	Paris	100%	Subsidiary
Manutencoop International FM S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Manutencoop International Services LLC	Qatar Tower, building 35, street 920, zone 63	Doha (Qatar)	49%	Subsidiary
Manutencoop Transport S.a.S.	4 place Louis Armand-Tour de l'Horloge	Paris	100%	Subsidiary
MCF servizi Integrati Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
MFM Capital S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
MSE Soc. Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Palmanova Servizi Energetici Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Protec S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
S.AN.CO S.c.a.r.l.	Via A. Saffi, 51	Bologna	100%	Subsidiary
S.AN.GE S.c.a.r.l.	Viale Sarca 336 – Strada Privata Breda – Edificio 12	Milan	89%	Subsidiary
San Gerardo Servizi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Servizi Brindisi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	52%	Subsidiary

Name	Registered Office	City	% held	Type
Servizi Ospedalieri S.p.A.	Via Calvino 33	Ferrara	100%	Subsidiary
Servizi Sanitari Sicilia Soc.Cons. a r.l.	Via Calvino 33	Ferrara	70%	Subsidiary
Servizi Taranto Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60.08%	Subsidiary
Sicura S.p.A.	Via Zamenhof 363	Vicenza	100%	Subsidiary
Telepost S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Yougenio S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary

JOINT VENTURES ACCOUNTED FOR UNDER THE EQUITY METHOD

Name	Registered Office	City	% held	Type
AMG S.r.l.	SS Laghi di Avigliana 48/a	frazione Roata Raffo Busca (CN)	50%	Joint Venture
Cardarelli Soc.cons.r.l.	S.S. Appia 7 bis Km. 11,900 Zona A.s.i. Aversa Nord	Carinaro (CE)	60%	Joint Venture
CO. & MA. Soc. Cons. a r.l.	Via del Parco n. 16	Tremestieri Etneo (CT)	50%	Joint Venture
DUC Gestione Sede Unica Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	49%	Joint Venture
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	Üniversiteler Mahallesi, Bilkent Plaza, A3 Blok, n. 4	Çankaya/ Ankara	50%	Joint Venture
Legnago 2001 Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	50%	Joint Venture
Servizi Sportivi Brindisi Soc.cons.r.l.	Via Licio Giorgieri 93	Rome	50%	Joint Venture

ASSOCIATES AND OTHER COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

Name	Registered Office	City	% held	Type
Alisei S.r.l. in liquidation	Via Cesari 68/1	Modena	100%	In liquidation
Bologna Gestione Patrimonio Soc.Cons. r.l. in liquidation	Via della Cooperazione 9	Bologna	27.58%	In liquidation
BGP2 Soc.Cons. r.l.	Via Giovanni Papini n. 18	Bologna	41.17%	Associate
Bologna Global Strade Soc.Cons. r.l.	Via Zanardi n372	Bologna	51%	Associate
Bologna Multiservizi Soc.Cons. r.l.	Via Del Lavoro 23/4	Casalecchio di Reno (BO)	39%	Associate
Bologna Più' Soc.Cons.r.l in liquidation	Via M.E. Lepido 182/2	Bologna	25.68%	In liquidation
Centro Europa Ricerche S.r.l.	Via G. Zanardelli n. 34	Rome	21.38%	Associate
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	Via Poiano 22	Imola (BO)	60%	In liquidation
Como Energia Soc.Cons. r.l.	Via Pietro Strazzi 2	Como	30%	Associate
Consorzio Polo Sterilizzazione Integrata a r.l.	Via Facciolati 84	Padova	60%	Associate
Consorzio Sermagest Soc.Cons. a r.l. in liquidation	Via Filippo Corridoni 23	Rome	60%	In liquidation
F.lli Bernard S.r.l.	Stradella Aquedotto 21	Bari	20%	Associate
Gico System S.r.l.	Via Finelli 8	Calderara di Reno (BO)	20%	Associate
Global Provincia Di Rimini Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	42.40%	In liquidation
Global Riviera Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	30.66%	Associate
Global Vicenza Soc.Cons. a r.l.	Via Grandi 39	Concordia Sulla Secchia (MO)	41.25%	Associate
Gymnasium Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	68%	In liquidation
GRID Modena S.r.l.	Via Divisione Acqui, 129	Modena (MO)	23%	Associate

Name	Registered Office	City	% held	Type
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi 18	Turin	24.75%	Associate
Livia Soc.Cons. a r.l. in liquidation	Via Roma 57/B	Zola Predosa (BO)	34.10%	In liquidation
Logistica Ospedaliera Soc. Cons. a r.l	Via C. Alberto Dalla Chiesa 23/I	Caltanissetta (CL)	45%	Associate
Newco Duc Bologna S.p.A.	Via M.E. Lepido 182/2	Bologna	24.90%	Associate
Palazzo della Fonte S.c.p.a.	Via Calamandrei, 255	Arezzo (AR)	33.30%	Associate
Progetto ISOM S.p.A.	Via Poli 4	Zola Predosa (BO)	36.98%	Associate
Roma Multiservizi S.p.A.	Via Tiburtina 1072	Roma	45.47%	Associate
San Martino 2000 Soc.Cons. a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Savia Soc.Cons. a r.l.	Via B. Vanzetti 1	Forlì (FC)	49.11%	Associate
S.E.I. Energia Soc. Cons. a r.l.	Via Emilia 65	Palermo (PA)	49%	Associate
Serena S.r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Se.Ste.Ro S.r.l.	Via San Pietro 59/B	fraz. Castellina - Soragna (PR)	25%	Associate
Servizi Napoli 5 Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	45%	Associate
Servizi Sanitari Treviso Soc.Cons.a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Sesamo S.p.A.	Via C. Pisacane 2	Carpi (MO)	20.91%	Associate
Simagest 2 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	90%	In liquidation
Simagest 3 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	89.99%	In liquidation
Synchron Nuovo San Gerardo S.p.A.	Via Poli 4	Zola Predosa (BO)	35.82%	Associate
Società Consortile Adanti Manutencoop a r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi 18	Turin	25%	Associate
T&M Protection Resources Holdings Italy S.p.A.	Via Poli 4	Zola Predosa (BO)	40%	Associate
Tower Soc.Cons. a r.l. in liquidation	Via Zanardi 372	Bologna	20.17%	Associate

ANNEX II

VALUATION OF INVESTMENTS USING THE EQUITY METHOD

	%	Net Book Value Dec 31, 16	Changes of the year					Net Book Value Dec 31, 17	Book Value	Provision
			Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves			
Alisei S.r.l. in liquidation	100%	(72)				(8)		(80)		(80)
A.M.G. S.r.l.	50%	2,339		(62)	119			2,396	2,396	
BGP2 Soc.Cons. r.l.	41.17%	0	4					4	4	
Bologna Gestione Patrimonio Soc. Cons. a. r.l. in liquidation	27.58%	6						6	6	
Bologna Global Strade Soc. Cons. a. r.l.	51%	51						51	51	
Bologna Multiservizi Soc. Cons. a r.l.	39%	4						4	4	
Bologna Più Soc. Cons. a r.l.	25.68%	5						5	5	
Cardarelli Soc. Cons. a r.l.	60%	5						5	5	
Centro Europa Ricerche S.r.l.	21.38%	69						69	69	
Co. & Ma. Soc. Cons. a r.l.	50%	5						5	5	
Como Energia Soc. Cons. a r.l.	30%	11						11	11	
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	60%	6						6	6	
Consorzio Polo sterilizzazione Integrata	60%	1						1	1	
Consorzio Sermagest in liquidation	60%	0						0	0	
DUC Gestioni Soc.Cons. a r.l.	49%	10						10	10	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	50%	229			119			348	348	
F.lli Bernard S.r.l.	20%	1,305		(30)	91			1,366	1,366	
GICO Systems S.r.l.	20%	150		(12)	8			146	146	
Global Provincia di Rimini Soc.Cons. a r.l.	42.40%	4						4	4	
Global Riviera Soc.Cons. a r.l.	30.66%	9						9	9	
Global Vicenza Soc.Cons. a r.l.	41.25%	4						4	4	
Gymnasium soc. Cons. A r.l. in liquidation	68%	7						7	7	
GRID Modena S.r.l.	23%	24	(29)		5			0	0	
IPP S.r.l.	25%	389			55			444	444	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34.10%	3						3	3	
Logistica Ospedaliera Soc. Cons. a r.l	45%	5						5	5	
Newco DUC Bologna S.p.A.	24.90%	425			110		379	914	914	
Palazzo della Fonte S.c.p.a.	33.30%	8,000						8,000	8,000	
Progetto ISOM S.p.A.	36.98%	1,385			642		(160)	1,867	1,867	
ROMA Multiservizi S.p.A.	45.47%	8,063		(1,291)	(3,639)		9	3,141	3,141	
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	

	%	Net Book Value Dec 31, 16	Changes of the year					Net Book Value Dec 31, 17	Book Value	Provision
			Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves			
Savia soc.cons.a.r.l.	49.11%	5						5	5	
S.E.I. Energia Soc. Cons. a r.l.	49%	0	5					5	5	
Società Consortile Adanti Manutencoop a r.l. in liquidation	50%	10						10	10	
SE.SA.MO. S.p.A.	20.91%	2,005		(269)	210		(439)	1,507	1,507	
Se.Ste.Ro S.r.l.	25%	123			(9)			114	114	
Serena S.r.l.	50%	9						9	9	
Servizi Napoli 5 Soc. Cons. a r.l.	45%	5						5	5	
Servizi Sanitari Treviso (SE.SA.TRE)	40%	8						8	8	
Servizi Sportivi Brindisi Soc. Cons. a r.l.	50%	5						5	5	
Simagest 2 Soc.Cons.a r.l. in liquidation	90%	45						45	45	
Simagest 3 Soc.Cons.a r.l. in liquidation	89.99%	45						45	45	
Synchron Nuovo San Gerardo S.p.A.	35.82%	4,731			345			5,076	5,076	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000			0			1,000	1,000	
T&M Protection Resources Holdings Italy S.p.A.	40%		600					600	600	
Tower Soc.Cons. a r.l.	20.17%	20						20	20	
NET BOOK VALUE		**30,462**	**580**	**(1,664)**	**(1,945)**	**(8)**	**(211)**	**27,214**	**27,294**	**(80)**

ANNEX III

RELATED PARTY TRANSACTIONS

PARENT COMPANIES

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
CMF S.p.A.	31-dec-16					31-dec-16				
	31-dec-17		2,152		6,432	31-dec-17			10,759	168,562
Manutencoop Società Cooperativa	31-dec-16	153	32,278		498	31-dec-16	60	2,659	4,770	1,771
	31-dec-17	137	31,355		162	31-dec-17	100	8,004	12,450	267

ASSOCIATES AND JOINT-VENTURES

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Alisei s.r.l. in liquidation	31-dec-16					31-dec-16	3			1
	31-dec-17					31-dec-17	3			1
AMG S.r.l.	31-dec-16		234	1		31-dec-16	1		117	
	31-dec-17		274			31-dec-17			162	
BGP2 Soc.Cons. r.l.	31-dec-16					31-dec-16			50	
	31-dec-17		39			31-dec-17			89	
Bologna Gestione Patrimonio Soc.Cons. a r.l. in liquidation	31-dec-16					31-dec-16				
	31-dec-17	452	409			31-dec-17	452		411	
Bologna Multiservizi Soc.Cons. a r.l.	31-dec-16	63	247			31-dec-16	276		1,491	
	31-dec-17	37				31-dec-17	54		606	
Bologna Più Soc.Cons.a r.l. in liquidation	31-dec-16					31-dec-16	(2)	3	3	
	31-dec-17					31-dec-17		3	3	2
Bologna Global Strade Soc. Cons. a r.l	31-dec-16	2,674	4,788			31-dec-16	572	336	1,395	
	31-dec-17	2,524	5,376			31-dec-17	1,943	336	3,926	
Cardarelli Soc. Cons. a r.l.	31-dec-16		1,547			31-dec-16			793	
	31-dec-17		661			31-dec-17			342	
Centro Europa Ricerche S.r.l.	31-dec-16	8				31-dec-16				
	31-dec-17					31-dec-17				
Como Energia	31-dec-16		932			31-dec-16			1,461	

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Soc.Cons.a r.l.	31-dec-17		261			31-dec-17			999	
Consorzio Imolese Pulizie soc.Cons. in liquidation	31-dec-16					31-dec-16		36	12	
	31-dec-17					31-dec-17		36	12	
Consorzio Polo Sterilizzazione Integrata a r.l.	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
Consorzio Sermagest Soc.Cons.a r.l in liquidation	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
CO.& MA. Soc. Cons. a r.l	31-dec-16	360	1,383			31-dec-16		20	1,007	
	31-dec-17	360	1,281			31-dec-17	120	20	709	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31-dec-16	6,716	2,987			31-dec-16	3,403		437	
	31-dec-17	7,058	3,090			31-dec-17	3,464		1,042	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	31-dec-16	215	11			31-dec-16	496	1,75	(20)	256
	31-dec-17	38				31-dec-17	480	882	(27)	260
Fr.lli Bernard s.r.l.	31-dec-16	12				31-dec-16	70	50		
	31-dec-17	12	71			31-dec-17	45	50	56	
Gico Systems S.r.l.	31-dec-16	14	646			31-dec-16	49		380	
	31-dec-17	10	713			31-dec-17	7		532	
Global Provincia di RN Soc.Cons.a r.l. in liquidation	31-dec-16					31-dec-16		70	13	
	31-dec-17					31-dec-17		70	13	
Global Riviera Soc.Cons.a r.l.	31-dec-16		52			31-dec-16	55		(53)	
	31-dec-17		12			31-dec-17			(41)	
Global Vicenza Soc.Cons. a r.l.	31-dec-16	103	866			31-dec-16	144	748	594	
	31-dec-17		9			31-dec-17		570	467	
Grid Modena S.r.l.	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
Gymnasium Soc. cons. a r.l in liquidation	31-dec-16					31-dec-16	1	8	33	5
	31-dec-17					31-dec-17	1	8	33	5
IPP S.r.l.	31-dec-16	361	199			31-dec-16	177	60	96	
	31-dec-17	233	19			31-dec-17	125	59		
Legnago 2001 Soc. Cons. r.l.	31-dec-16		4			31-dec-16	158		41	
	31-dec-17		4			31-dec-17	158		45	
Livia Soc. cons. a r.l.	31-dec-16		8			31-dec-16			8	
	31-dec-17					31-dec-17			8	

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Logistica Ospedaliera Soc. Cons. a r.l.	31-dec-16		412			31-dec-16			24	
	31-dec-17		6			31-dec-17			15	
Malaspina Energy Soc. Cons. a r.l.	31-dec-16		15	3		31-dec-16				
	31-dec-17					31-dec-17				
Newco DUC Bologna S.p.A	31-dec-16		7			31-dec-16			33	
	31-dec-17		11			31-dec-17			37	
Palazzo della Fonte S.c.p.a.	31-dec-16	4,009				31-dec-16	804			
	31-dec-17	4,069				31-dec-17	1,367			
Progetto ISOM S.p.A.	31-dec-16	257	78	120		31-dec-16	17,325	1,922	203	
	31-dec-17	302	255	120		31-dec-17	12,203	2,043	474	
Progetto Nuovo Sant'Anna S.r.l.	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
Roma Multiservizi S.p.A.	31-dec-16	3,326	1,584			31-dec-16	2,416		980	
	31-dec-17	5,778	1,603			31-dec-17	4,248		725	
San Martino 2000 Soc.Cons. r.l.	31-dec-16	1,610	3,436			31-dec-16	573		423	
	31-dec-17	1,530	3,235			31-dec-17	163		633	
Savia Soc. Cons. a r.l	31-dec-16		1			31-dec-16			314	
	31-dec-17		16			31-dec-17			44	
Serena S.r.l. - in liquidation	31-dec-16					31-dec-16		3		
	31-dec-17					31-dec-17		3		
Servizi l'Aquila Soc.Cons. a r.l. in liquidation	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
Servizi Napoli 5 Soc.Cons. a r.l.	31-dec-16	1,414	1,318			31-dec-16	1,944		1,311	
	31-dec-17	1,409	1,315			31-dec-17	2,057		1,310	
Se.Sa.Mo. S.p.A.	31-dec-16	5,182		25		31-dec-16	1,486	618	6	
	31-dec-17	5,103		26		31-dec-17	1,451	607	7	
SESATRE S.cons. a r.l.	31-dec-16	16	4,419	9		31-dec-16	4	524	1,687	
	31-dec-17	14	4,298	3		31-dec-17	3	3	1,352	
Se.Ste.Ro S.r.l.	31-dec-16					31-dec-16	46		815	
	31-dec-17					31-dec-17				
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation	31-dec-16					31-dec-16		75	13	2
	31-dec-17					31-dec-17		75	13	2
S.I.MA.GEST3 Soc. Cons. r.l in liquidation	31-dec-16					31-dec-16			3	
	31-dec-17					31-dec-17				
Società	31-dec-16	25	52			31-dec-16	37		63	

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consortile Adanti Manutencoop in liquidation	31-dec-17					31-dec-17			53	
Steril Piemonte Soc. cons. a.r.l	31-dec-16		696	1		31-dec-16	7	576	267	
	31-dec-17		675	1		31-dec-17	7	326	474	
Synchron Nuovo San Gerardo S.p.A.	31-dic-16	5,246	433	173		31-dec-16	10,173	2,333	658	
	31-dic-17	6,055	397	187		31-dec-17	7,153	2,520	719	
Tower Soc.Cons. a r.l. in liquidation	31-dic-16					31-dec-16	33	17	(11)	
	31-dic-17					31-dec-17	33	29		

SUBSIDIARIES OF MANUTENCOOP SOCIETA' COOPERATIVA

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Cerpac S.r.l. in liquidation	31-dec-16					31-dec-16	1			
	31-dec-17					31-dec-17	1			
Manutencoop Immobiliare S.p.A.	31-dec-16	10	2,382			31-dec-16	6		(47)	
	31-dec-17	10	1,049			31-dec-17	3	173		
Nugareto Società Agricola Vinicola S.r.l.	31-dec-16	7	43			31-dec-16	16		42	
	31-dec-17	18	27			31-dec-17	10		20	
Sacoa S.r.l.	31-dec-16	81	19			31-dec-16	58		8	
	31-dec-17	88	19			31-dec-17	97		42	
Segesta servizi per l'Ambiente S.r.l.	31-dec-16	17				31-dec-16	17			
	31-dec-17	8				31-dec-17	1			
MPH S.p.A.	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				

