Important notice

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") OR (2) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S ("**REGULATION S**") UNDER THE U.S. SECURITIES ACT.

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

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

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

Confirmation of Your Representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) purchasing the securities in an offshore transaction outside the United States in reliance on Regulation S. The offering memorandum is being sent at your request. By accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to us that:

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

(2) either:

   (a) you and any customers you represent are QIBs, or

   (b) the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States (as defined in Regulation S).

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

You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering memorandum to any other person.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000

(Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Initial Purchasers, nor any person who controls either of them, nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

The information in this offering memorandum is not complete and may be changed. This offering memorandum is not an offer to sell these securities and it is not soliciting offers to buy these securities in any jurisdiction where such offer or sale is not permitted.

Offering Memorandum

Not for general circulation
in the United States
Confidential

CMF S.p.A.
€360,000,000 9.00% Senior Secured Notes due 2022

CMF S.p.A., incorporated as a joint stock company (*società per azioni*) under the laws of the Republic of Italy (the "**Issuer**") is offering (the "**Offering**") €360,000,000 aggregate principal amount of its 9.00% Senior Secured Notes due 2022 (the "**Notes**"). On the Issue Date and prior to the Merger (each as defined below), the Notes will be unguaranteed and will be obligations solely of the Issuer. Within 10 business days following the Merger Date, the Notes will be guaranteed by Servizi Ospedalieri S.p.A. (the "**Guarantor**") a wholly-owned subsidiary of Manutencoop Facility Management S.p.A. (the "**Company**"). The Guarantor will guarantee the due and punctual payment of all amounts due and payable in respect of the Notes (the "**Notes Guarantee**"). The Notes will be issued pursuant to an indenture (the "**Indenture**") to be dated on or around July 6, 2017 (the "**Issue Date**") among, *inter alios*, the Issuer, The Law Debenture Trust Corporation p.l.c., as trustee, and UniCredit Bank AG, Milan Branch as security agent.

The Notes will bear interest at a rate of 9.00% per annum. Interest will be payable on the Notes semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2017. The Notes will mature on June 15, 2022. At any time on or after June 15, 2020, the Issuer may redeem all or a portion of the Notes at the redemption prices specified herein. Prior toJune 15, 2020, the Issuer may also redeem all or part of the Notes if the Issuer pays a "make-whole" premium. In addition, at any time prior to June 15, 2020, the Issuer may also redeem up to 40% of the Notes with the net proceeds from one or more equity offerings. See "*Description of the Notes*" for further information.

Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof. In the event of the occurrence of certain developments in applicable tax law, the Issuer may redeem all, but not less than all, of the Notes. See "*Description of the Notes*" for further information.

Pending the consummation of the Acquisition (as defined hereinafter), the Issuer will procure that the gross proceeds of the Offering are deposited into an escrow account (the "**Escrow Account**"). The Escrow Account will be controlled by the Escrow Agent (as defined hereinafter, and charged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Notes pursuant to the escrow account charge (the "**Escrow Charge**") dated as of the Issue Date among, *inter alios*, the Issuer and The Bank of New York Mellon, London Branch, as escrow agent (the "**Escrow Agent**"). The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including conditions relating to the Acquisition (the date of such release, the "**Completion Date**"). If the Completion Date does not occur on or prior to November 13, 2017 (the "**Escrow Longstop Date**") or upon the occurrence of certain other conditions, then all of the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but not including, the date of such special mandatory redemption. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*."