ASSOCIATES OF MANUTENCOOP SOCIETA' COOPERATIVA OR OTHER RELATED PARTIES

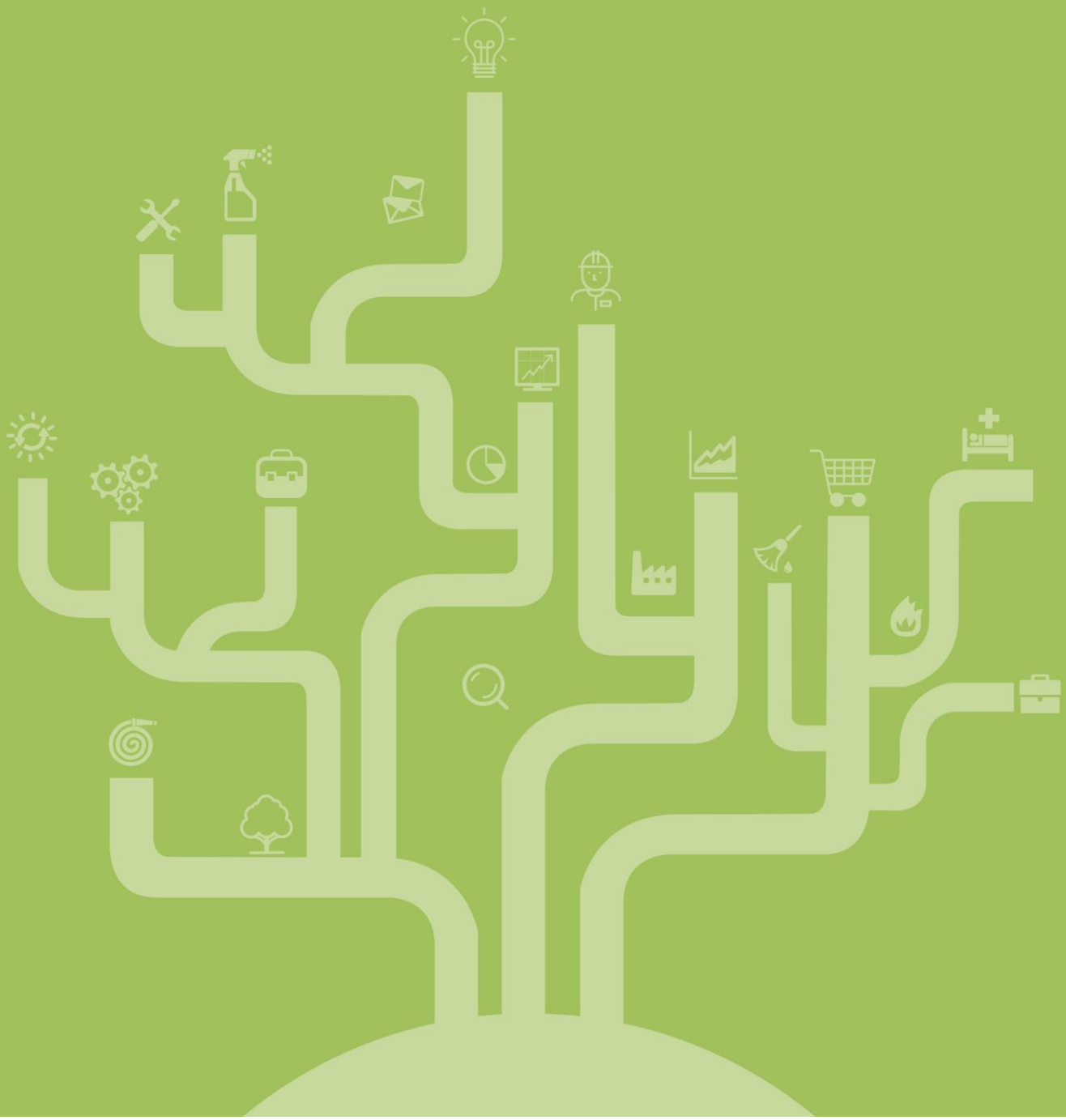
		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consorzio Karabak Società Cooperativa	31-dec-16	123	1			31-dic-16	23		1	
	31-dec-17	68	1			31-dic-17	30		1	
Consorzio Karabak 2 Società Cooperativa	31-dec-16	80	1			31-dic-16			1	
	31-dec-17	4	1			31-dic-17				
Consorzio Karabak 4 Società Cooperativa	31-dec-16					31-dic-16			1	
	31-dec-17		2			31-dic-17			1	
Consorzio Karabak 5 Società Cooperativa	31-dec-16					31-dic-16				
	31-dec-17					31-dic-17				
Consorzio Karabak 6 Società Cooperativa	31-dec-16					31-dic-16				
	31-dec-17					31-dic-17				

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
TOTAL	**31-dec-16**	**32,082**	**61,084**	**332**	**498**	**31-dec-16**	**40,432**	**11,233**	**19,423**	**2,035**
	31-dec-17	**35,317**	**58,636**	**337**	**6,594**	**31-dec-17**	**35,778**	**15,820**	**38,519**	**169,099**

ANNEX IV
STATEMENT OF RECONCILIATION OF THE RECLASSIFIED STATEMENT OF CASH FLOWS AND THE STATUTORY SCHEDULES ITEMS

	For the year ended 31 December			
	2017		2016	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**174,992**		**114,.391**
CASH FLOW FROM CURRENT OPERATIONS:		**34,784**		**64,778**
Profit before taxes for the year	16,725		47,219	
Profit (loss) from discontinued operations	0		1,052	
Capital gain on disposal of discontinued operations	0		(1,409)	
Amortization, depreciation, write-downs and (write-backs) of assets	30,280		32,713	
Accrual (reversal) of provisions for risks and charges	143		(10,107)	
Employee termination indemnity provision	935		889	
Share of net profit of associates, net of dividends collected	3,610		(1,688)	
Financial charges (income)	39,689		28,257	
Net interest received (paid)	(43,495)		(26,471)	
Income tax paid	(17,231)		5,299	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	*4,128*		*(1,506)*	
Cash flow relating to the assignment of receivables without recourse for taxes under tax consolidation regime, included in changes in other operating assets	*0*		*(9,470)*	
USES OF PROVISIONS FOR RISKS AND CHARGES AND PAYMENTS OF THE EMPLOYEE TERMINATION INDEMNITY:		**(8,705)**		**(10,175)**
Payments of Employee termination indemnity	(2,453)		(2,672)	
Utilization of provisions	(6,252)		(7,503)	
CHANGE IN NWOC:		**69,170**		**24,677**
Decrease (increase) of inventories	(1,675)		381	
Decrease (increase) of trade receivables	24,131		58,124	
Increase (decrease) of trade payables and advances from customers	38,582		(33,828)	
Reclassifications:				
Additional charges relating to new loans accounted for according to the amortised cost method	*8,132*		0	
INDUSTRIAL AND FINANCIAL CAPEX:		**(32,882)**		**(25,247)**
(Purchase of intangible assets, net of sales)	(6,501)		(6,857)	
(Purchase of property, plant and equipment)	(25,048)		(23,677)	
Proceeds from sales of property, plant and equipment	498		835	

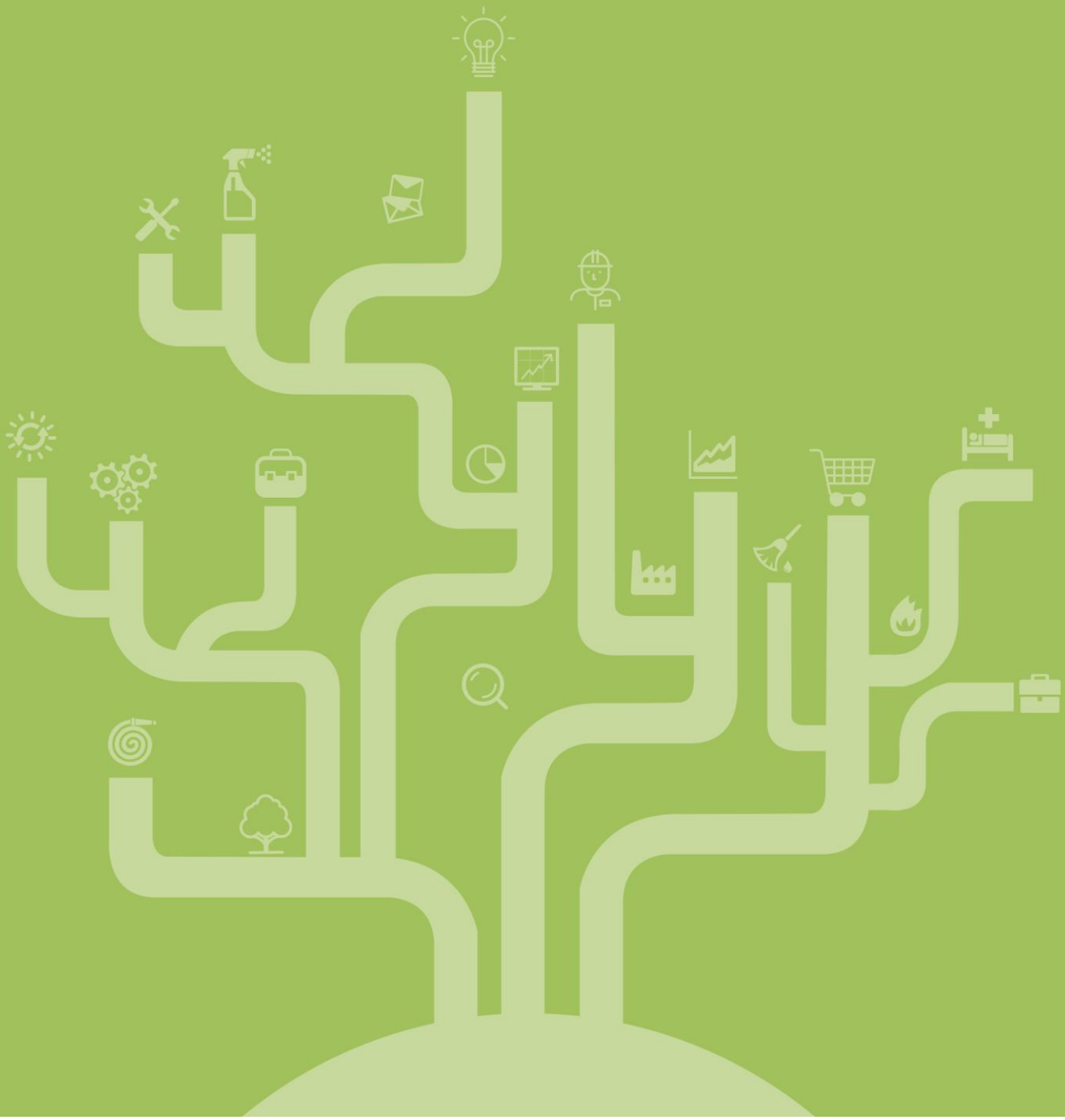
	For the year ended 31 December			
	2017		2016	
(Acquisition of investments)	(1,487)		(505)	
Decrease (increase) of financial assets	(27)		(490)	
Net cash from assets held for sale	1,060		9,274	
Reclassifications:				
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*(1,470)*		*(3,412)*	
Payables for acquisition of equity investments and business combinations	*93*		*(415)*	
CHANGE IN NET FINANCIAL LIABILITIES:		**(139,357)**		**943**
Change in finance lease debt	2,708		(570)	
Acquisition of non-current borrowings	195,300		0	
Repayment of non-current borrowings	(324,310)		0	
Proceeds from/(repayment of) short term bank debt	(5,857)		(22,207)	
Other changes in financial debt	3,863		18,386	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of Profit or Loss	*(4,128)*		*1,508*	
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*1,470*		*3,411*	
Additional charges relating to new loans accounted for according to the amortised cost method	*(8,132)*		*0*	
Payables for acquisition of equity investments and business combinations	*(93)*		*415*	
OTHER CHANGES:		**(38,132)**		**5,625**
Decrease (increase) of other current assets	(5,902)		4,804	
Increase (decrease) of other current liabilities	(7,212)		(8,621)	
Dividends paid	(25,111)		(25)	
Change in scope of consolidation	93		(4)	
Reclassifications:				
Cash flow relating to the assignment of receivables without recourse for taxes under tax consolidation regime, included in changes in other operating assets	*0*		*9,471*	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**59,870**		**174,992**



INDIPENDENT AUDITOR'S REPORT

2017

MANUTENCOOP



Manutencoop Facility Management S.p.A.

Consolidated financial statements as at December 31, 2017

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

EY S.p.A.
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40123 Bologna

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Sole Shareholder of
Manutencoop Facility Management S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Manutencoop Facility Management Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholders' equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of Manutencoop Facility Management S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Manutencoop Facility Management S.p.A. or to cease operations, or have no realistic alternative but to do so.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Manutencoop Facility Management S.p.A. are responsible for the preparation of the Report on Operation of Manutencoop Facility Management Group as at December, 31 2017, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Manutencoop Facility Management Group as at December 31, 2017 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operation is consistent with the consolidated financial statements of Manutencoop Facility Management Group as at December 31, 2107 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, April 4, 2018

EY S.p.A.
Signed by: Alberto Rosa, partner

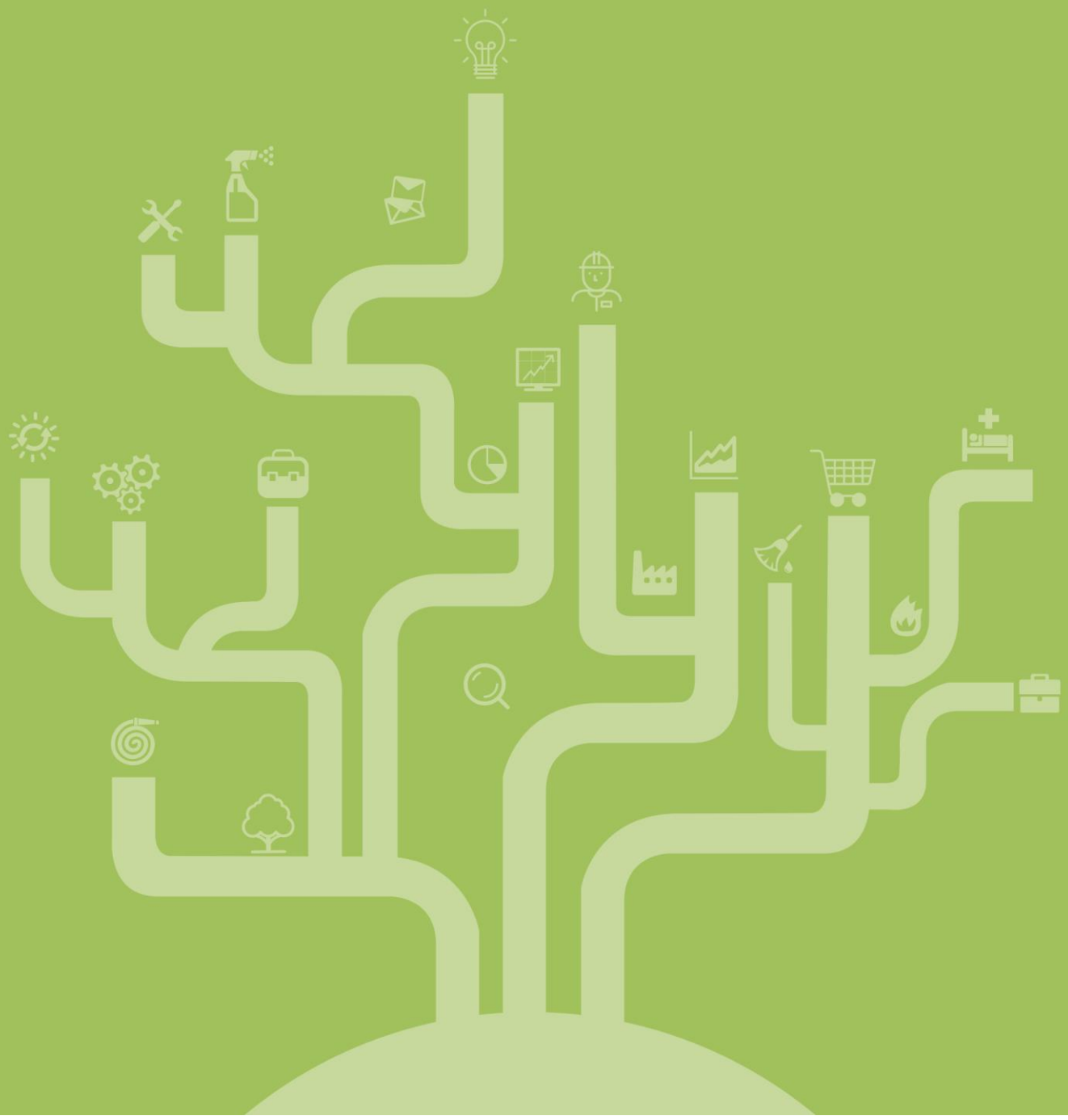
This report has been translated into the English language solely for the convenience of international readers.

SEPARATE FINANCIAL STATEMENTS

2017

AT 31 DECEMBER 2017

MANUTENCOOP



STATEMENT OF FINANCIAL POSITION

(in Euro)	NOTE	31 December 2017	31 December 2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	8,996,460	8,918,779
Goodwill	4 – 5	293,238,288	293,238,288
Other intangible assets	4	21,611,179	23,740,211
Investments in Subsidiaries, Joint-ventures, Associates	6	154,310,153	148,529,984
Other investments	6	4,177,233	3,277,263
Non-current financial assets	7	41,833,869	57,732,248
Other non-current assets	8	2,540,896	2,023,298
Deferred tax assets	32	12,428,936	16,595,365
TOTAL NON-CURRENT ASSETS		**539,137,013**	**554,055,436**
CURRENT ASSETS			
Inventories	9	1,256,175	688,787
Trade receivables and advances to suppliers	10	335,977,449	356,862,846
Current tax receivables		3,803,536	1,680,713
Other current assets	11	19,795,541	16,957,298
Current financial assets	12	8,584,399	11,174,866
Cash and cash equivalents	13	38,564,010	137,963,376
TOTAL CURRENT ASSETS		**407,981,110**	**525,327,886**
Assets classified as held for sale			
TOTAL ASSETS CLASSIFIED AS HELD FOR SALE		**0**	**0**
TOTAL ASSETS		**947,118,123**	**1,079,383,322**

(in Euro)	NOTE	31 December 2017	31 December 2016
SHAREHOLDERS' EQUITY			
Share capital		109,149,600	109,149,600
Share premium reserve		145,018,390	145,018,390
Reserves		41,541,427	84,480,438
Retained earnings		3,808,987	(40,447,610)
Profit/(Loss) for the year		8,408,371	26,411,797
TOTAL SHAREHOLDERS' EQUITY	**14**	**307,926,775**	**324,612,615**
NON-CURRENT LIABILITIES			
Employee termination indemnity	15	8,217,322	9,865,136
Non-current provisions for risks and charges	16	22,695,180	40,254,079
Non-current debt	17	172,150,365	305,063,209
Deferred tax liabilities	32	10,682,222	10,229,997
Other non-current liabilities		43,000	22,000
TOTAL NON-CURRENT LIABILITIES		**213,788,089**	**365,434,420**
CURRENT LIABILITIES			
Current provision for risks and charges	16	5,523,798	9,469,022
Trade payables and advances from customers	18	290,844,279	238,763,917
Other current liabilities	19	79,527,593	71,579,699
Bank borrowings, including current portion of long-term debt, and other financial liabilities	17	49,507,589	69,523,649
TOTAL CURRENT LIABILITIES		**425,403,259**	**389,336,287**
Liabilities directly associated with non-current assets held for sale			
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		**0**	**0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**947,118,123**	**1,079,383,322**

STATEMENT OF PROFIT OR LOSS

(in Euro)	NOTE	31 December 2017	31 December 2016
REVENUES			
Revenue from sales and services	20	701,591,019	698,360,595
Other revenue	21	1,265,879	1,405,765
TOTAL REVENUE		**702,856,898**	**699,766,360**
OPERATING COSTS			
Costs of raw materials and consumables	22	(91,474,725)	(89,930,303)
Change in inventories of finished and semi-finished products		0	(55,000)
Costs for services and use of third party assets	23	(245,834,459)	(237,656,733)
Personnel costs	24	(313,453,538)	(312,840,768)
Other operating costs	25	645,319	(6,434,023)
Amortization, depreciation and write-backs of assets	26	(18,575,464)	(13,742,314)
ACCRUAL OF PROVISIONS FOR RISKS AND CHARGES		876,894	10,504,354
TOTAL OPERATING COSTS		**(667,815,972)**	**(650,154,787)**
OPERATIN INCOME		**35,040,926**	**49,611,574**
FINANCIAL INCOME AND EXPENSES			
Dividend and income (loss) from sale of investments	27	20,092,589	8,282,518
Financial income	28	8,744,675	5,727,309
Financial charges	29	(42,896,677)	(30,121,028)
Gains / (losses) on exchange rate		(54)	2
Profit (loss) before taxes		**20,981,458**	**33,500,374**
Income taxes	31–32	(12,573,088)	(8,141,000)
Profit (loss) from continuing operations		**8,408,371**	**25,359,374**
Profit (loss) from discontinued operations	30		1,052,423
NET PROFIT (LOSS)		**8,408,371**	**26,411,797**

STATEMENT OF OTHER COMPREHENSIVE INCOME

(in Euro)	NOTE	31 December 2017	31 December 2016
Profit/(Loss) for the year		**8,408,371**	**26,411,797**
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	24	(3,009)	(160,944)
Income taxes			
Net effect of actuarial gains/(Losses		**(3,009)**	**(160,944)**
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 statement of comprehensive income, net of taxes		**(3,009)**	**(160,944)**
Total comprehensive income (loss), net of taxes		**8,405,362**	**26,250,853**

STATEMENT OF CASH FLOW

(In thousands of Euro)	For the year ended	
	31 December 2017	31 December 2016
Net profit (loss) from continuing operations for the period	**8,408**	**25,359**
Income taxes for the year	12,573	8,141
Profit (loss) before taxes	**20,981**	**33,500**
Profit(loss) for the year from discontinued operations	0	1,052
Amortization, depreciation, write-downs and (write-backs) of assets	18,564	13,742
Accrual (reversal) of provisions for risks and charges	(877)	(10,504)
Employee termination indemnity provision	140	213
Payments of employee termination indemnity	(1,791)	(1,468)
Utilization of provisions for risks and charges	(5,813)	(8,704)
Financial charges (income) for the year	34,152	24,394
Operating cash flows before movements in Working Capital	**65,357**	**52,225**
Decrease (increase) of inventories	(567)	250
Decrease (increase) of trade receivables and advances to suppliers	17,580	46,810
Decrease (increase) of other current assets	(3,672)	3,457
Increase (decrease) of trade payables and advances from customers	43,949	(30,264)
Increase (decrease) of other current liabilities	(6,731)	(7,367)
Change in working capital	**50,559**	**12,886**
Net interest received (paid) in the year	(28,477)	(25,555)
Income tax paid in the year	(10,077)	4,764
Net cash flow from operating activities	**77,361**	**44,321**
(Net purchase of intangible assets)	(4,465)	(5,666)
(Purchase of property, plant and equipment)	(2,276)	(1,789)
Proceeds from sales of property, plant and equipment	23	213
(Purchase) Disposal of investments	(12,969)	(6,654)
(Decrease) increase of financial assets	19,736	22,832
Net cash used in business combinations	0	2,328
Net cash flow used in investing activities	**50**	**11,264**
Proceeds from non-current borrowings	176,694	0
Repayment of non-current borrowings	(305,000)	0
Proceeds from /(repayment of) short term bank debt	2,292	2,149
Proceeds from /(repayment of) intercompany loans	(21,875)	(6,627)
Proceeds from /(repayment of) other loans	(3,830)	2,314
Net change in loans	**(151,719)**	**(2,164)**
Dividends paid	(25,091)	0
Net cash flow from (used in) financing activities	**(176,810)**	**(2,164)**
Changes in cash and cash equivalents	**(99,399)**	**53,420**
Cash and cash equivalents at the beginning of the period	137,963	84,543
Changes in cash and cash equivalents	(99,399)	53,420

(In thousands of Euro)	For the year ended	
	31 December 2017	31 December 2016
Cash and cash equivalents at the end of the period	**38,564**	**137,963**
Details of cash and cash equivalents:		
Cash and cash equivalents and Current bank accounts - assets	38,564	137,963
TOTAL CASH AND CASH EQUIVALENTS	**38,564**	**137,963**

SUPPLEMENTARY INFORMATION

(in thousands of Euro)	For the year ended	
	31 December 2017	31 December 2016
Interest paid	(35,975)	(28,750)
Interest received	7,498	3,196
Dividends paid	(25,091)	0
Dividends received	20,093	8,268

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Euro)	Share capital	Share premium reserve	Reserves	Retained Earnings	Result of the year	Total Shareholders' Equity
At 1 January 2016	**109,150**	**145,018**	**84,641**	**3,809**	**(44,257)**	**298,362**
Allocation of profits				(44,257)	44,257	**0**
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**
Allocation of profits			(42,936)	44,257	(26,412)	**(25,091)**
Comprehensive profit/(loss) for the year					8,408	**8,408**
Other changes			(3)			**(3)**
At 31 December 2017	**109,150**	**145,018**	**41,541**	**3,809**	**8,408**	**307,927**

1. GENERAL INFORMATION

Manutencoop Facility Management S.p.A. (hereinafter "MFM S.p.A."or the "Company") 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 2017 were approved by resolution of the Board of Directors' meeting held on 19 March 2018.
The Company also presents the Consolidated Financial Statements, which are attached hereto, as expressly required by statutory provisions.

At 31 December 2017 the Company was 100% owned by sole shareholder CMF S.p.A., which in turn is wholly owned by Manutencoop Società Cooperativa.
On 25 May 2017 CMF S.p.A. was established for the launch of a bond issue (Senior Secured Notes) with the purpose of repurchasing the Notes already issued by subsidiary Manutencoop Facility Management S.p.A. during 2013 and repaying the other financial payables of the entire Group controlled by Manutencoop Società Cooperativa. The transaction, which was accompanied by a reorganisation of the Group's structure, provided Manutencoop Società Cooperativa with the financial resources required to allow the exit of the Investors holding non-controlling interests in the Company in consideration of the Investment Agreements that were signed in previous years In fact, on 13 October, CMF S.p.A. completed the purchase of the shares of the Investors, representing 33.2% of the share capital of the Company, in accordance with the Call Option transferred to it by Manutencoop Società Cooperativa and recognised by the Shareholders' Agreement signed in July 2016. On the same date, there was also the transfer and sale of the additional shares of the Company owned by Manutencoop Società Cooperativa to CMF S.p.A., which thus became its sole shareholder. On 13 October 2017 CMF S.p.A. acquired the Company's total shares, thus allowing the exit of the Investment Funds that held its minority interests.

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 2017 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 16 and 36 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 2017 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 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS). The Company is subject to Letter f) of Article 2 under the Italian Legislative Decree no. 38 of 28 February 2005, which rules the exercise of the options provided for by the Article 5 of Regulation (EC) 1606/2002 about the International Financial Reporting Standards and, therefore, pursuant to Article 3, paragraph 2 and Article 4, paragraph 5, of the aforesaid Italian Legislative Decree, the Company has applied the IFRS as adopted by the European Union in the preparation of its separate Financial Statements as from the year ended 31 December 2005.

2.2 Changes in accounting standards and disclosures

The criteria adopted for the preparation of the separate Financial Statements are consistent with those used to prepare the separate Financial Statements of the previous year, with the exception of the aspects detailed below for the standards and interpretations which are newly issued and applicable from 1 January 2017.
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 2017

The Company has adopted, for the first time, some amendments to the standards that are applicable for the financial years that commenced on or after 1 January 2017.
The amendments are described below:

- Amendments to IAS7 – Statement of Cash Flows. The improvement gives indications on the disclosures to be provided in relation to the liabilities that arise from financing activities, including any cash and non-cash changes (such as, for example, foreign exchange gains or losses).
- Amendments to IAS12 – Recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. An entity must establish whether tax regulations restrict the

tax deduction from which the temporary difference arises. Furthermore, the amendments give indications on how an entity should calculate future taxable income and explain the circumstances in which taxable income can ensure the recoverability of these assets.

- Amendments to IFRS 12 – "Disclosure of Interests in Other Entities" are included in the annual improvements for 2014-2016 cycle in relation to IFRS.

The adoption of the new Standards and Interpretations described above has had no impact at all on the Company's Financial Statements).

New or revised IFRS and interpretations applicable as from subsequent years and not adopted 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. The qualitative analysis continued during the year, which had been started as early as from 2016, to assess the potential impact that the application of the new standard IFRS 15 - Revenue from Contracts with Customers may have on the financial statements, opting for the application of the simplified retrospective approach. No potential significant impact is expected to affect the Company's financial position, results of operations and cash flows based on a preliminary qualitative evaluation of IFRS15.

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. No potential significant impact is expected to affect the Company's financial position, results of operations and cash flows based on a preliminary qualitative evaluation of IFRS15.

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

IFRIC 22 – Foreign Currency Transactions and Advance Consideration (applicable from the financial years that will end after 1 January 2018). The interpretation clarifies the type of exchange rate to be used in

transactions that include the receipt or payment of advance consideration in a foreign currency. No significant impact is expected from the application of the interpretation on the Separate Financial Statements.

IFRS17 – Insurance Contracts (applicable from the financial years that will end after 1 January 2021). The standard replaces the previously applicable IFRS 4 and requires all insurance contracts to be accounted for in a consistent manner, as well as insurance obligations to be accounted for by using current values instead of historical costs. The new standard requires the current estimates of future cash flows and the recognition of the profit in the period in which services are provided under the contract. IFRS 17 also requires the entities to disclose the results from insurance services (including the presentation of insurance revenue) separately from revenue or costs in the insurance sector, as well as to make an accounting policy choice on the recognition of all financial income and costs from insurance services through profit or loss or to state some of these income or costs in other comprehensive income. The standard will be applicable for financial years commencing on 1 January 2021, with early adoption permitted. No significant impact is expected from the application of the new standard on the Separate Financial Statements.

IFRIC 23 – Uncertainty over Income Tax treatments (applicable from the financial years that will end after 1 January 2019). The interpretation clarifies the accounting for uncertainties in income taxes in the application of recognition and measurement requirements in IAS 12 – "Income taxes". The interpretation specifically concerns: (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (iv) how an entity considers changes in facts and circumstances. The interpretation does not add new disclosure requirements: however, it deals with the requirements laid down in IAS 1 relating to disclosures on judgments, information on the assumptions made and other estimates and information on contingent tax items under IAS 12 "Income taxes". An entity may elect to apply the interpretation either: (i) retrospectively using IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", if that is possible; or (ii) retrospectively, with the cumulative effect of initially applying the Interpretation recognised at the date of initial application as an adjustment to equity and without any restatement of comparative information. The date of initial application is the beginning of the annual reporting period in which an entity applies this interpretation for the first time. No significant impact is expected from the application of the new standard on the Separate Financial Statements.

Amendments to IFRS9 - Prepayment Features with Negative Compensation (applicable from the financial years that will end after 1 January 2019). It enables the entities to measure certain particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through "other comprehensive income", if a specific condition is satisfied, instead of measuring them at fair value through profit or loss. The Company is assessing the impact from the adoption of these amendments on the Separate Financial Statements.

Amendments to IAS28 - Long-term interests in associates and joint ventures (applicable from the financial years that will end after 1 January 2019). It clarifies how entities must use IFRS 9 to recognise long-term interests in associates or joint ventures, for which the equity method is not applied. The Company is assessing the impact from the adoption of these amendments on the Separate Financial Statements

Finally, in February 2018 the IASB issued the "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)" document, which specifies how the entities must determine pension expenses when changes to a certain pension plan occur. IAS 19 "Employee Benefits" specifies how an entity accounts for a defined-benefit plan. When a plan amendment, adjustment, curtailment or settlement occurs, IAS 19 requires entities to remeasure the net defined-benefit asset or liability .The amendments require entities to use the updated assumptions based on such remeasurement to determine current service cost and net interest for the remainder of the period after a plan amendment. The amendments will be applicable after 1 January 2019. The Company is assessing the impact from the adoption of these amendments on the Separate Financial Statements.

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.

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

In December 2017, the IASB also issued the "Annual Improvements to IFRS 2015-2017 Cycle", which make amendments to IFRS in response to issues mainly raised about: (I) IFRS 3 – "Business Combinations", clarifying that when an entity obtains control of a business that is a joint operation, it must remeasure previously held interests in that business; (II) IFRS 11 – "Joint Arrangements", clarifying that when an entity obtains control of a business that is a joint operation, it does not remeasure previously held interests min that business (III) IAS 12 – "Income Taxes", clarifying that the impact relating to income taxes arising from dividends (i.e. distribution of profits) should be recognised through profit or loss, regardless of how the tax arises; (IV) and IAS 23 – "Borrowing Costs", clarifying that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally. The amendments will be applicable from 1 January 2019.

No significant impact is expected from the application of the new standard on the Separate Financial Statements.

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 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 2017 the carrying amount of the goodwill stood at Euro 293,238 thousand (31 December 2016: Euro 293,238 thousand). More details are given in the appropriate section.

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 15.

2.4 Summary of the main accounting criteria

Equity investments in joint venture

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 weighted average cost method
Fuel inventories	Purchase cost based on the weighted average cost 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 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.

Revenues 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.

Sales of assets

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

Earning for 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. PROPERTY, PLANT AND EQUIPMENT

The table below shows the changes in property, plant and equipment owned in the year ended 31 December 2017. 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 2017, net of accumulated depreciation and impairment	**401**	**8,518**	**0**	**0**	**8,919**
Additions from acquisitions		2,276			**2,276**
Disposals		(23)			**(23)**
Depreciation	(26)	(2,150)			**(2,176)**
At 31 December 2017	**375**	**8,621**	**0**	**0**	**8,996**
At 1 January 2017					
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**
At 31 December 2017					
Historical cost	2,166	59,766			**61,932**
Accumulated depreciation and impairment losses	(1,791)	(51,145)			**(52,937)**
NET BOOK VALUE	**375**	**8,621**	**0**	**0**	**8,996**

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 increases for the year, totalling a net amount of Euro 2,276 thousand, mainly relate to the acquisitions of equipment for the delivery of cleaning services and hardware.

The table below shows the movements 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**

4. OTHER INTANGIBLE ASSETS

The table below shows the changes in intangible assets in the year ended 31 December 2017. 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 2017, net of accumulated amortisation and impairment losses	**23,740**	**293,238**	**316,978**
Additions from acquisitions	**4,465**		**4,465**
Amortization	**(6,594)**		**(6,594)**
At 31 December 2017	**21,611**	**293,238**	**314,849**
At 1 January 2017			
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**
At 31 December 2017			
Cost	80,311	293,238	**373,549**
Accumulated amortization and impairment losses	(58,700)		**(58,700)**
NET BOOK VALUE	**21,611**	**293,238**	**314,849**

Other intangible assets, amounting to Euro 21,611 thousand at 31 December 2017, mainly consist of investments in software carried out as part of the projects aimed at upgrading and enhancing the corporate information systems. The additions from acquisitions for the year (Euro 4,465 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 3,113 thousand at 31 December 2017.

Software purchase costs are amortised on a straight line basis over their expected useful life of 5 years.

At 31 December 2017 goodwill amounted to Euro 293,238 thousand and it had no showed changes compared to the previous year.
In 2017 the portion of amortization of intangible assets amounted to Euro 6,594, thousand, compared to 5,833 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 2016.

	Other intangible assets	Goodwill	Total
At 1 January 2016, net of accumulated amortization and impairment	**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			
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**

5. IMPAIRMENT TEST OF GOODWILL

At 31 December 2017 goodwill amounted Euro 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 2018 to 2022 approved by the Board of Directors on 23 January 2018.

L 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 2022 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 8.04% (2016: 7.20%). 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 10.04% 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 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%
Elene Project S.r.l.	Zola Predosa (BO)	62%
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%
MFM Capital S.r.l.	Zola Predosa (BO)	100%
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.lin 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)	100%
Telepost S.p.A.	Zola Predosa (BO)	100%
Yougenio S.r.l.	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
BGP 2 Soc. Cons. a r.l.	Bologna (BO)	41%
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%
S.E.I. Energia Soc.Cons. r.l.	Palermo (PA)	49%

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

SUBSIDIARIES	Balance as at 01/01/2017	Business combinations	Increase	Decrease/ Write-down	Reclassification	Balance as at 31/12/2017
Alessandria Project Value S.r.l.	281					281
Co.Ge.F. s. cons. a r.l.	8					8
Consorzio Igiene Ospedaliera s. cons. a r.l.	7					7
Consorzio Imolese Pulizie s.conS.r.l.	6					6
Consorzio Servizi Toscana s.conS.r.l.	6					6
E-Digital Services S.r.l.	2,010					2,010
Elene Project Value S.r.l.	0		152			152
Ferraria Soc. Cons. a r.l.	7					7
Global Oltremare Soc. Cons. a r.l.	6					6
Gymnasium s.conS.r.l.	7					7
H2H Facility Solutions S.p.A.	12,771					12,771
Isom Gestione Soc. Cons. a r.l.	5					5
Isom Lavori Soc. Cons. a r.l.	6					6
Kanarind Soc. Cons. a r.l.	6					6
Logistica Sud Est Soc. Cons. a r.l.	6					6
M.S.E. società consortile r.l.	5					5
Manutencoop International S.r.l.	67		2,200	(2,226)		41
MCF Servizi Integrati Soc. Cons. a r.l.	6					6
MFM Capital S.r.l.	0		10			10
Palmanova servizi energeticis. cons. a r.l.	6					6
S.AN.CO. Soc. Cons. a r.l.	5					5
S.AN.GE Soc. Cons. a r.l.	9					9
S.I.MA.GEST2 s.conS.r.l. in liquidation	45					45
S.I.MA.GEST3 s.conS.r.l. in liquidation	45					45
San Gerardo servizi soc.cons.	6					6
Servizi Brindisi s.cons. a r.l.	5					5
Servizi Ospedalieri S.p.A.	80,570					80,570
Servizi Taranto Soc. Cons. a r.l.	6					6
Sicura S.p.A.	34,684		5,458			40,142
Telepost S.p.A.	7,299					7,299
Yougenio S.r.l.	0		4,263	(4,063)		200
TOTAL SUBSIDIARIES	**137,890**	**0**	**12,083**	**(6,289)**	**0**	**143,684**

JOINT VENTURES	Balance as at 01/01/2017	Business combinations	Increase	Decrease/ write-down	Reclassification	Balance as at 31/12/2017
Cardarelli Soc. Cons. a r. l.	6					6
CO. & MA. Società Consortile a r.l.	5					5
Consorzio Leader Soc. Cons. a.r.l.	0					0
Duc Dest sede unica Soc. Cons.a r.l.	10					10
Legnago 2001 Soc. Cons a r.l.	5					5
Malaspina Energy Soc. Cons. a r.l.	0					0
SCAM società consortile r.l.	10					10
Serena S.r.l.	8					8
Servizi Sportivi Brindisi Soc. Cons. a r.l.	5					5
TOTAL JOINT-VENTURES	**49**	**0**	**0**	**0**	**0**	**49**

ASSOCIATES	Balance as at 01/01/2017	Business combinations	Increase	Decrease/ write-down	Reclassification	Balance as at 31/12/2017
BGP 2 Soc.Cons. a r.l.	0		4			4
Bologna Gestione Patrimonio Soc. Cons. a r.l.	6					6
Bologna Global Strade Soc.Cons. r.l.	51					51
Bologna Multiservizi Soc. Cons.a r.l.	4					4
Bologna più Soc. Cons. a r.l.	5					5
Centro Europa Ricerche S.r.l.	69					69
Como Energia Soc. Cons. a r.l.	78					78
Gico Systems S.r.l.	29					29
Global Prov.Rimini Soc. Cons. a r.l.	4					4
Global Riviera Soc. Cons. a r.l.	7					7
Global Vicenza Soc.Cons. a r.l.	4					4
Grid Modena S.r.l.	23			(23)		0
Livia Soc. Cons. a r.l.	3					3
Logistica Ospedaliera Soc. Cons a r.l.	5					5
Newco Duc Bologna S.p.A.	1,004					1,004
Progetto Isom S.p.A.	2,420					2,420
Roma Multiservizi S.p.A.	3,324					3,324
S.E.I. Energia Soc.Cons. a r.l.	0		5			5
Savia Soc.Cons. a r.l.	5					5
Servizi Napoli 5 Soc. Cons. a r.l.	5					5
Sesamo S.p.A.	606					606

ASSOCIATES	Balance as at 01/01/2017	Business combinations	Increase	Decrease/ write-down	Reclassification	Balance as at 31/12/2017
Synchron Nuovo San Gerardo S.p.A.	2,920					2,920
Tower soc. cons. r.l.	20					20
TOTAL ASSOCIATES	**10,591**	**0**	**9**	**(23)**	**0**	**10,577**
TOTAL SUBSIDIARIES, JOINT-VENTURE, ASSOCIATES	*148,530*	*0*	*12,092*	*(6,312)*	*0*	*154,310*

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

Sicura S.p.A.

The increase of Euro 5,458 thousand relates to the exercise of the Call Option (including costs additional to the acquisition), which was resolved on 23 June 2017, for the purchase of an additional stake of 15% of the share capital of the subsidiary, with a consequent increase in the stake held from 85% to 100%.

Yougenio S.r.l.

The increase of Euro 4,263 thousand relates to the acquisition of 100% quotas of subsidiary E-Digital Services S.r.l., as per the deed of transfer dated 29 May 2017, for Euro 3,060 thousand and to the payment for an increase in capital reserve, as per the resolution passed by the Shareholders' Meeting on 14 November 2017, for Euro 1,200 thousand. A write-down of the investment, amounting to Euro 4,062 thousand, equal to the operating loss regarded as permanent, was accounted for during the year.

Manutencoop International F.M. S.r.l.

The increase of Euro 2,200 thousand relates to a payment for an increase in the reserve on account capital, as per the resolution passed by the Board of Directors on 15 May 2017. During the year a write-down of the equity investment was accounted for in an amount of Euro 2,226 thousand, equal to the loss for the year regarded as permanent.