Prior to the release of the proceeds of the Offering from the Escrow Account, the Notes will be senior obligations of the Issuer secured in favor of the Trustee on behalf of the holders of the Notes by a first-ranking charge over the gross proceeds of the Offering held in the Escrow Account. The Notes will be senior secured obligations of the Issuer and will rank equal in right of payment with all of the Issuer's existing and future senior indebtedness and will rank senior to all of the Issuer's existing and future indebtedness that is subordinated in right of payment to the Notes. Within 10 business days following the Merger Date, the Notes will be guaranteed on a senior basis by the Guarantor. The Notes Guarantee will rank equal in right of payment with all of the Guarantor's existing and future unsubordinated indebtedness and will rank senior to the Guarantor's existing and future indebtedness that is subordinated in right of payments to the Notes. The Notes Guarantee will be subject to contractual and legal limitations that may limit its enforceability, and the Notes Guarantee may be released under certain circumstances. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and Collateral*" and "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

Upon release of the proceeds of the Offering from the Escrow Account and satisfaction of other conditions, within 10 business days following the Completion Date and prior to the Merger Date, the Notes will be secured by first-ranking security interests over: (i) all of the shares of the Company; and (ii) the Issuer's interest in the receivables in respect of the Proceeds Loan (as defined herein) (collectively, the "**Pre-Merger Collateral**") as more fully described elsewhere in this offering memorandum (the "**Offering Memorandum**"). As soon as practicable following the Completion Date and in any case within twelve months thereof, we have agreed to merge the Issuer and the Company in accordance with Articles 2501-*bis* and following of the Italian Civil Code (the "**Merger**" and, the entity resulting from the Merger, "**MergerCo**"). MergerCo will succeed to the Issuer's obligations with respect to the Notes or any substantially similar form of Merger. Following the Merger and no later than 10 business days following the Merger Date, the Notes will be secured by first-ranking security interests over: (i) in respect of the Pre-Merger Collateral relating to the pledge of all of the shares of the Issuer, a confirmation of such security in respect of the shares of MergerCo; (ii) all of the shares of the Guarantor; and (iii) the Issuer's interest in the receivables in respect of certain intercompany loans by MergerCo to certain of its subsidiaries existing as of the Completion Date (collectively, the "**Post-Merger Collateral**" and together with the Pre-Merger Collateral and the Escrow Charge, the "**Collateral**").

Within 10 business days following the Completion Date, the Revolving Credit Facility (as defined herein) will also be secured by the Collateral on a first-ranking basis and additionally by a special lien (*privilegio speciale*) over movable assets of the Company. Under the terms of the Intercreditor Agreement (as defined herein), lenders under the Revolving Credit Facility and counterparties to certain future hedging obligations and other indebtedness, if any, will receive proceeds from any enforcement of the foregoing security interests in the Collateral in priority to holders of the Notes. See "*Description of the Notes—Security*." The Collateral will be subject to the Agreed Security Principles (as defined in "*Description of the Notes*") and limitations under applicable law, and may be released in certain circumstances. See "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

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

This Offering Memorandum includes information on the terms of the Notes and the Notes Guarantee, including redemption and repurchase prices, security, covenants and transfer restrictions.

There is currently no public market for the Notes. Application has been made to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

The Notes will be represented on the Issue Date by two or more global notes, which will be delivered through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") on or about the Issue Date. See "*Book-entry, delivery and form*."

Investing in the Notes involves a high degree of risk. See "*Risk factors*" beginning on page 32.

Issue price for the Notes: 98.00% plus accrued interest, if any, from the Issue Date

Neither the Notes nor the Notes Guarantee have been or will be registered under the U.S. federal securities laws or the securities laws of any other jurisdiction. The Notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), and outside the United States in accordance with Regulation S under the U.S. Securities Act of 1933, as amended. See "*Notice to investors*" and "*Plan of distribution*" for additional information about eligible offerees and transfer restrictions.

Joint Physical Bookrunners

J.P. Morgan **UniCredit Bank**

Financial Advisor to the Issuer

Vitale & Co.

The date of this Offering Memorandum is June 29, 2017.

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Important information about this offering memorandum

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

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

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

By receiving this Offering Memorandum, you acknowledge that you have had an opportunity to request from the Issuer for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. You should consult your own legal, tax and business advisors regarding an investment in the Notes. Information in this Offering Memorandum is not legal, tax or business advice.

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

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

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

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

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

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or regulatory authority in the United States, nor have the foregoing authorities approved this Offering Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

We have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange. We have also applied for an additional listing for the Notes on the ExtraMOT Pro Segment of the Italian Stock Exchange (*Borsa Italiana*). In the course of any review by a competent authority, we may be required (under applicable law, rules, regulations or guidance applicable to the listing of securities or otherwise) to make certain changes or additions to or deletions from the description of our business, financial statements and other information contained herein in producing listing particulars for such listing. Comments by a competent authority may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information in the listing particulars. We may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects since the publication of this Offering Memorandum. We cannot guarantee that such application for the admission of the Notes to listing of the Notes on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market or listing for trading on the ExtraMOT Pro Segment of the Italian Stock Exchange will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. Following the listing, the relevant listing particulars will be available at the offices of the Listing Agent. Any investor or potential investor in the European Economic Area should not base any investment decision relating to the Notes on the information contained in this Offering Memorandum after publication of the listing particulars and should refer instead to those listing particulars.

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

Stabilization

IN CONNECTION WITH THIS OFFERING, J.P. MORGAN SECURITIES PLC, OR PERSONS ACTING ON THEIR BEHALF (THE "STABILIZING MANAGER") MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER STABILIZATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE DATE ON WHICH THE ISSUER HAS RECEIVED THE PROCEEDS OF THE ISSUE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER (OR PERSONS ACTING ON THEIR BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES AND WILL BE UNDERTAKEN AT THE OFFICES OF THE STABILIZING MANAGER (OR PERSONS ACTING ON THEIR BEHALF) AND ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE.

Notice to investors in the United States

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

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

Notice to certain European investors

European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of the Notes in any member state of the European Economic Area (the "**EEA**") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of the Notes. The expression Prospectus Directive means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in the Member State concerned.

United Kingdom

This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net-worth companies, unincorporated associations, etc.") of the Financial Promotion Order or (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Italy

The Offering has not been cleared by the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") (the Italian securities exchange commission), pursuant to Italian securities legislation and will not be subject to formal review by CONSOB. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*) as defined in Article 26, first paragraph, letter (d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended ("**Regulation No. 16190**"), pursuant to Article 34-*ter*, first paragraph letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuer Regulation**"), implementing Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Financial Act**"); and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and the implementing CONSOB regulations, including the Issuer Regulation.

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

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

(a) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Italian Financial Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, the Regulation No. 16190, as amended, Legislative Decree No. 385 of September 1, 1993, as amended (the "**Italian Banking Act**"), the Issuer Regulation and any other applicable laws and regulations; and

(b) in compliance with all relevant Italian securities, tax, exchange control and any other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy or any other relevant Italian authorities.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

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

Notice to Canadian Investors

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

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

Forward-looking statements

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

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

- risks related to delayed payments from public sector entities and healthcare customers;
- risks related to the increase in DSOs and liquidity constraints following the Transactions;
- unfavorable economic conditions in Italy;
- risks related to certain proceedings involving CONSIP and ANAC, as well as claims of anti-competitive practices;
- loss of major customers and/or deterioration in commercial terms upon renewal of contracts with major customers;
- impact of competitive pressures;
- impact of the centralization of procurement contracts in the public sector;
- impact of current and future public spending cuts or new outsourcing policies among public sector entities;
- risks related to the termination of PSE and healthcare customer contracts;
- risks related to our subcontractors' activities;
- risks related to our inability to obtain performance bonds, securities or guarantees and to the enforcement of our existing performance bonds, securities or guarantees;
- inability to accurately estimate future costs of integrated facility management services;
- liability risks related to the sterilization of laundry and surgical instruments and certain other services we provide;
- risks associated with our environmental responsibilities and other regulatory requirements;
- inability to cater to customer preferences and provide consistent quality of service;

- risks related to start-ups and acquisitions;
- risks related to the collective bargaining agreement applicable to cleaning and facility management and to employee leasing arrangements;
- risks related to claims arising out of temporary joint associations;
- risks related to the actions of our employees;
- failure of our information technology system;
- adequacy of insurance coverage;
- labor disruptions;
- inability to retain key employees;
- risks related to litigation and other legal proceedings;
- risks related to safeguarding privacy of data;
- risks related to the instability of the euro;
- risks related to our capital structure;
- risks related to our indebtedness;
- risks related to the Notes, the Notes Guarantee and the Collateral; and
- other factors discussed in this Offering Memorandum.