Elene Project S.r.l.

The increase of Euro 152 thousand relates to the incorporation of the Company named "Elene Project S.r.l." on 25 October 2017, which performs the activities envisaged in the concession agreement for the integrated management of services for procurement and management of thermal energy and public lighting of plant and buildings under the responsibility of the Municipality of Casalecchio di Reno.

MFM Capital S.r.l.

The increase of Euro 10 thousand relates to the incorporation of the Company named "MFM Capital S.r.l." on 25 October 2017, which acts as the holding company through the acquisition or subscription (for any reason) and the management of investments, both controlling and minority, in SPVs established for the purposes of the award, design, construction and/or operation of public concessions.

S.E.I. Energia Soc. Cons. a r.l.

The increase of Euro 5 thousand relates to the incorporation of the Company named "S.E.I. Energia Soc. Cons. a r.l." on 24 October 2017, which performs activities for energy management and the operation, running and maintenance of technology systems serving the Palermo ASP (Provincial Healthcare Unit).

BGP 2 Soc. Cons. a r.l.

The increase of Euro 4 thousand relates to the incorporation of the Company named "BGP 2 Soc. Cons. a r.l." on 19 July 2017, which performs activities for the operation of technology systems comprised in the assets of the Municipality of Bologna.

Grid Modena S.r.l.

The decrease of Euro 23 thousand arose from the liquidation plan executed on 22 December 2017, which allowed a final capital repayment of Euro 37 thousand (the difference was recorded as income from equity investments during the year).

Other investments

	31 December 2017	31 December 2016
Other investments	4,177	3,277
TOTAL	**4,177**	**3.277**

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 Euro 500 thousand for the subscription of the capital increase of Consorzio Cooperativo Finanziario per lo sviluppo Soc. Cons. a r.l.;
- Increase equal to Euro 400 thousand for the subscription of the capital increase of Consorzio Innova Soc. Coop.

7. NON-CURRENT FINANCIAL ASSETS

	31 December 2017	31 December 2016
Loans to Group companies	40,539	56,261
Loans to third parties	294	293
Other financial assets	1,001	1,178
TOTAL NON-CURRENT FINANCIAL ASSETS	**41,834**	**57,732**

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 Euro 1,442 thousand, while the discount fund amounted to Euro 102 thousand.
The changes compared to the previous year were mainly attributable to the shareholder loans granted to subsidiaries (proceeds loans) in 2013, for which amendments were made to their respective contract conditions following the early redemption of the bond issue that had generated them (see the paragraph on "Non-current loans"). As a result of these contract amendments and of the new nature of these loans, which are no longer linked to the bond issue, the residual registration costs measured at cost were charged to profit or loss, equal to Euro 879 thousand.
The subsidiary H2H S.p.A. proceeded with the full repayment of its loan (Euro 16,907 thousand on account of principal) on 16 October 2017.

During the year increases of 306 thousand were also recorded, as a result of the disbursement of shareholder loans to Progetto Isom S.p.A. for Euro 120 thousand and to Synchron Nuovo San Gerardo S.p.A. for Euro 186 thousand.

8. OTHER NON-CURRENT ASSETS

	31 December 2017	31 December 2016
Receivables for caution money	1,185	878
Other prepaid expenses	1,064	856
Other receivables	292	289
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**2,541**	**2,023**

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.

9. INVENTORIES

	31 December 2017	31 December 2016
Raw materials (at cost)	1,256	689
TOTAL	1,256	689

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.

10. TRADE RECEIVABLES, ADVANCES TO SUPPLIERS

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

	31 December 2017	of which related parties	31 December 2016	of which related parties
Trade receivables, gross	272,764	31	295.169	56
Allowance for doubtful accounts	(22,892)		(22.647)	
Advances to suppliers	2,793		2.587	20
Trade receivables due from third parties	**252,666**	**31**	**275,109**	**76**
Inventories of contract work in progress	20,627		16,770	
Contract work in progress	**20,627**		**16,770**	
Trade receivables from parent companies	98	98	59	59
Trade receivables from subsidiaries	45,958	45,958	49,454	49,454
Trade receivables from Joint Ventures	3,742	3,742	3,598	3,598
Trade receivables from associates	12,781	12,781	11,834	11,834
Trade receivables from affiliates	106	106	40	40
Trade receivables from the Manutencoop Group	**62,684**	**62,684**	**64,985**	**64,985**
TRADE RECEIVABLES AND AVANCES TO SUPPLIERS	**335,977**	**62,715**	**356,863**	**65,060**

The balance of trade receivables and advances to suppliers, which also includes inventories of contract work in progress, amounted to Euro 335,977 thousand as at 31 December 2017, showing a decrease of Euro 20,886 thousand compared to the amount of Euro 356,863 thousand recorded as at 31 December 2016.

The change is mainly due to the decrease in gross trade receivables, which amounted to Euro 272,764 thousand at 31 December 2017 (31 December 2016: Euro 295,169 thousand), against the related

adjustment provisions that showed a balance of Euro 22,892 thousand at 31 December 2017 (31 December 2016: Euro 22,647 thousand). In 2017 work continued on the assignments without recourse of trade receivables claimed from the National Health System, under the contract that was entered during 2016 with Banca Farmafactoring S.p.A. for an assignable annual amount of receivables of the same type equal to a maximum amount of Euro 100 million. It is a committed credit line expiring in 2019. In 2017 assignments were made to Banca Farmafactoring S.p.A. in a nominal amount of Euro 59,924 thousand: an amount of Euro 51,253 thousand for trade receivables under the contract referred to above and an amount of Euro 8,671 thousand for trade receivables claimed from Public Administration entities (involved in a specific stand-alone assignment). In all assignments, the receivables were subjected to derecognition according to IAS 39 in consideration of the characteristics of the transactions and entailed interest discount costs of Euro 1,170 thousand.
At 31 December 2017 the total balance of receivables assigned without recourse but not yet collected by Banca Farmafactoring amounted to Euro 14,369 thousand.

Trade receivables generally have contractual maturities of between 30 and 90 days. Given that most of the customers are either Public Authorities, Local Authorities, Local Health Authorities and Hospitals, who are notorious for payment delays.

With respect to non-performing receivables which are difficult to fully recover, a specific write-down provision was set aside, amounting to Euro 22,892 thousand at 31 December 2017 (at 31 December 2016: Euro 22,647 thousand) deemed suitable with respect to known disputes at the balance sheet date.

	31 December 2016	Increases	Business combinations	Uses	Releases	Others	31 December 2017
Allowance for doubtful accounts	22,647	3,451	0	(3,079)	(260)	133	22,892

“Other changes” include the provision for the write-down of default interest (Euro 19 thousand), as well as the amount reclassified from provisions for future risks and charges following the developments of a dispute pending on a specific customer.
For details on the terms and conditions relating to receivables from related parties, reference should be made to note 34.

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 2017:

	Total	Trade receivables reaching maturity	Overdue trade receivables				
			< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	after 120 days
31 December 2017	249,872	184,254	12,780	7,800	2,729	5,865	36,443
31 December 2016	271,662	189,929	15,248	6,530	3,982	4,584	51,389

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.

11. OTHER CURRENT ASSETS

	31 December 2017	31 December 2016
Receivables due from employees	213	542
Advances to supplier	1,194	993
Due from social security institutions	325	1,714
Due from parent company	30	7
Due from subsidiaries	383	230
Due from associates	586	751
Due from INPDAP	2,174	2,174
Due from INAIL	627	698
Due from VAT	8,824	2,606
Sundry receivables from others	5,025	4,298
Due from tax authorities	331	2,944
Tax credit to be offset	84	
OTHER CURRENT ASSETS	**19,796**	**16,957**

The amount of Euro 2,174 thousand reported for amounts "due from INPDAP" refers to the balance of current accounts held at Unicredit, managed in the name and on behalf of INPDAP (Social Security Institution for employees in public administration), as provided for in a property contract stipulated with the aforementioned authority by the company B.S.M. S.r.l., merged in 2006. 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* rather than among cash and cash equivalents.

It should be noted that miscellaneous receivables are recognized net of the provision for doubtful accounts of Euro 1,293 thousand, which was increased by an amount of Euro 317 thousand during 2017, allocated following a specific analysis of these accounts receivable.

The main changes, compared to the previous year, relate to the items of "due from social security institutions", as well as to VAT and "due from tax authorities".

Amounts due from social security institutions showed a reduction attributable to the termination of redundancy schemes applied in previous periods for Euro 1,328 thousand.
VAT receivables, equal to Euro 8,824 thousand (Euro 2,606 thousand at 31 December 2016), are mainly linked to some regulatory developments that occurred during the year, which were followed by a change in the process of registration of sales invoices. The receivables due from taxa authorities, equal to Euro 331 thousand (Euro 2,944 thousand at 31 December 2016), recorded a decrease of Euro 2,613 thousand compared to the previous year as a result of: (i) offsetting receivables from the Tax Authorities, recognised in previous years, claimed for refund following the request submitted for the deduction of IRAP tax from the IRES taxable base for Euro 700 thousand; (ii) the VAT refund of the second quarter of 2016, received on 20 February 2017, which did no longer record any increase during the year since it was assigned without recourse to Banca Farmafactoring for Euro 1,913 thousand.

Finally, during 2017 the Company started a number of R&D projects in order to improve its business and delivery of services. The projects were developed and coordinated by internal resources based on their specific skills and duties, with the involvement of specific consultants for the various areas of business and were all completed in 2017.
These research projects meet the requirements laid down in Law no. 190 of 23 December 2014 (Article 1, paragraph 35), as partly amended by Law no. 232 of 11 December 2016 (Article 1, paragraphs 15 and 16), as well as in the Implementing Provisions under a Decree issued by the Ministry of Economy and Finance in agreement with the Ministry of Economic Development on 27 May 2015 and fall within the scope of the parameters set out in the Communication from the Commission (2014/C 198/01) of 27 June 2014, which was published in the Official Journal C/198 of 27 June 2014. These regulations provide for a tax credit for investments made from 1 January 2015 to 31 December 2020 in relation to the expenses incurred in excess of the average of the same investments made in the three tax periods for the financial years 2012, 2013 and 2014, to an extent of 50% of the total incremental expense.
Total R&D costs incurred in 2017 totalled Euro 168,964. The proceeds relating to this tax credit were accounted for in the separate Statement of profit or loss as operating grants, as a decrease in related costs, for a total of Euro 84,842.

12. CURRENT FINANCIAL ASSETS

	31 December 2017	31 December 2016
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	8
Gestlotto6 Soc.cons. a r.l.	5	5
Bologna Più Soc. Cons. a r.l.	3	3
Se.Sa.Mo S.p.A.	0	12

	31 December 2017	31 December 2016
Malaspina Soc. Cons. r.l.	117	117
Intercompany receivables from companies in liquidation	**239**	**250**
Servizi Ospedalieri S.p.A.	11	2,050
S.AN.GE Soc. Cons. a r.l.	4,325	4,137
Manutencoop International F.M. S.r.l.	766	1,772
E-Digital Services S.r.l.	3	2
Yougenio S.r.l.	2,719	
Receivables from intercompany financial current accounts	**7,824**	**7,961**
Servizi Ospedalieri S.p.A.		1,143
H2H Facility Solutions S.p.A.		599
Receivables for interest on intercompany loans	**0**	**1,742**
Karabak Soc. Cons. a r.l.	4	2
Dividends to be collected	**4**	**2**
Receivables from others	**517**	**1,220**
TOTAL CURRENT FINANCIAL ASSETS	**8,584**	**11,175**

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 expires on an annual basis, except where tacitly renewed.

The item "current financial assets" came to Euro 8,584 thousand. The change during the year is mainly due to:

- A decrease of Euro 2,039 thousand of the balance of the intercompany current financial account held with subsidiary Servizi Ospedalieri S.p.A.;
- A decrease of Euro 1,006 thousand of the balance of the intercompany current financial account held with subsidiary Manutencoop International F.M. S.r.l.;
- An increase of Euro 2,719 thousand due to the opening of the intercompany financial current account held with subsidiary Yougenio S.r.l.;
- A write-off of "Receivables for interest on intercompany loans" as a result of the termination of the proceeds loan of H2H Facility Solutions S.p.A. and of the change in the terms of payment of the proceeds loan of Servizi Ospedalieri S.p.A.;
- A decrease in "Receivables from others", for the collection of the earnout obtained from the transfer of the business of SMAIL S.p.A. during 2015 (merged by incorporation from 1 January 2016) equal to Euro 950 thousand.

13. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Bank deposits on demand and cash on hand	33,279	104,931
Company – financial current accounts	5,285	33,033
TOTAL CASH AND CASH EQUIVALENTS	38,564	137,963

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 Euro 38,564 thousand (2016: Euro 137,963 thousand).

14. SHARE CAPITAL AND RESERVES

	31 December 2017	31 December 2016
Share Capital - Ordinary Shares	109,150	109,150

Ordinary shares have a nominal value of Euro 1 each.

Le Ordinary shares issued and fully paid up at 31 December 2017 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 2016	**145,018**	**18,383**	**66,258**	**229,660**	**3,809**
Allocation of profits of previous years					(44,257)
Economic effects on equity			(161)	**(161)**	
Other transactions					
At 31 December 2016	**145,018**	**18,383**	**66,097**	**229,499**	**(40,448)**
Allocation of profits of previous years		1,321	(44,257)	**(42,936)**	44,257
Economic effects on equity			(3)	**(3)**	
Other transactions					
At 31 December 2017	**145,018**	**19,704**	**21,837**	**186,560**	**3,809**

T

he item "Other transaction" amounting to Euro 3 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 Reserves:					
- Share premium reserve	**145,018**	**A,B,C**			
Profit reserves:					
- Legal Reserve	19,704	**B**	19,704		
- Extraordinary Reserve	28,973	**B,C**	28,973		
- Other reserves	(7,135)				
- Profits/-Losses carried forward	3,809	**B,C**	3,809		
- Profits/-Losses for the year	8,408				
TOTAL	**307,927**				
Non-distributable portion	128,854				
Remaining distributable portion	179,073				
KEY					
Possibility of use:					
A: *for share capital increase*					
B: *to cover losses*					
C: *for distribution to shareholders*					

15. 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 2017	31 December 2016
Curtailment		
Interest expenses on benefit obligation	**140**	**213**
Net cost of the benefit recognized through profit or loss	**140**	**213**
Net actuarial (gains)/ losses recognized in equity	3	161
TOTAL NET BENEFIT COST	**143**	**374**

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 2017	31 December 2016
Opening balance of the present value of the defined benefit obligation	9,865	10,959
Increases/ (decreases) for transfer	(69)	(280)
Benefits paid	(1,722)	(1,188)
Curtailment		
Interest expenses on benefit obligation	140	213
Net actuarial gains (losses) recognised in the year	3	161
CLOSING BALANCE OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION	**8,217**	**9,865**

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

	2017	2016
Discount rate	1.65%	1.50%
Inflation rate	1.50%	1.20%
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

The discount rates used to assess the TFR obligation are defined on the basis of curves of rates of return of high-quality fixed-interest securities, the amounts and maturity dates of which correspond to the amounts

and maturity dates of the payments of expected future benefits. In 2017 the discount rate was equal to 1.65% (2016: 1.50%).

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 2017	+ 0.25 bps	+ 0.06 ppt	8,018
	- 0.25 bps	- 0.06 ppt	8,424
Financial year ended 31 December 2016	+ 0.25 bps	+ 0.06 ppt	9,628
	- 0.25 bps	- 0.06 ppt	10,112

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:

	2017	2016
Executives	38	41
Office workers	749	785
Manual workers	13,502	13,877
Employees	**14,289**	**14,703**

In 2017 the average number of leased personnel employed, including those shown in the table, stood at 403 (in 2016: 437).

16. PROVISIONS FOR RISKS AND CHARGES

The breakdown of the provisions for risks and charges in 2017 is shown below:

	Risks on job orders	Pending disputes	Investment risks	Employee benefits for termination of employment	Tax disputes	Employee legal proceedings	Other risks and charges	Total
At 1 January 2017	**7,419**	**37,379**	**448**	**1,400**	**478**	**2,501**	**98**	**49,723**
Provisions	2,203	152	8			1,633		3,996
Uses	(2,226)	(486)		(1,922)		(1,152)	(27)	(5,813)
Unused and reversed	(2,760)	(2,080)				(28)	(5)	(4,873)
Other	(114)	(14,700)		630		(630)		14,814)
At 31 December 2017	**4,522**	**20,265**	**456**	**108**	**478**	**2,324**	**65**	**28,219**
Current 2017	*4,464*		*456*	*108*	*478*		*17*	5,524
Non-current 2017	*57*	*20,265*				*2,324*	*49*	22,695
At 31 December *2017*	***4,522***	***20,265***	***456***	***108***	***478***	***2,324***	***65***	***28,219***
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***

Provision for risks on job orders

The provision of Euro 2,203 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 Euro 2,226 thousand, mainly relates to transactions completed with two customers that operate in the Healthcare sector and to a judgment challenging an order for payment with a customer that operates in the public sector.

Provision for pending disputes

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 Euro 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. also challenged the Council of State's ruling, filing an appeal with the Supreme Court on 21 May 2017.

Finally, on 23 December 2016 the Authority executed the Lazio Regional Administrative Court's ruling and published a new order, recalculating the fine at Euro 14,700 thousand. This order was also challenged before the Lazio Regional Administrative Court and the Company is waiting for the hearing to be set.
When closing the Financial Statements at 31 December 2016, in the light, among other things, of the appeals lodged by the parties, on which the competent courts had already ruled, the Directors recalculated the risk of outflows related to the fine as a maximum amount of Euro 14.7 million. On the other hand, on 24 March 2017, the Lazio Regional Administrative Court decided against the application to stay the related payment lodged by MFM S.p.A. and therefore, the entire amount of the fine was reclassified in the item "Other operating liabilities" and reported in the statement of changes in the provisions in "Other changes". Finally, the Competition Authority intervened with the measure of 28 April 2017 with regard to the request for payment by instalments submitted by MFM S.p.A., allowing the latter to pay the fine in 30 monthly instalments at the legal interest rate (currently 0.1%). The Company is paying the monthly instalments on a regular basis.

As a result of the Competition Authority 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). Furthermore 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. On 24 April 2017, Italian Law Decree no. 50 was published on the O.G.: Article 64 (Services in school) of this law decree envisages the continuation of the acquisition of cleaning services and other auxiliary services until 31 August 2017 for the regions in which the Consip framework agreements have been terminated. In the subsequent Decree Law no. 91 of 20 June 2017, converted with amendments into Law on 3 August 2017, these services were further extended until 31 December 2017; finally, Article 1, paragraph 687, of Law no. 205 of 27 December 2017 ("2018 Budget Law") provided for these agreements to continue until 30 June 2019, in order to allow the regular performance of educational activities for the 2018-2019 school year.

Finally, on 2 December 2016 Consip S.p.A. formally notified the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) of its accusations against MFM S.p.A., as notified in the notice of termination of the Agreements, together with the intention to make a report to the Public Prosecutor's Office. On 7 January 2017 the Company served a writ of summons on the entity, asking the Ordinary Court of Rome to establish the unlawfulness of the notice of termination of the agreements and order Consip S.p.A. to compensate for any damage suffered by the company. The first hearing for the discussion of the requests submitted during preliminary investigations was held on 5 December 2017; the next hearing has been set for 16 October 2018.

The tender performance bond (initially equal to Euro 24.5 million) might also be partially enforced if the Company loses the case against Consip S.p.A). After the Regional Administrative Court's judgment of 14 October 2016, which was confirmed by the Council of State's judgment of 1 March 2017 and which substantially reduced the fine that had previously been imposed while not accepting the Company's argument that it was completely extraneous to the accusations, the Directors decided to maintain the provisions for future charges in the Financial Statements at 31 December 2017 (equal to Euro 17.5 million), also taking account of the risk of enforcement of the abovementioned performance bond and despite the sound arguments which MFM S.p.A. could submit against the enforcement of the bond in court .
To date the Anti-Corruption Authority has not yet concluded its preliminary investigations.
On 16 June 2017, Consip officially informed MFM S.p.A. of its own decision concerning the exclusion of the Company from the tenders for new agreements relating to cleaning services of barracks ("Consip Caserme") and to cleaning services with health service providers ("Consip Sanità"), with the intention also to confiscate, in this last case, the surety given by the Company during the tender for the amount of approximately Euro 10.4 million (known as "bid bond"). However, on 13 July 2017 and on 14 September 2017 respectively, the Lazio Regional Administrative Court ordered the suspension of the measures of exclusion, deferring the decision on the merits of the appeal to the hearing scheduled for 25 October 2017, which was rescheduled for 21 February 2018. In this venue the Company had its appeal rejected and appointed its legal counsels to file an appeal with the Council of State, while submitting a request for precautionary measure from a single-member court and for suspension of the enforcement of the challenged order. The appeal was served on 10 March 2018.
In relation to the above-mentioned exclusions, ANAC (*Autorità Nazionale Anti Corruzione*, National Anti-Corruption Authority) decided to open two proceedings concerning its entry in the electronic criminal records of ANAC, as "Useful information". These proceedings were also suspended by ANAC until the outcome on the merits mentioned above and of proceedings for the application of disqualification measures, which were also suspended.

With reference to the events referred to above, the Directors also point out that, despite a context that is significantly affected by new laws and more restrictive approaches with respect to the previous ones, the Company believes that a risk may actually arise mainly with regard to delays in awarding some tenders attributable to situations of further worsening of the disputes connected with the participation in or the awarding of said tenders. To date the risk of the Company being temporarily excluded from public tenders as a result of an order issued by the ANAC can be reasonably regarded as not probable, in consideration of the defence arguments discussed with the Company's legal counsels, which may be submitted both upon participation in the ANAC procedure and at the time of any possible appeal filed with administrative courts , as well as based on the rulings recently handed down by the latter, which have suspended the abovementioned exclusion measures already enacted.

The aforesaid decisions do not imply in any case any impediment for MFM S.p.A. to the participation and awarding of new calls for tenders by Consip and, more in general, by the Public Administration, and any

other awarding procedure in progress remains absolutely valid. Moreover, on 16 June 2017, MFM S.p.A. received official communication from Consip to sign the agreements for the two batches of the "Consip Mies 2" tender relating to the award of an "integrated technology multi-service with energy supply for buildings used by Public Health Administrations": these agreements were formally signed on 20 September 2017 and the procedure to sign the individual supply orders was subsequently started. These contracts have a term of 5 or 7 years, at the discretion of each administration, starting from the activation of each supply (expected in the 2018 financial year), with a total limit for MFM S.p.A. of more than Euro 250 million. Both the Consip Sanità and Consip Caserme tenders, and the Consip Mies 2 agreement, did not generate consolidated Revenues during the 2017 financial year and are not included in the Group's backlog at 31 December 2017.

On 23 March 2017 AGCM notified MFM S.p.A. of the initiation of a preliminary investigation procedure against CNS – Consorzio Nazionale Servizi Società Cooperativa, Dussmann Service, S.r.l., Engie Servizi S.p.A. (formerly Cofely Italia S.p.A.), 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 and has allowed the Companies to access the papers of the proceedings. By an order of 22 November 2017 the Competition Authority also extended, both objectively and subjectively, the proceedings that had already been started; to date these proceedings also concern the SIE3 and MIES2 tenders and involve the industrial holding companies which control the entities initially involved (even if they have not been extended to the parent company Manutencoop Società Cooperativa).
The Company firmly rejects the arguments holding an alleged collusive agreement with the other companies involved in the proceedings. The Directors believe that in no case are the requirements met in terms of probability, as well as of reliable estimate, required by the international accounting standards to set aside a provision for risks.

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

Provision for investment risks

The provision for investments risks, amounting to Euro 456 thousand, includes the provision to cover any future losses of Alisei S.r.l. in liquidation in an amount of Euro 80 thousand and S.AN.CO soc. cons. r.l. in an amount of Euro 376 thousand.

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 2017 the Company completed these projects, thus setting the provision in question to zero.

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 Euro 2,324 thousand, refers to the best estimation of liabilities as at 31 December 2017 whose risk is deemed to be likely, connected to ongoing labour law disputes.

Other provisions for risks and charges

The provision, equal to Euro 65 thousand, includes the best estimate of future charges on some contracts on the basis of the information available as at the reporting date.

17. 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 2017	within 1 year	after 1 year within 5 years	after 5 years
C.C.F.S. Loan	5,000		5,000	
Debt for the acquisition of investments / business units	211	211		
Current account overdrafts, advance payments and hot money	6,000	6,000		
Financial current accounts – Parent Company/Subsidiaries	9,908	9,908		
Proceeds Loan by CMF S.p.A.	167,858		167,858	
Share capital to be paid into investee companies	5	5		
Prepaid financial expenses	(1,024)	(316)	(708)	
Accrued financial expenses	228	228		
Obligations from assignments of receivables with recourse	29,999	29,999		
Due to factoring agencies	3,473	3,473		
FINANCIAL LIABILITIES	**221,658**	**49,508**	**172,150**	**0**

Below is the breakdown of financial liabilities at 31 December 2016:

	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	**374,588**	**69,525**	**305,063**	**0**

Senior Secured Notes (2013)

On 2 August 2013 the Company issued secured High Yield bonds (Senior Secured Notes) due 1 August 2020, reserved for institutional investors. The bonds, which are listed on the Euro MTF Market of the Luxembourg Stock Exchange and on the Extra MOT Pro Segment of the Italian Stock Exchange, was initially issued for a nominal value of Euro 425 million, with an issue price below par by 98.713%, with a fixed annual 8.5% coupon on a six-monthly settlement basis. At 31 December 2016 the nominal value of the debt was equal to Euro 300 million, given the buy-back transactions carried out during 2014 and 2015, for nominal portions of Euro 45 million and Euro 80 million, respectively. None of the Notes purchased (nominal value Euro 125 million) were cancelled and were deposited in a securities account with Unicredit S.p.A., reported in the Statement of Financial Position as a straight reduction of total financial debt. A part of these securities (amounting to a nominal value of Euro 14 million) was pledged against committed credit line of Euro 10 million, due 2018, obtained from CCFS. This credit line was cancelled on 3 July 2017 resulting in the repayment of the debt for principal and, on 20 July 2017, the Company requested the Trustee and the Paying Agent to formally delete all Notes previously held in the portfolio.

On 13 October 2017 the Company, in carrying out the refinancing and corporate reorganisation of the Group controlled by Manutencoop Società Cooperativa, took steps for the early redemption of the Senior Secured Notes bond issue at the redemption price of 102.125% envisaged for the early redemption in the Indenture signed during the 2013 financial year (with an issue premium of Euro 6,375 thousand).

The redemption of the Notes has also entailed the reversal of the remaining additional costs for the issue, accounted for at amortised cost, through profit or loss, for Euro 4,368 thousand, to which must be added accrued financial costs, which were already accounted for before the redemption for Euro 984 thousand (Euro 1,213 thousand for the 2016 financial year). Finally, financial costs accrued on the coupons of the cancelled Notes until the redemption date for Euro 22,029 thousand (Euro 25,500 thousand for the entire 2016 financial year).

Proceeds Loan

During the last quarter of the 2017 financial year the parent company Manutencoop Società Cooperativa carried out a corporate reorganisation and refinancing of the entire Manutencoop Group.

The corporate reorganisation involved the transfer of the shares held by Manutencoop Società Cooperativa in the Company to a newly-established corporate SPV named CMF S.p.A., which also completed the acquisition of the shares held by Institutional Investors in the share capital of Company (equal to 33.2%). Therefore CMF S.p.A. is now the sole shareholder of Company.

As already mentioned, the refinancing transaction required the Company to repay the Notes that had been issued during the 2013 financial year through the use of a portion of its own Cash and cash equivalents, while raising an intercompany loan (Proceeds Loan) in a nominal amount of Euro 190.3 million from its direct controlling company CMF S.p.A.; during the 2017 financial year the latter launched a new Senior Secured Notes bond issue in a nominal amount of Euro 360 million, below par (at 98%), due 2022 and a six-monthly coupon of 9.0%

In consideration of this Proceeds Loan, the Parent Company has also sustained additional costs for the issue in an initial total amount of Euro 9,121 thousand, charged back by CMF S.p.A. in proportion to the proceeds reserved for it (equal to 52.86% of total issue). These additional costs have been also accounted for according to the amortised cost, which gave rise to amortisation costs of Euro 990 thousand during the last quarter of 2017, an amount of Euro 687 thousand of which relates to the portion of loan (Euro 14.3 million) repaid on 12 December 2017, to provide CMF S.p.A. with the financial resources required to pay the six-monthly coupon due 15 December 2017. The Loan bears interest at 9.0%, which amounted to Euro 3.6 million at 31 December 2017.

The book value of the Proceeds Loan at 31 December 2017 amounted to Euro 168,562 thousand, against the residual debt on account of principal for Euro 175,990 thousand, net of the adjustment relating to amortised cost, equal to Euro 8,132 thousand and increased by interest accrued on the loan and not yet paid, equal to Euro 704 thousand.

Super Senior Revolving (RCF)

At the same time as the bond issue, the controlling company CMF S.p.A. also entered into a Super Senior Revolving loan agreement with Unicredit Bank AG (RCF), to which the Company is a party as Borrower.

The 5-year credit facility (expiring on 15 December 2021) provides for a credit line at sight, in a maximum nominal amount of Euro 50 million, for the entire term. The facility was activated in order to meet temporary cash requirements (if any) and therefore ensures greater financial flexibility. CMF S.p.A. has charged all financing costs (equal to Euro 1,000 thousand) back to the Company, which will be also

amortised on a straight-line basis throughout the entire term of the credit facility. This amortisation had an impact of Euro 52 thousand on the 2017 financial year and the remaining amount of these costs was accounted for as a prepaid expense of Euro 948 thousand on the reporting date of the Separate Financial Statements

After the planned merger of CMF S.p.A. by incorporation into subsidiary MFM S.p.A., Servizi Ospedalieri S.p.A. may also access the Super Senior Revolving credit facility, providing a specific personal security.

The Super Senior Revolving loan agreement provides for compliance with a financial covenant, which is preliminary to the possible use of the line granted. This financial covenant is in line with the market practice for similar financing transactions and is recognised on a quarterly basis on the basis of the data relating to the last 12 months, as resulting from the financial position, results of operations and cash flows approved during the quarter prior to the date of the application for use of the credit facility. On the reporting date of these financial statements the financial covenants had been complied with and no use of the facility had been requested from the execution of the agreement.

C.C.F.S. loan

At 31 December 2016 non-current financial liabilities included a loan with CCFS amounting to Euro 10,000 thousand, under an agreement that had been entered into by the Parent Company MFM S.p.A. on 6 August 2015, due August 2018. The loan showed a fixed interest rate, net of a spread with quarterly settlement and was backed by a pledge over the Notes repurchased in previous years and held on securities accounts for Euro 14 million. This credit facility was repaid early on 3 July 2017, at the same time as the cancellation of the pledge on the Notes.

On 14 November 2017 a new loan agreement was signed with CCFS for a total amount of Euro 10,000 thousand. The loan includes two lines of credit, the first of which, amounting to Euro 5,000 thousand, was disbursed at the same time as the execution of the contract and will expire in April 2023. The second 66-month line of credit, for an additional amount of Euro 5,000 thousand, was disbursed on 13 February 2018, after the end of the financial year and provides for the repayment in six-monthly instalments, with a pre-amortisation period of 12 months.

Current account overdrafts, advance payments and hot money

This item showed a balance of Euro 6,000 thousand at 31 December 2017, against an amount of Euro 11,724 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 is made up of the balances of intragroup financial current accounts held with subsidiaries H2H Facility Solutions S.p.A. for Euro 3,974 thousand and Servizi Ospedalieri S.p.A. for Euro 3,868 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 5 thousand, at 31 December 2017reported a decrease of Euro 415 thousand during 2017 as a result of the payment of Euro 210 thousand of the capital of Consorzio Integra and of the reclassification, equal to Euro 205 thousand, of the related current portion.

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. During 2017 assignments were made at a nominal value of receivables of Euro 47,120 thousand, while the amount of receivables assigned but not yet collected by the factor at 31 December 2017 amounted to Euro 29,999 thousand (Euro 20,805 thousand at 31 December 2016).

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 Company performs the service of receipts. The amounts collected (equal to Euro 4,902 thousand at 31 December 2017) were transferred to the factor in the first days of the subsequent financial year.

18. TRADE PAYABLES AND ADVANCES FROM CUSTOMERS

The table below sets forth the breakdown of the item as at 31 December 2017 and 31 December 2016:

	31 December 2017	of which related parties	31 December 2016	of which related parties
Trade payables	212,285	3	183,279	11
Trade payables to Associates and Joint-ventures	11,424	11,424	10,324	10,324
Trade payables to Subsidiaries	31,038	31,038	29,463	29,463
Trade payables to Parent companies	22,599	22,599	4,542	4,542
Trade payables to Affiliates	57	57	37	37
Payables to customers for work to be performed	13,441		11,119	
TRADE PAYABLES AND ADVANCES FROM CUSTOMERS	**290,844**	**65,121**	**238,764**	**44,377**

At 31 December 2017 trade payable and advances from customers amounted to Euro 290,844 thousand compared to Euro 238,764 thousand at 31 December 2016.

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

19. OTHER CURRENT LIABILITIES

The table below sets forth the breakdown of the item as at 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Payables to employees	42,544	40,058
Payables to social security institutions	7,543	6,229
Tax payables	7,194	7,165
Collections on behalf of ATI (“*Associazione temporanea di Imprese*”)	6,824	6,017
Other payables to Subsidiaries	258	276
Other payables to Parent Company	31	54
Other payables to Associates	2	0
Payables to directors and statutory auditors	243	88
Property collection on behalf of customers	2,176	2,176
Other payables	12,712	9,516
OTHER CURRENT LIABILITIES	**79,527**	**71,580**

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.

“Other payables” included the debt relating to “*Oneri di Sistema*” until 31 December 2016. The Company, in fact, holds some major contracts for energy services for which operating payables relating to “*Oneri di Sistema*” were recognised for a total amount of Euro 6,152 thousand in previous years (according to the regulatory provisions laid down in Decree Law 91/2014, as amended and converted by Law 116/2014 and in the related implementing Decree issued in 2015). On 23 February 2017 the Chamber of Deputies finally approved Decree Law 244 of 30 December 2016 (the “*Milleproroghe* Decree), and converted it into law. The introduced amendments had a significant impact on the regulations in force governing the “*Oneri di Sistema*” and in particular abrogated the rule according to which, except for RIUs, the general "*oneri di sistema*" are determined with reference to the consumption of electricity. According to the previous Bersani Decree (Legislative Decree 79/99), the “*oneri di sistema*” are payable based on the energy withdrawn from the grid: consequently, the entities that do not withdraw energy from the grid because they produce it on their own are exempted from the payment of these charges. Therefore, on the basis of the new regulations, the management believed that there was no need to record additional "*Oneri di Sistema*" in 2017, assimilating also the elimination of the payment obligations for those related to the previous years for which no payment had been made.

On the other hand, in the first half of 2017, the payable related to the Competition Authority fine of Euro 14,700 thousand was recorded in the same item following the dismissal by the Lazio Regional Administrative Court of the request for suspension of the payment made by the Company (for further details, refer to the previous note 16). Moreover, the Competition Authority intervened with measure of 28 April 2017 by allowing to pay the fine in 30 monthly instalments at the legal interest rate of currently 0.1%. Therefore the Company reclassified the provision for disputes already allocated in previous financial years, equal to Euro 14,700 thousand, and paid no. 9 monthly instalments. The balance of the residual debt at 31 December 2017 was equal to Euro 10,294 thousand.

20. SALES AND SERVICE REVENUES

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Integrated services - system and building maintenance	135,039	143,851
Cleaning and sanitation services	310,378	311,830
Heat management	97,642	101,239
Construction work, building restructuring	52,208	50,296
Plant construction work	27,003	14,843
Landscaping services	4,598	3,474
Porterage services	4,376	5,508
Asset management	685	603
Cemetery services	50	398
Other services	69,613	66,317
SALES AND SERVICE REVENUES	**701,591**	**698,361**

21. OTHER OPERATING REVENUES

The breakdown of the item is shown below for the years ended 31 December 2017 and 2016:

	31 December 2017	31 December 2016
Reimbursement of damages	148	499
Gains on sales of property, plant and machinery	35	48
Grants	701	556
Other revenues	382	302
OTHER REVENUES	**1,266**	**1,406**

As at 31 December 2017, the balance was Euro 1,266 thousand, compared to Euro 1,406 thousand in 2016. The item "Other Revenue" is mainly made up of the recovery of costs for seconded personnel.
An amount of Euro 701 thousand was recognised as operating grants, mainly relating to employee training projects.

22. COSTS FOR RAW MATERIALS AND CONSUMABLES

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Change in inventories of raw materials	567	(219)
Fuel consumption	(37,091)	(41,382)
Consumption of raw materials	(47,255)	(41,119)
Purchase of auxiliary materials and consumables	(5,974)	(5,448)
Other purchases	(1,722)	(1,763)
COSTS OF RAW MATERIALS AND CONSUMABLES	**(91,475)**	**(89,930)**

As at 31 December 2017 the item amounted to Euro 91,475 thousand compared to Euro 89,830 thousand compared to 2016.

23. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Third-party services	(133,943)	(123,151)
Professional services	(31,493)	(31,057)
Consortia services	(50,172)	(52,326)
Utilities	(2,325)	(2,652)
Rent expense	(8,571)	(9,559)
Other personnel expenses	(5,713)	(5,575)
Transport	(48)	(59)
Equipment maintenance and repair	(4,401)	(4,398)
Insurance and sureties	(3,585)	(3,469)
Travel expenses and reimbursement of expenses	(2,215)	(1,681)
Advertising and marketing	(51)	(17)
Rentals and other	(2,794)	(2,715)
Directors' and Statutory Auditors' fees	(130)	(319)

	31 December 2017	31 December 2016
Bank services	(115)	(128)
Bonuses and commissions	(7)	(22)
Other services	(269)	(529)
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**(245,834)**	**(237,657)**

For the year ended 31 December 2017 the item recorded Euro 245,834 thousand, against Euro 237,657 thousand in 2016, marking an increase of Euro 8,177 thousand compared to the previous year, mainly due to higher 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.

However, it should be noted that this item also includes non-recurring costs of Euro 2,393 thousand relating to the refinancing transaction, charged back by CMF S.p.A..

24. PERSONNEL COSTS

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Wages and salaries	(208,328)	(207,443)
Social security charges	(64,101)	(63,837)
Temporary and leased personnel	(23,477)	(25,772)
Other current benefits	(1,323)	(1,359)
CURRENT BENEFITS	**(297,229)**	**(298,410)**
Employment termination indemnity	(157)	(226)
Other subsequent benefits		
DEFINED BENEFITS	**(157)**	**(226)**
Payments to employee pension funds	(12,337)	(12,327)
DEFINED BENEFITS	**(12,337)**	**(12,327)**
EMPLOYMENT TERMINATION BENEFITS	**(3,730)**	**(1,878)**
PERSONNEL COSTS	**(313,454)**	**(312,841)**

The financial year ended 31 December 2017 showed a balance of Euro 313,454 thousand against a balance of Euro 312,841 thousand in 2016. The portion of termination indemnity paid to the INPS and to supplementary pension funds is recognised under current benefits.

25. OTHER OPERATING COSTS

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Other operating costs	3,612	(1,705)
Fines and penalties	(1,128)	(2,907)
Taxes other than income taxes	(1,838)	(1,741)
Capital losses on disposals of assets		(35)
Losses on receivables		(46)
OTHER OPERATING COSTS	**645**	**(6,434)**

In 2017 “Other operating costs” showed a positive balance, recording a decrease during the year, mainly in item “Other operating costs”, due to the benefit of the reversal of costs for “*Oneri di Sistema*” allocated in previous years and no longer due for Euro 6,152 thousand. The Company in fact holds some major contracts for energy services for which operating payables relating to “Oneri di Sistema” were recognised in previous years, according to the regulatory provisions laid down in Decree Law 91/2014, as amended and converted by Law 116/2014 and in the related implementing Decree issued in 2015. On 23 February 2017 the Chamber of Deputies finally approved Decree Law 244 of 30 December 2016 (the “*Milleproroghe*” Decree) and converted it into law. The introduced amendments had a significant impact on the regulations in force governing the “*Oneri di Sistema*” and in particular abrogated the rule according to which, except for RIUs, the general "*oneri di sistema*" are determined with reference to the consumption of electricity. According to the previous Bersani Decree (Legislative Decree 79/99), the “*oneri di sistema*” are payable based on the energy withdrawn from the grid: consequently, the entities that do not withdraw energy from the grid because they produce it on their own are exempted from the payment of these charges. Therefore, on the basis of the new regulations, the management believed that there was no need to record additional "*Oneri di Sistema*" in 2017, assimilating also the elimination of the payment obligations for those related to the previous years for which no payment had been made.

26. AMORTISATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Amortization of intangible assets	(6,594)	(5,833)
Write-down of equity investments in Group companies	(6,299)	(1,989)
Write-downs of trade receivables	(3,451)	(3,525)
Write-downs of other assets	(317)	(355)
Depreciation of property, plant and equipment	(2,175)	(2,156)
Depreciation of leased property, plant and equipment		(46)
Transfer of bad debt provision	260	161
AMORTISATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS OF ASSETS	**(18,575)**	**(13,742)**

The item Amortization/depreciation, write-downs and write-backs of assets passed from Euro 13,742 thousand at 31 December 2016 to Euro 18,575 thousand in 2017.

The item 'Write-down of the Group's Companies equity investments" of Euro 6,299 thousand mainly includes the value adjustment recognised on Manutencoop International F.M. S.r.l. for Euro 2,226 thousand and on Yougenio S.r.l. for Euro 4,125 thousand, to adjust the values of the investment in line with the related equity as a result of losses regarded as not recoverable.

27. DIVIDENDS, INCOME AND CHARGES FROM DISPOSAL OF EQUITY INVESTMENTS

	31 December 2017	31 December 2016
TOTAL DIVIDENDS, INCOME AND CHARGES FROM DISPOSAL OF EQUITY INVESTMENTS	**20,093**	**8,283**

The item accrued in the year is mainly made up of:

- Dividends from subsidiaries and associates for Euro 20,076 thousand;
- Dividends from non-Group companies for Euro 16 thousand;

The details as at 31 December 2017 are shown below, compared with 2016:

	31 December 2017	31 December 2016
Company		
Telepost S.p.A.	1,853	1,685
Manutencoop Private Sector Solutions S.p.A.	814	659
Servizi Ospedalieri S.p.A.	9,320	5,600
Sicura S.r.l.	6,500	
Roma Multiservizi S.p.A.	1,291	
Gico System S.r.l.	12	
Sesamo S.p.A.	269	
Grid Modena S.r.l.	16	
TOTAL DIVIDENDS, INCOME AND CHARGES FROM DISPOSAL OF EQUITY INVESTMENTS – GROUP COMPANIES	**20,076**	**7,944**

	31 December 2017	31 December 2016
Company		
Progetto Nuovo S.Anna	12	79
Genesi Uno S.p.A.		237
Consorzio CIICAI	4	8
Malaspina Soc. Cons. a r.l.		14
TOTAL DIVIDENDS, INCOME AND CHARGES FROM DISPOSAL OF EQUITY INVESTMENTS	**16**	**338**

28. FINANCIAL INCOME

The breakdown of the item is shown below for the years ended 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Interest on trade receivables	3,130	449
Interest on loans and intercompany current accounts	5,530	5,338
Interest from discounting of non-interest bearing loans	19	30
Interest on bank current accounts	12	13
Capital gains on securities	0	0
Other financial income	53	- 102
FINANCIAL INCOME	**8,744**	**5,727**

29. FINANCIAL CHARGES

	31 December 2017	31 December 2016
Loans	(22,809)	(26,594)
Other financial charges	(13,407)	(1,801)
Financial charges on Group financial accounts	(5,511)	(809)
Financial costs from securitisation	(1,170)	(917)
FINANCIAL CHARGES	**(42,897)**	**(30,121)**

In 2017 Financial charges recorded an increase equal to Euro 12,776 thousand compared to the previous financial year. The higher costs incurred arose from the abovementioned Refinancing which led the Company to make an early redemption of the Senior Secured Notes issued during 2013.

Specifically, the Company sustained early redemption costs of Euro 6,375 thousand, based on the redemption price set in the rules of the cancelled Senior Secured Notes and charges arising from the negative interest accrued with respect to the repayment of the capital quota to bondholders equal to Euro 105 thousand.

The redemption of the Notes has also entailed the reversal of the remaining additional costs for the issue, accounted for at amortised cost, through profit or loss, for Euro 4,368 thousand, to which must be added accrued financial costs, which were already accounted for before the redemption for Euro 984 thousand (Euro 1,213 thousand for the 2016 financial year).

After having obtained the Proceeds Loan from Parent Company CMF S.p.A., the Company has also sustained additional costs for the issue in an initial total amount of Euro 9,121 thousand, charged back by CMF S.p.A. in proportion to the proceeds reserved for it (equal to 52.86% of total issue). These additional costs have been also accounted for according to the amortised cost, which gave rise to amortisation costs of Euro 990 thousand during the last quarter of 2017, an amount of Euro 686 686 thousand of which relates to the portion of loan (Euro 14,310 thousand) repaid on 12 December 2017, to provide CMF S.p.A. with the financial resources required to pay the six-monthly coupon due 15 December 2017.

Finally, financial costs accrued on the coupons of the cancelled Notes until the redemption date, amounting to Euro 22.0 million (Euro 25.5 million for the entire 2016 financial year). The Proceeds Loan bears interest equal to 9.0%, amounting to Euro 3,643 thousand at 31 December 2017.

At the same time as the bond issue, the controlling company CMF S.p.A entered into a Super Senior Revolving loan agreement for Euro 50 million, to which the Company is a party as Borrower, proceeding with the charge-back of all financing costs (equal to Euro 1,000 thousand). These costs are also amortised on a straight-line basis throughout the entire term of the credit facility (no drawdown had been requested on the reporting date). This amortisation had an impact of Euro 52 thousand on the 2017 financial year.

30. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

At 31 December 2017 the Company did not hold "Discontinued operations" and/or held for sale and did not realise any Profit (Loss) from these operations.

Profit (loss) from discontinued operations

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

	31 December 2017	31 December 2016
Capital gain from the sale of MIA S.p.A.		185
Earn-out on the transfer of the SMAIL business		1,200
PROFIT (LOSS) BEFORE TAXES FROM DISCONTINUED OPERATIONS	**0**	**1,385**
Income taxes from discontinued operations:		
- related to the capital gain (capital losses) from discontinued operations		(3)
- related to discontinued operations		(330)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**1,052**
Basic earnings per share from discontinued operations		0.000002
Diluted earnings per share from discontinued operations		0.000002

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

In 2017 discontinued operations generated the following cash outflows, compared with the cash flows generated during the same period of 2016:

	31 December 2017	31 December 2016
Deferred transfer price of MIA S.p.A. (2014)	0	8,948
Deferred transfer price relating to the transfer of Energyproject S.r.l. (2014)	110	76
Collection of Earn-Out amounts on the sale of SMAIL S.p.A. . (2015)	950	250
NET CASH FLOWS GENERATED FROM DISCONTINUED OPERATIONS	**1,060**	**9,274**

During 2017 work continued on the partial collection for a total amount of Euro 110 thousand (Euro 76 thousand in 2016) of the residual receivable that the Company claims from the buyer of Energyproject S.r.l., which was sold in 2014. Furthermore, the residual receivable was fully collected for the earn-out to be paid on the transfer of SMAIL S.p.A., which took place in 2015, totalling Euro 950 thousand (Euro 250 thousand in 2016).

Finally, the cash flows reported at 31 December 2016 included an amount of Euro 8,948 thousand for the collection of escrowed sums deposited by the buyer of the total quota held in MIA S.p.A., which took place on 30 December 2014.

31. TAXES

The breakdown of the income taxes is shown below for the years ended 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Current IRES tax	6,354	7,578
Current IRAP tax	2,682	2,572
(Income) charges from tax consolidation	(290)	(623)
Adjustment to current taxes of previous years	(792)	(7)
Current taxes	**7,954**	**9,520**
Prepaid/deferred IRES tax	4,300	(1,365)
Prepaid/deferred IRAP tax	242	(25)
Prepaid/deferred taxes relating to previous years	76	11
Prepaid/(deferred) taxes	**4,619**	**(1,379)**
CURRENT, PREPAID AND DEFERRED TAXES	**12,573**	**8,141**

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 2017 and 31 December 2016 to pre-tax profit is as follows:

Reconciliation between theoretical and actual IRES tax rate	31 December 2017	%	31 December 2016	%
Pre-tax profit (continuing and discontinued operations)	20,981		34,885	
Ordinary rate applicable		24.00%		27.50%
Effect of increases (decreases):				
- Temporary differences	(18,235)		8,791	
- Permanent differences	22,520		(17,176)	
IRES taxable income	25,266		26,501	
ACTUAL RATE/TAX (CONTINUING AND DISCONTINUED OPERATIONS)	**6,064**	**28.90%**	**7,288**	**22.68%**

Reconciliation between theoretical and actual IRAP tax rate	31 December 2017	%	31 December 2016	%
Pre-tax profit (continuing and discontinued operations)	20,981		34,885	
Ordinary rate applicable				
		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	313,454		312,841	
- Balance from financial management	14,059		16,111	
- Other differences between taxable base and pre-tax result	(285,707)		(303,007)	
IRAP taxable income	**62,788**		**60,830**	
- of which at 2.30%	1,226		1,196	
- of which at 2.68%	218		233	
- of which at 2.93%	34,574		235	
- of which at 3.90%	858		35,187	
- of which at 4.73%	22,603		1040	
- of which at 4.82%	3,309		20,113	
- of which at 4.97%	2,827		2,827	
ACTUAL RATE/TAX (CONTINUING AND DISCONTINUED OPERATIONS)	**2,421**	**4.27%**	**2,572**	**0.01%**

32. DEFERRED TAXES

The breakdown of the prepaid and deferred taxes as at 31 December 2017 and at the end of the previous year is shown below:

Prepaid and deferred taxes	Equity tax effect		Economic tax effect	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Prepaid taxes:				
Multi-year costs	31	114	83	65
Presumed losses on receivables	4,800	4,445	(355)	(346)
Provisions for risks and charges	2,680	4,169	1,489	130
Write-downs on asset items	339	504	165	378
Fees of Directors, Statutory Auditors and Independent Auditors	68	65	(3)	64
Amortization	2	2	0	(1)
Interest expense	3,551	6,302	2,750	(2,192)
Employee benefits and length of service bonuses	29	29	0	13
Restructuring fund	0	0	0	247
Cash cost deduction	23	8	(15)	(1)
Other temporary differences	905	958	53	(259)
TOTAL PREPAID TAXES	**12,429**	**16,595**	**4,166**	**(1,900)**
Deferred taxes:				
Lease for tax purposes	0	0	0	(39)
Goodwill amortisation	(8,791)	(8,230)	560	604
Purchase Price Allocation (PPA)	(1,739)	(1,806)	(67)	(67)
Capital gains - deferred taxation	0	0	0	(10)
Other temporary differences	(152)	(194)	(41)	32
TOTAL DEFERRED TAXES	**(10,682)**	**(10,230)**	**452**	**521**
NET PREPAID/(DEFERRED) TAXES	**1,747**	**6,365**	**4,619**	**(1,379)**

33. COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees given

The Company has the following contingent liabilities as at 31 December 2017:

- sureties for bank overdrafts and to secure the obligations of subsidiaries and associates for a maximum amount of Euro 19,641 thousand (2016 : Euro 17,186 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 Euro 199,486 thousand (2016: Euro 189,329 thousand);

- other guarantees granted to third parties for an amount equal to Euro 4,590 thousand (2016: Euro 5,707 thousand).

The guarantees in favour of Factoring Agencies, issued to ensure correct fulfilment of factoring contracts, were cancelled in 2017 (Euro 1,500 thousand at 31 December 2016).

Guarantees given within the Senior Secured Notes bond issue of 2013

The Company issued, in favour of the bondholders for the bond issue placed in 2013 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 Euro 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 Euro 8,880 thousand;
- an assignment of receivables as security, which arise from shareholders' loans (Proceeds Loan) disbursed to H2H Facility Solutions S.p.A. (Euro 16,907 thousand), Servizi Ospedalieri S.p.A. (Euro 32,274 thousand) and of any and all proceeds arising therefrom.

The guarantees listed above could be called by the counterparties only if one of the default events envisaged in the abovementioned contracts occurred and, therefore, until the occurrence of these events, the guaranteed assets were fully available to the Group. No default event occurred until the early redemption of the Notes. All guarantees provided within the bond issue were cancelled following the early redemption of the Notes, which took place on 13 October 2017.

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

The controlling company CMF S.p.A., which was established by parent company Manutencoop Società Cooperativa in 2017, launched a Senior Secured Notes bond issue in 2017, due 2022. On 29 June 2017 CMF S.p.A. also signed, as the Parent Company, a Super Senior Revolving loan agreement for Euro 50 million, governed by English law, to which MFM S.p.A. became a party as Borrower. In this context the Company benefitted from a Proceeds Loan bearing interest at a rate equal to that of the bond issue.

During 2018 CMF S.p.A. will be the object of a reverse merger by incorporation into its subsidiary MFM S.p.A., pursuant to the provisions laid down in the Indenture signed on 13 October 2017. After the merger, the subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security.

The payment obligations connected to both the Bond Issue and the Super Senior Revolving facility are mainly backed by the following collateral provided on 13 October 2017 *pro indiviso* in favour of bond and bank creditors:

- a first-degree pledge over the total shares of MFM S.p.A.;
- an assignment, by way of security, involving receivables arising from the abovementioned Proceeds Loan.

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

After the completion of the Merger, it is expected to create a pledge over the total shares of subsidiary Servizi Ospedalieri S.p.A. and to make an assignment, by way of security, involving receivables held by Company arising from intercompany loans granted by it to some of its subsidiaries . Furthermore, after the completion of the merger, the first-degree pledge over the shares of the Company will be the object of a deed of acknowledgment and confirmation to be signed by Parent Company Manutencoop Società Cooperativa.

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 2017 no events of default had occurred.

Contingent liabilities

As at the date of approval of the Separate Financial Statements at 31 December 2017 contingent liabilities had arisen for the Company which had not been recognised in the accounts 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 for the offences of fire by negligence and violations of safety regulations following the fire which broke out in the former Olivetti area at Scarmagno, in the Province of Turin, on 19 March 2013. During 2017 hearings continued to be held before the Court of Ivrea, until the Court of first instance's ruling was issued on 24 February 2017, whereby the defendants were acquitted "for not having committed the crime". However, this judgment was appealed against by the Public Prosecutor's Office and by the aggrieved parties Prelios SGR, Telecom Italia S.p.A and Olivetti S.p.A in July 2017 and we are waiting for the hearing to be set before the Turin Court of Appeal.

In relation to this fire the insurance companies involved paid the injured parties over Euro 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.pA.. The claim for damages amount to about Euro 50 million in all, including the claims from the owners of the properties affected and the above insurance company claims. . On the other hand, on 24 February 2017, a writ of summons was served by AIG Europe Limited (one of the insurance companies party to the action) on MFM S.p.A. and the persons involved in order to obtain, by way of subrogation, what had already been paid to Telesystem Electronics S.r.l (owner of goods stored at the factory of Scarmagno) for a value of Euro 187 thousand. As part of the above proceedings, Generali Assicurazioni also appeared before the court with notice of voluntary joinder by making a similar claim for more than Euro 24 million.

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

Naples Public Prosecutor's Office investigation into the tender for awarding cleaning services at A.O.R.N. Santobono Pausilipon

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

The Judge for Preliminary Investigations of the Court of Naples initially took a precautionary measure (obligation to stay pursuant to Article 283 of the Italian Code of Criminal Procedure) against the Company's executive who was the only one to be investigated and who was a Company's function manager at the time of the facts being contested, ordered the revocation of the precautionary measure at the end of the custodial interrogation. Finally, on 27 April 2017, the summons for the hearing was formally served on MFM S.p.A. for discussing the request for application for disqualifying precautionary measures against the Company formulated by the Public Prosecutor pursuant to Legislative Decree 231/2001; however, the Judge for Preliminary Investigations of the Court of Naples rejected this request for disqualification measure, since he did not believe that the requirements had been met for the application of this measure.

With regard to the only two employees who at the time of the facts were executives, on 2 August, the Judge for Preliminary Investigations of the Court of Naples, at the request of the Public Prosecutor, ordered the dismissal of the related proceedings.

Finally, on 28 December 2017, the Judge for Preliminary Investigations ordered the commitment for trial for the Company and two employees. MFM S.p.A. confirms that it is completely extraneous to the alleged offences with which it is charged, while specifying that the two employees committed for trial at the time of the facts did not hold any executive office and that one of them left the Manutencoop Group well before the execution of the alleged unlawful agreement objected against. The first hearing for the trial was set for 1 March 2018 and was then postponed due to a defect in the service of process to 3 May 2018.

34. 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-17	134	28,776	0	162	98	3,381	11,840	256
	31-dec-16	152	30,343		407	59	685	4,542	54
CMF S.p.A.	31-dec-17		2,152		6,432	0		10,759	168,562
	31-dec-16								
TOTAL PARENT COMPANY	**31-dec-17**	**134**	**30,928**	**0**	**6,594**	**98**	**3,381**	**22,599**	**168,818**
	31-dec-16	**152**	**30,343**	**-**	**407**	**59**	**685**	**4,542**	**54**

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-17					3			1
	31-dec-16					3			1
Co.Ge.F. soc.cons.a r.l.	31-dec-17	678	668			924		783	
	31-dec-16	1,547	1,365			1,463		1,203	
Cons. Igiene Ospedaliera Soc.Cons.a r.l.	31-dec-17	256	233			44		286	
	31-dec-16	842	413			910		804	
Cons. Imolese Pulizie Soc.Cons.a r.l.	31-dec-17						36	12	
	31-dec-16						36	12	
Cons. Servizi Toscana Soc.Cons.a r.l.	31-dec-17	56	186			348		308	
	31-dec-16	58	141			280		107	
Gestlotto 6 Soc.Cons.a r.l.	31-dec-17						5		
	31-dec-16						5		
Global Oltremare Soc.Cons.a.r.l.	31-dec-17		10					36	
	31-dec-16		11			57		189	

SUBSIDIARIES		Revenues	Costs	Financial Income	Financial Expenses	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Ferraria Soc.Cons.a r.l.	31-dec-17	3,972	4,283			3,621	0	3,596	
	31-dec-16	3,360	3,862			2,606	0	2,452	
Sicura S.p.A	31-dec-17	483	1,277		99	12	20	1,221	99
	31-dec-16	620	1,767		45	158	20	1,257	2,066
Gymnasium Soc.Cons.a r.l.	31-dec-17					1	8	33	5
	31-dec-16					1	8	33	5
Isom Gestione Soc.Cons.a.r.l.	31-dec-17	8,949	6,145			9,308		1,903	
	31-dec-16	8,310	5,308			11,320		2,950	
Isom Lavori Soc.Cons.a.r.l.	31- dec -17	151	151			1,118		1,554	
	31- dec -16	2,735	2,633			2,284		2,397	
H2H Facility Solutions S.p.A.	31-dec-17	3,698		1,449	582	1,428	41	125	4,039
	31-dec-16	3,597	27	1,506	735	4,357	17,244	140	22,722
Palmanova servizi energetici soc.cons. r.l.	31-dec-17	324	793			811		912	
	31-dec-16	328	754			535		697	
S.AN.CO. Soc. Conso a r.l.	31-dec-17	65	(54)			27	947	(183)	
	31-dec-16	66	(128)			182	861	(128)	
S.AN.GE Soc. Cons. a r.l.	31-dec-17	20,880	12,314	152		9,046	4,325	7,192	
	31-dec-16	20,896	12,224	150		9,957	4,137	6,202	29
Servizi Brindisi soc.cons.a r.l.	31-dec-17		7			264		(102)	
	31-dec-16		(9)			264		(107)	
Servizi Ospedalieri S.p.A.	31-dec-17	1,720	103	3,369		567	32,337	90	3,872
	31-dec-16	2,031	71	3,118		1,010	34,936	78	

SUBSIDIARIES		Revenues	Costs	Financial Income	Financial Expenses	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Servizi Taranto Soc. Cons. a r.l.	31-dec-17	1,490	3,669			2,210		3,011	56
	31-dec-16	1,644	3,984			449		1,748	56
Simagest 2 Soc.Cons.a r.l.	31-dec-17						75	13	2
	31-dec-16						75	13	2
Simagest 3 Soc.Cons.a r.l.	31-dec-17						3	3	
	31-dec-16							3	
Telepost S.p.A.	31-dec-17	769	81		36	211	30	25	180
	31-dec-16	878	279		30	293	30	80	891
Logistica Sud-Est Soc. Cons. a r.l.	31-dec-17	748	1,882			330		957	
	31-dec-16	828	1,816			47		641	
e-DIGITAL SERVICES S.r.l.	31-dec-17	359	1,833	3		28	22	567	967
	31-dec-16	232	2,029	1		128	20	872	59
San Gerardo Servizi Soc. Cons. a r.l.	31-dec-17	8,232	3,893			4,622		1,083	
	31-dec-16	7,141	3,659			4,767		1,179	3
MANUTENCOOP INTERNATIONAL F.M. S.r.l.	31-dec-17	675		21		148	775		22
	31-dec-16	461		41		484	1,772		19
Protec S.r.l.	31-dec-17	20				44			
	31-dec-16	12				20			
Evimed S.r.l.	31-dec-17	27	213			24		363	
	31-dec-16	24	185			15		171	
MCF Servizi Integrati Soc. Cons. a r.l.	31-dec-17	6,727	8,926			4,513		4,712	
	31-dec-16	6,928	9,116			5,048		4,777	
KANARIND Soc. Cons.rl	31-dec-17	7,249	5,411			3,851		1,828	
	31-dec-16	7,101				2,212			

SUBSIDIARIES		Revenues	Costs	Financial Income	Financial Expenses	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
			5,875					1,114	
Leonardo S.r.l.	31-dec-17	46	321			42		437	
	31-dec-16	41	236			25		193	
Servizi L'Aquila Soc. Cons. a r.l.	31-dec-17								
	31-dec-16		5						
Alessandria Project Value S.r.l.	31-dec-17	4,681				1,968			
	31-dec-16								
YOUGENIO S.r.l.	31-dec-17	393	104	28		188	2,719	104	
	31-dec-16	200				200			
M.S.E. Soc. Cons. a r.l.	31-dec-17	217	497			64	48	168	
	31-dec-16	378	388			378		388	
Elene Project S.r.l.	31-dec-17	166				191			
	31-dec-16								
MFM Capital S.r.l.	31-dec-17					1			
	31-dec-16								
TOTAL SUBSIDIARIES	**31-dec-17**	**73,031**	**52,947**	**5,023**	**716**	**45,957**	**41,391**	**31,038**	**9,243**
	31-dec-16	**70,258**	**56,009**	**4,815**	**809**	**49,453**	**59,145**	**29,463**	**25,852**

JOINT VENTURES		Revenues	Costs	Financial Income	Financial Expenses	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Cardarelli Soc. Cons. a r. l.	31-dec-17		661					342	
	31-dec-16		1,547					793	
DUC Gestione Sede Unica Soc.Cons.a r.l.	31-dec-17	7,058	3,090			3,464		1,042	
	31-dec-16	6,716	2,987			3,403		437	

JOINT VENTURES		Revenues	Costs	Financial Income	Financial Expenses	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Legnago 2001 Soc.Cons.a r.l.	31-dec-17		4			158		45	
	31-dec-16		4			158		41	
SCAM Soc.Cons. a r.l.	31-dec-17							53	
	31-dec-16	25	52			37		63	
Serena S.r.l. in liquidation	31-dec-17						3		
	31-dec-16						3		
CO. & MA.Soc. Cons. a r.l	31-dec-17	360	1,281			120	20	709	
	31-dec-16	360	1,383				20	1,007	
TOTAL JOINT VENTURES	**31-dec-17**	**7,418**	**5,035**	**0**	**0**	**3,742**	**23**	**2,192**	**0**
	31-dec-16	**7,101**	**5,974**	**0**	**0**	**3,598**	**23**	**2,342**	**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-17		39					89	
	31-dec-16							50	
Bologna Multiservizi soc.cons.a r.l.	31-dec-17	37				54		606	
	31-dec-16	63	247			276		1,491	
Bologna Più Soc.Cons. r.l. in liquidation	31-dec-17						3	3	2
	31-dec-16						3	3	
Como Energia Soc.Cons.a r.l.	31-dec-17		261					999	
	31-dec-16		932					1,461	
Gico Systems S.r.l.	31-dec-17	9	627			6		481	
	31-dec-16	11	568			46		326	
Global Provincia di RN Soc.Cons.a r.l.	31-dec-17						70	13	
	31-dec-16						70	13	
Global Riviera Soc.Cons.a r.l.	31-dec-17		12					(41)	
	31-dec-16		52			55		(53)	
Global Vicenza	31-dec-17		9				570	467	

ASSOCIATES		Revenues	Costs	Financial Income	Financial Expenses	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
soc.conS.r.l.	31-dec-16	103	866			144	748	594	
Livia soc.conS.r.l.	31-dec-17							8	
	31-dec-16		8					8	
Logistica Ospedaliera Soc.Cons.a.r.l.	31-dec-17		6					15	
	31-dec-16		412					24	
Newco DUC Bologna S.p.A.	31-dec-17		11					37	
	31-dec-16		7					33	
Progetto Isom S.p.A.	31-dec-17	289		120		127	2,043		
	31-dec-16	257	19	120		88	1,922	19	
Roma Multiservizi S.p.A.	31-dec-17	4,797	1,582			3,909		720	
	31-dec-16	2,341	1,532			1,996		960	
Savia Soc. Cons. a r.l.	31-dec-17		16					44	
	31-dec-16		1					314	
Se.Sa.Mo. S.p.A.	31-dec-17	5,103		26		1,451	607	7	
	31-dec-16	5,182		25		1,486	618	6	
Servizi Napoli 5 soc.cons. r.l.	31-dec-17	1,409	1,315			2,057		1,310	
	31-dec-16	1,414	1,318			1,944		1,311	
Synchron Nuovo San Gerardo S.p.A.	31-dec-17	5,999	216	186		2748	2,517	139	
	31-dec-16	5,246	111	172		5,193	2,331	41	
CENTRO EUROPA RICERCHE S.r.l.	31-dec-17								
	31-dec-16	8							
TOWER Soc. Cons. a r.l. in liquidation	31-dec-17					33	29		
	31-dec-16					33	17	(11)	
Bologna Global Strade Soc. Cons a r.l.	31-dec-17	2,524	5,376			1,943	336	3,926	
	31-dec-16	2,674	4,788			572	336	1,395	
BGP2 Soc.Cons. a r.l.	31-dec-17	452	409			452		411	
	31-dec-16								
TOTAL ASSOCIATES	**31-dec-17**	**20,620**	**9,878**	**333**	**0**	**12,781**	**6,174**	**9,232**	**2**
	31-dec-16	**17,300**	**10,862**	**318**	**0**	**11,834**	**6,044**	**7,982**	**0**

SUBSIDIARIES AND ASSOCIATES OF MANUTENCOOP SOC. COOP.		Revenues	Costs	Financial Income	Financial Expenses	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
Cerpac S.r.l. in liquidation	31-dec-17					1			
	31-dec-16					1			
Manutencoop Immobiliare S.p.A.	31-dec-17	10	604			3	80		
	31-dec-16	10	722			6			
Nugareto Società Agricola Vinicola S.r.l.	31-dec-17	18	26			10		20	
	31-dec-16	7	39			16		37	
Segesta S.r.l.	31-dec-17	8				1			
	31-dec-16	17				17			
Sacoa S.r.l.	31-dec-17	86	19			91		37	
	31-dec-16								
TOTAL SUBSIDIARIES OF MANUTENCOOP SOC.COOP.	**31-dec-17**	**122**	**650**			**106**	**80**	**57**	**0**
	31-dec-16	**34**	**761**			**40**		**37**	
Consorzio Karabak Società Cooperativa	31-dec-17	68	1			31		1	
	31-dec-16	123	1			23		1	
Consorzio Karabak Due soc.coop	31-dec-17	4	1						
	31-dec-16	80	1					1	
Sacoa S.r.l.	31-dec-17								
	31-dec-16	78	19			52		8	
Consorzio Karabak Quattro coop	31-dec-17		1					2	
	31-dec-16							1	
TOTAL ASSOCIATES OF MANUTENCOOP SOC. COOP.	**31-dec-17**	**72**	**3**	**0**	**0**	**31**	**0**	**3**	**0**
	31-dec-16	**282**	**21**	**0**	**0**	**76**	**0**	**11**	**0**

		Revenues	Costs	Financial Income	Financial Expenses	Trade receivables	Financial receivables and others	Trade payables	Financial payables and others
TOTAL RELATED PARTIES	**31-dec-17**	**101,398**	**99,441**	**5,356**	**7,311**	**62,715**	**51,050**	**65,121**	**178,064**
	31-dec-16	**95,127**	**10,.970**	**5,133**	**1,216**	**65,060**	**65,898**	**44,377**	**25,907**

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 Euro 1,325 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 contract has a 6-year term, tacitly renewable. Annual rent is expected to be Euro 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 2016-2018. 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 2016	31 December 2015 Restated
STATEMENT OF FINANCIAL POSITION		
ASSETS		
A) Subscribed capital, unpaid	18	42
B) Fixed assets	273,189	318,497
C) Working capital	27,337	40,916
D) Accruals and Deferrals	1,583	1,811
TOTAL ASSETS	**302,127**	**361,266**
LIABILITIES AND SHAREHOLDERS EQUITY		
A) Shareholders' equity:		
Share capital	6,350	7,198
Reserves	220,471	246,108
Profit/(Loss) for the year	(44,042)	(25,637)
B) Provision for risks and charges	4,511	2,096
C) Employee Severance Indemnity	1,506	1,700
D) Payables	112,494	129,096
E) Accruals and Deferrals	837	705
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**302,127**	**361,266**
INCOME STATEMENT		
A) Value of production	35,338	35,099
B) Cost of production	(39,017)	(34,539)
C) Financial income and charges	(42,610)	(4,881)
D) Financial asset value adjustments	(4,096)	(20,108)
Income taxes for the year	6,343	(1,208)
Profit/(Loss) for the year	**(44,042)**	**(25,637)**

35. FEES DUE TO THE MEMBERS OF THE GOVERNING CONTROL BODIES AND TO EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

On 13 October 2017 the Shareholders' Meeting of the Company after the completion of the reorganisation and refinancing of the Group controlled by Manutencoop Società Cooperativa, approved the new Articles of Association and appointed a new Board of Directors and a Board of Statutory Auditors with control functions.

Fees paid to members of governing and control bodies reported below include the total fees paid for any reason and in any form to the members of these corporate bodies which acted during 2017, as well as those paid to the Executives with Strategic Responsibilities:

	2017	2016
MANAGEMENT BOARD		
Short-term benefits	0	657
TOTAL MANAGEMENT BOARD	**0**	**657**
SUPERVISORY BOARD		
Short-term benefits	0	300
TOTAL SUPERVISORY BOARD	**0**	**300**
OTHER STRATEGIC EXECUTIVES		
Short-term benefits	5,153	2,527
Subsequent benefits	141	120
TOTAL OTHER STRATEGIC EXECUTIVES	**5,294**	**2,648**
BOARD OF DIRECTORS		
Short-term benefits	608	46
TOTAL BOARD OF DIRECTORS	**608**	**46**
BOARD OF STATUTORY AUDITORS		
Short-term benefits	170	10
TOTAL BOARD OF STATUTORY AUDITORS	**170**	**10**

The table below reports the fees accrued in 2017 for the audit and non-audit services rendered by the EY S.p.A and by entities in their network.

	31 December 2017	31 December 2016
Audit services	618	402
Other services	20	
Other certifications	45	
TOTAL FEES DUE TO THE INDEPENDENT AUDITORS	**683**	**402**

36. MANAGEMENT OF FINANCIAL RISKS: OBJECTIVES 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 Board of Directors, which are reviewed periodically. The main objective of these guidelines is to guarantee the presence of a liability structure that is balanced with the composition of assets in the financial statements, in order to maintain a high level of capital strength.

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 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 2017 and 31 December 2016:

		Hierarchy				Hierarchy		
	31 December 2017	Level 1	Level 2	Level 3	31 December 2016	Level 1	Level 2	
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	0				0	0		

		Hierarchy				Hierarchy		
	31 December 2017	Level 1	Level 2	Level 3	31 December 2016	Level 1	Level 2	
financial assets								
hedging derivatives	0				0	0		
non-hedging derivatives	0				0	0		
TOTAL FINANCIAL ASSETS	**101**	**101**			**101**	**101**		

During 2017 the company did not make recourse to hedging derivatives.

In 2017 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 2017:

	31 December 2017	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	4,177	4,177	
Non-current financial assets	41,834		41,834
Other non-current assets	2,541		2,541
Total non-current financial assets	**48,552**	**4,177**	**44,375**
Current financial assets			
Trade receivables and advances to suppliers	335,977		335,977
Current tax receivables	3,804		3,804
Other current assets	19,796		19,796
Current financial assets	8,584		8,584
Cash and cash equivalents	38,564		38,564
Total current financial assets	**406,725**	**0**	**406,725**
Total financial assets	**455,277**	**4,177**	**451,100**
Financial income	**8,745**	**0**	**8,745**

	31 December 2017	Financial Liabilities at Fair Value in the Statement of Income	Financial Liabilities measured at amortised cost
Non-current financial liabilities			
Non-current loans	172,150		172,150
Total non-current financial liabilities	**172,150**	**0**	**172,150**
Current financial liabilities			
Trade payables and advances from customers	290,844		290,844
Short-term loans	49,508		49,508
Total current financial liabilities	**340,352**	**0**	**340,352**
Total financial liabilities	**512,502**	**0**	**512,502**
Financial (charges)	**(42,897)**	**0**	**(42,897)**

The same information for the year ended 31 December 2016 is shown below:

	31 December 2016	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	3,277	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 receivables	16,957		16,957
Other 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
Short-term loans	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)**

During the year the Group controlled by Manutencoop Società Cooperativa carried out a reorganisation and refinancing transaction, which led to establishing a SPV named CMF S.p.A., which is now the direct controlling company of MFM S.p.A.. Specifically, CMF S.p.A. was established for the launch of a bond issue (Senior Secured Notes) aimed at repurchasing the Notes already issued by the Parent Company MFM S.p.A. in 2013, as well as purchasing the shares held by the minority interests in the share capital of the Company and repaying the other financial debt of the entire Group controlled by Manutencoop Società Cooperativa.

On 6 July 2017, CMF S.p.A. launched a bond issue named "*€360,000,000 9.0% Senior Secured Notes due 2022*", which is not convertible and not subordinated, for a total amount on account of principal of Euro 360 million and due 15 June 2022, at a price equal to 98% and a coupon at a fixed rate of 9.0% p.a., payable on a six-monthly basis. The terms and conditions referred to in the rules of the Bond Issue are laid down in the Indenture, which is governed by the law of the State of New York.

This bond issue was initially deposited by Bank of New York in escrow account, until the release of the same on 13 October 2017. On the same date MFM S.p.A. received from CMF S.p.A. a Proceeds Loan amounting to Euro 190,300 thousand, which was partially repaid for Euro 14,310 thousand on 12 December 2017 in order to allow CMF S.p.A. to pay the six-monthly coupon expiring on 15 December 2017. The Company has then used the cash obtained under the Proceeds Loan agreement and a portion of its own cash generated during the period for making the early redemption of the Notes issued in 2013. The Proceeds Loan is expected to expire on 15 June 2022 and to accrue interest at an annual fixed rate of 9%, with six-monthly payments on 15 June and 15 December.

In 2018 work will continue to carry out the merger of CMF S.p.A. by incorporation into its subsidiary MFM S.p.A., while paying off the Proceeds Loan and acquiring the bond issue directly in MFM S.p.A., with related obligations and guarantees already described in note 31 above.

Liquidity risk

The Company'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 Company is characterised by a labour-intensive model which does not involve significant requirements of capital for investments. However, the 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.

For this purpose the Company may make use of committed credit lines in the form of loans or of assignments without recourse of trade receivables in order to meet financial requirements (if any).

On 23 February 2016, Company and the subsidiary 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 Euro 100 million accrued. It is a committed credit line with a term of three years (due February 2019).

Within the context of the abovementioned refinancing transaction, CMF S.p.A. also signed a Super Senior Revolving (RCF2) loan agreement for a total amount of Euro 50 million, governed by English law, to which the Company is a party as a borrower. Specifically, the Super Senior Revolving Loan agreement was entered into between, among others, CMF S.p.A., on the one hand, and J.P. Morgan Limited and UniCredit S.p.A., which act as Mandated Lead Arrangers, UniCredit Bank AG, Milan Branch, as Agent and Security Agent, and the Original Lenders, on the other hand. After the merger, the subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security. No amount arising from uses under the Super Senior Revolving Loan Agreement may be used, directly or indirectly, in order to, among other things, proceed with the repurchase or redemption of the Bond Issue or the purchase of shares in the Company or distributions to CMF S.p.A.. The RCF line, which had not yet been used at the reporting date, is an important cash elasticity tool that can be activated on demand within a limited number of business days.

Finally, on 14 November 2017 the Company signed a new loan agreement with CCFS for a total amount of Euro 10 million. The loan includes two lines of credit, the first of which, amounting to Euro 5,000 thousand, was disbursed at the same time as the execution and will expire in April 2023. The second 66-month line of credit, for an additional amount of Euro 5,000 thousand, was disbursed on 13 February 2018, after the end of the financial year and provides for the repayment in six-monthly instalments, with a pre-amortisation period of 12 months.

The management believes that the structure of the financial debt maturity, as well as the availability of the abovementioned committed credit lines, allow the Group to meet its financial requirements in an adequate manner.

Price risk

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, 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 2017	31 December 2016	31 December 2017	31 December 2016
Financial assets				
Cash and cash equivalents	38,564	137,963	38,564	137,963
Receivables and other current financial assets	8,584	11,175	8,584	11,175
Other minority interests	4,177	3,277	4,177	3,277
Non-current financial receivables	41,834	57,732	41,834	57,732
Financial liabilities				
Loans:				
- Variable rate loans	50,203	47,293	50,203	47,293
- Fixed rate loans	168,562	305,329	168,562	305,329
Other current financial liabilities	2,893	21,965	2,893	21,965

Interest rate risk

With the refinancing transaction carried out through CMF S.p.A., the Company has requalified its own financial structure, extending the maturity of the medium/long-term debt and keeping a short-term debt portion balanced with respect to the financing requirements of its working capital.

The financial resources required to complete the early redemption of the bond issue launched in 2013 have been provided by CMF S.p.A. through the disbursement of a Proceeds Loan at a rate equal to that of the Notes issued (equal to 9.0%). The residual debt on account of principal of this Proceeds Loan amounted to Euro 175,990 thousand at 31 December 2017.

In addition to the Proceeds Loan, the Company uses, as medium/long-term financing, bank loans subject to the application of fixed interest rates.

The forms of short-term financing used, which are mainly subject to the application of variable rates which can be identified as the EURIBOR rate, include current account overdrafts, short- and very short-term (hot money) bank loans and assignments of receivables.

The Company's indebtedness mix is then mainly linked to medium/long-term fixed interest rates.

The breakdown of the financial instruments exposed to interest rate risk are those listed in note 17 (to which reference is made) such as Loans (other than Proceeds Loan), as well as financial statement items recorded under *Cash and cash equivalents* (note 13), *Receivables and other current financial assets* (note 12) and *Non-current Financial assets* (note 7).

Interest rate sensitivity analysis

The structure of the debt is affected, to a marginal extent, by the changes in market rates, as it is mainly based on forms of financing subject to the payment of interest calculated on the basis of fixed rates, as described above. For the remaining amount, the Company makes recourse to variable rate loans, which are linked to the EURIBOR performance.

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 profit Effect on profit before taxes (in thousands of Euro)
Financial year ended 31 December 2017	+150 bps	(655)
	-30 bps	131
Financial year ended 31 December 2016	+150 bps	(581)
	-30 bps	116

During 2018 the Company will see the completion of the reverse merger of CMF S.p.A. by incorporation, while paying off the Proceeds Loan and directly acquiring the bond issue, with related obligations and guarantees already described in note 31 above. The Senior Secured Notes will entail the payment of interest equal to Euro 32,400 thousand on an annual basis (at a fixed rate of 9.0% p.a.).

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 2017	31 December 2016
Employee termination indemnity	8,217	9,865
Interest-bearing loans	221,658	374,587
Trade payables and other payables	381,054	320,574
Cash and cash equivalents	(38,564)	(137,963)
Net Debt	**572,365**	**567,062**
Capital	109,149	109,149
Reserves and retained earnings	198,777	215,463
Total capital	**307,926**	**324,612**
EQUTIY AND NET DEBT	**880,292**	**891,674**
INDEBTEDNESS RATIO	**65%**	**64%**

The debt ratio remained substantially unchanged compared to 31 December 2016.

37. SUBSEQUENT EVENTS TO THE CLOSE OF THE YEAR

Approval of the plan for the merger of CMF S.p.A. by incorporation into MFM S.p.A.

On 19 March 2018 the Company's Board of Directors presented the plan for the merger of the controlling company CMF S.p.A. by incorporation. The Merger will be then completed pursuant to Article 2501-*bis* of

the Italian Civil Code, since CMF S.p.A. has raised a debt to acquire the total control over the Company and its equity, being acquired, constitutes a general guarantee and the source of repayment of this debt.
The merger plan provides for statutory, accounting and tax effects of the merger running from 1 July 2018.

38. ALLOCATION OF THE PROFIT FOR THE YEAR

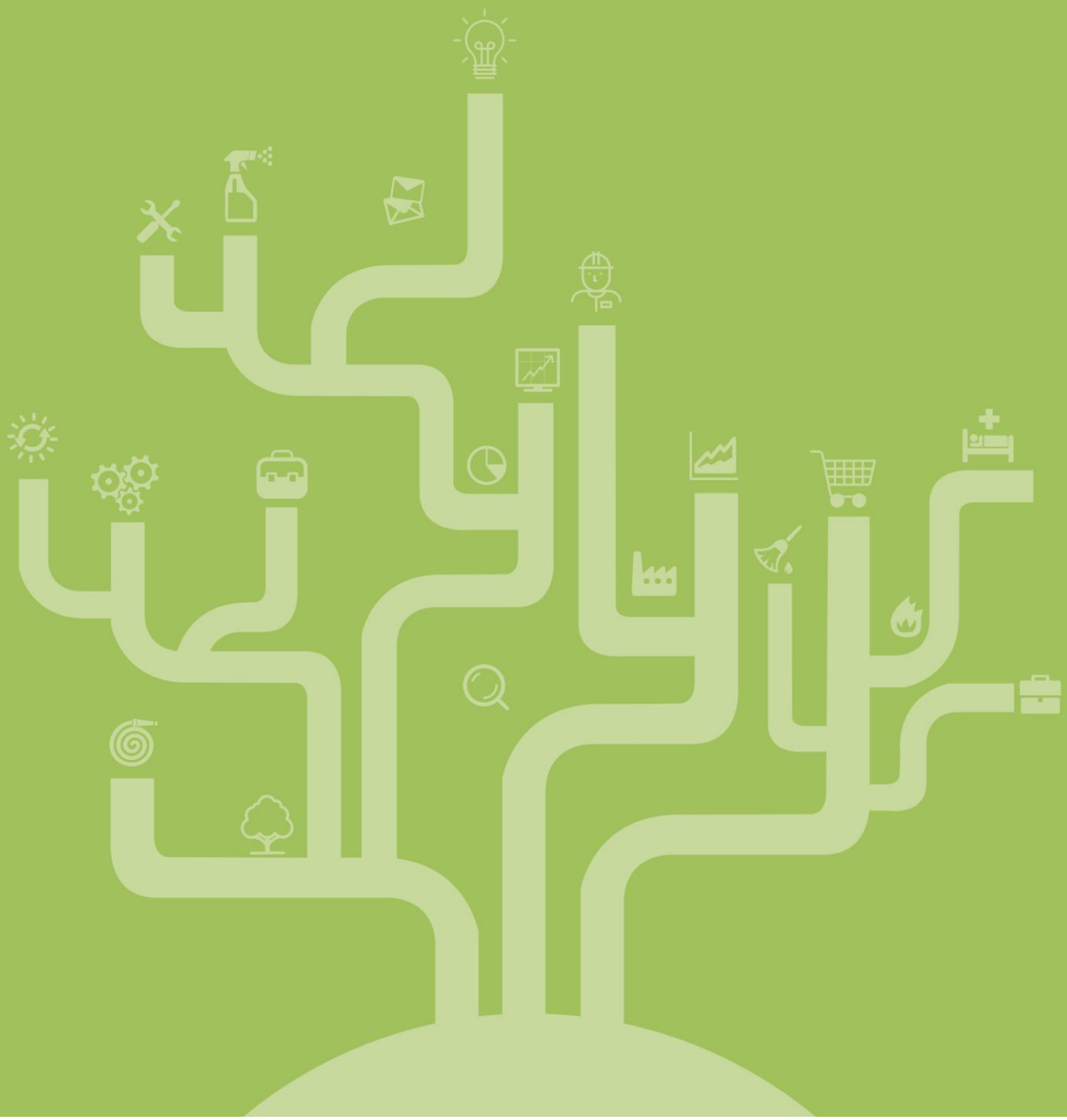
In completing the report for the 2017 financial year, the Directors invite the shareholders to approve the Financial Statements of Manutencoop Facility Management S.p.A. at 31 December 2017 and to allocate the profit for the year, equal to Euro 8,408,370.60, as follows:

- Euro 420,418.53 to legal reserve
- Euro 7,987,952.07 to extraordinary reserve.

Zola Predosa, 19 March 2018

The Chairman and CEO

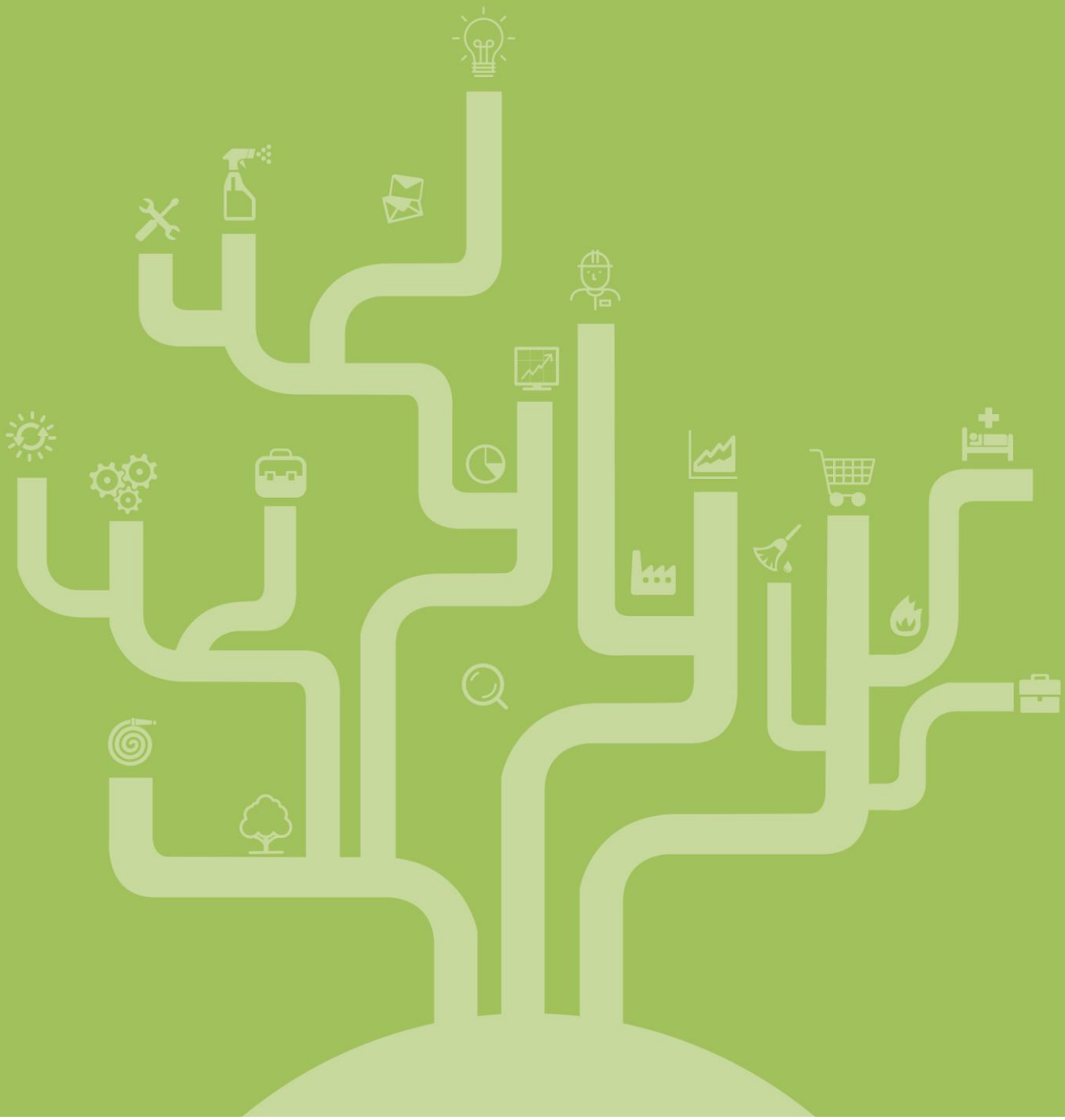
Giuliano Di Bernardo



INDIPENDENT AUDITOR'S REPORT

2017

MANUTENCOOP



Manutencoop Facility Management S.p.A.

Financial statements as at December 31, 2017

Independent auditor's report pursuant to 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
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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Sole Shareholder of
Manutencoop Facility Management S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Manutencoop Facility Management S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2017, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.
We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Manutencoop Facility Management S.p.A. are responsible for the preparation of the Report on Operation of Manutencoop Facility Management S.p.A. as at December 31, 2017, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Manutencoop Facility Management S.p.A. as at December 31, 2017 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operation is consistent with the financial statements of Manutencoop Facility Management S.p.A. as at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, April 4, 2018

EY S.p.A.
Signed by: Alberto Rosa, partner

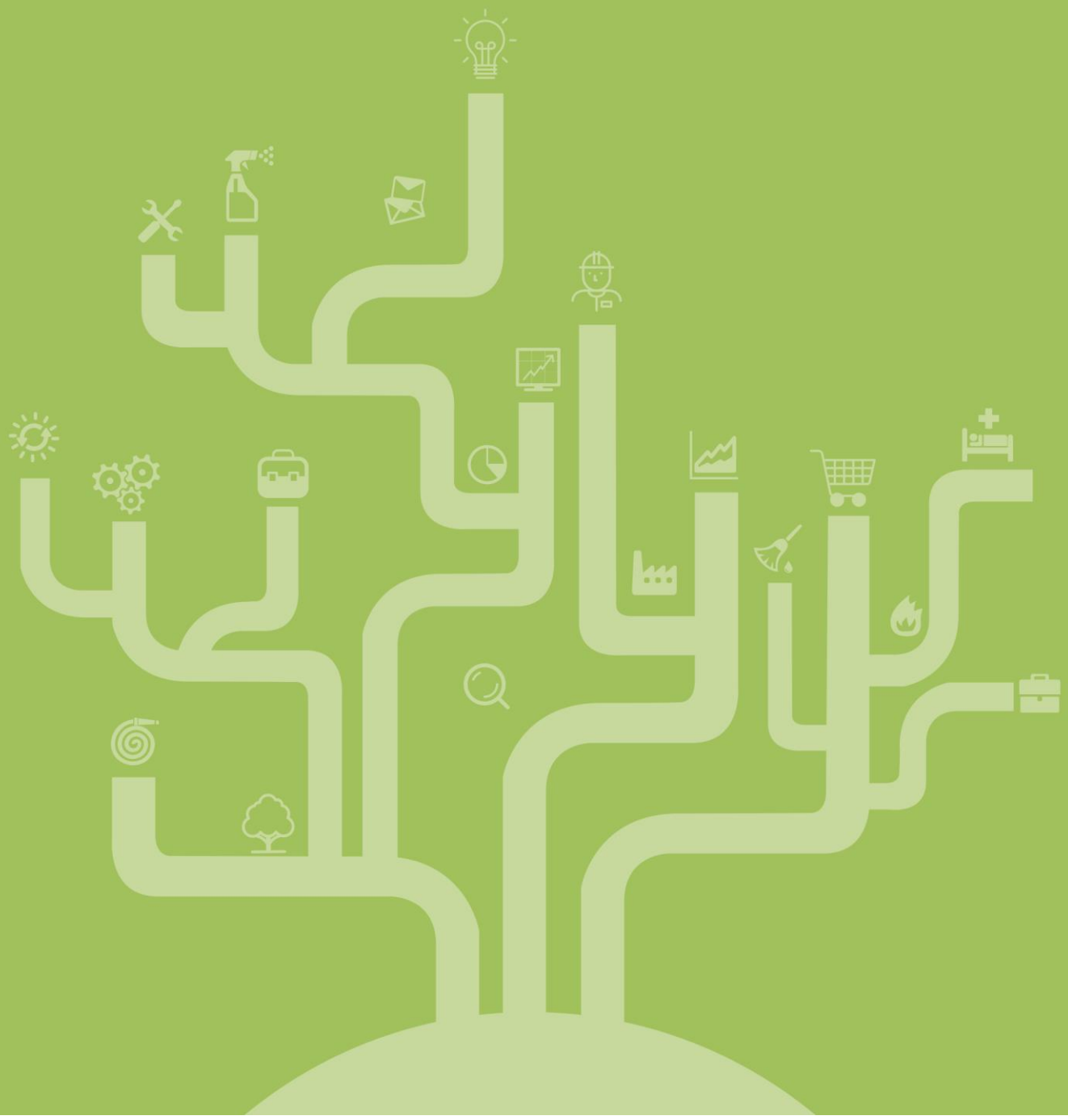
This report has been translated into the English language solely for the convenience of international readers.

MINUTES OF THE SHAREHOLDERS' MEETING

2017

12 APRIL 2018

MANUTENCOOP



Today, thursady 12 April 2018 at 9:30 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 March 21, 2018, 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 Giuliano Di Bernardo, chaired the Meeting, noting that:

- there is the Sole Shareholder carrying 109,149,600 shares, representing 100% of the share capital, as shown in the attendance list, which is attached to these minutes under the letter "A";
- there is the Board of Directors, in the persons of the members as shown in the attendance list;
- there is the Board of Statutory Auditors, in the persons of the members as shown in the attendance list.

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:

Ordinary meeting

1) Confirmation appoints a co-opted directors; inherent and consequent resolutions;
2) Financial statements as at 31.12.2017, Report on Operations, Report of the Board of Statutory Auditors and Report of the Independent Auditors: related and consequent resolutions.

Extraordinary meeting

- Reverse Merger of CMF S.p.A. in MFM S.p.A. to be realized pursuant to art. 2501-bis cod. civ .; 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. Confirmation appoints a co-opted directors; inherent and consequent resolutions

(omissis)

Item 2. Financial Statement at December 31, 2017, Report on Operations, Report of the Board of Statutory Auditors and Report of the Indipendent Auditors: related and consequent resolutions

The Chairman, Mr Giuliano di Bernardo, briefly illustrates the main voices of the Separate Financial Statement as at December 31, 2017, prepared in accordance with the International Financial Reporting Standards (IFRS), and the Report on Operations - omitted to read it with the unanimous consent of all participants, as these documents, are already available to all participants.
The Chairman continues and then presents the Indipendent Auditor's Report issued by EY S.p.A. in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010.
At the end of the report of Mr Giuliano di Bernardo, 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 2017, 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.

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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, 2017, 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, 2017 issued by the Indipendent auditors EY S.p.A. in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010.

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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, 2017, 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 2017, 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 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 2017, together with the Report on Operations;
- the proposal of the allocation of the profit of the year, amounted to Euro8,408,370.60 as follows:
    - Euro 420,418.53 to Legal Reserve
    - Euro 7,987,952.07 to Extraordinary Reserve.

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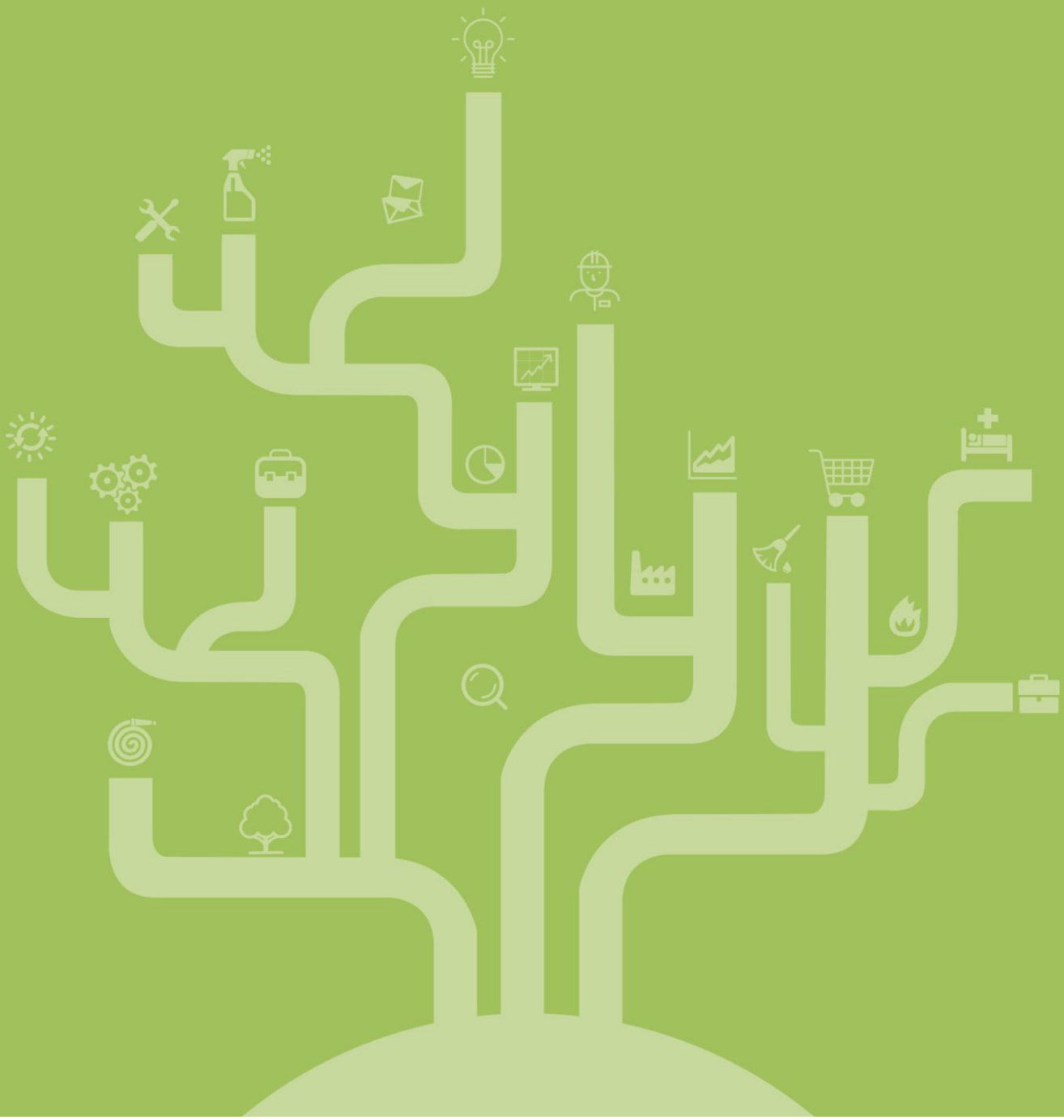
At 10:35 the Shareholders' meeting is formally dissolved following the approval of this minutes and it will continue with the Extraordinary Part whose minutes will be drafted by the Notary.

The Secretary	The Chairman
Claudio Bazzocchi	Giuliano Di Bernardo



Manutencoop Facility Management S.p.A.
Sole-Shareholder Company
Registered office in Zola Predosa (BO)
Via U. Poli n. 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)"