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

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

Presentation of financial information

Financial statements

The Issuer is a holding company formed for the purpose of facilitating the Transactions (as defined under "*Certain definitions*") and is not expected to engage in any activities other than those related to its formation and the Transactions. The Issuer's only material assets and liabilities following the Offering will be, and are expected in the future to be, its interest in the issued and outstanding shares of the Company and the Notes. We do not present in this Offering Memorandum any historical financial information or financial statements of the Issuer.

All historical financial information included in this Offering Memorandum is that of the Company and its consolidated subsidiaries. In particular, this Offering Memorandum includes and presents (i) a convenience translation into English of the audited consolidated financial statements of the Company and its consolidated subsidiaries as of and for the years ended December 31, 2016, 2015 and 2014, prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("**IFRS**"), audited by EY S.p.A. (formerly Reconta Ernst & Young S.p.A., "**EY**") (the "**Audited Consolidated Financial Statements**") and a convenience translation into English of the auditors' reports, with respect thereto, dated April 21, 2017, April 12, 2016 and April 13, 2015, respectively and (ii) a convenience translation into English of the unaudited interim condensed consolidated financial statements of the Company and its consolidated subsidiaries as of and for the three months ended March 31, 2017 and 2016, prepared in accordance with International Accounting Standard 34 (the "**Unaudited Interim Condensed Consolidated Financial Statements**" and, together with the Audited Consolidated Financial Statements, the "**Company Financial Statements**") and a convenience translation into English of the auditors' review reports, with respect thereto dated June 20, 2017. The Company Financial Statements in Italian and EY reports thereon are not included or incorporated by reference in this Offering Memorandum.

The unaudited financial information for the twelve months ended March 31, 2017 has been derived by subtracting from the audited consolidated financial statements of the Company and its consolidated subsidiaries for the year ended December 31, 2016 the information from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2016 and adding the information from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2017.

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

The report of our independent auditors on the Company's consolidated financial statements as of and for the year ended December 31, 2016 and the review report of our independent auditors on the Company's interim condensed consolidated financial statements as of and for the three months ended March 31, 2017 were unqualified but did contain emphasis of matter paragraphs regarding disclosures made by our directors and contained in the explanatory notes with respect to fines levied by the Italian Competition Authority and to certain investigations by the Public Prosecutor's Office of Naples. The report of our independent auditors on the Company's consolidated financial statements as of and for the year ended December 31, 2015 and the review report of our independent auditors on the Company's interim condensed consolidated financial statements as of and for the three months ended March 31, 2016 were unqualified but did contain emphasis of matter paragraph regarding disclosures made by our directors and contained in the explanatory notes with respect to fines levied by the Italian Competition Authority.

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or in thousands, have been subject to rounding adjustments and, as a result, the totals of the data in the Offering Memorandum may vary slightly from the actual arithmetic totals of such information.

Non-IFRS financial measures

In this Offering Memorandum, we present certain non-IFRS measures, including EBITDA, Normalized EBITDA, Gross Debt, Net Debt, capital expenditures, net working capital and Adjusted net working capital. We define "EBITDA" as operating income/(loss) before (accrual)/reversal to provisions for risk and charges and amortization/depreciation, write-downs and write-backs of assets. We define "Normalized EBITDA" as EBITDA as adjusted for certain non-recurring and other extraordinary items and certain start-up costs as described in Footnote 1 under "*Summary historical consolidated financial information and other data—Other financial information*." We believe that EBITDA and Normalized EBITDA are useful indicators of our ability to monitor and assess our operating performance.

We define "Gross Debt" and "Net Debt" as measurements of our indebtedness as described in Footnote 4 under "*Summary historical consolidated financial information and other data—Other financial information*." We define "capital expenditures" as the amount of cash or other liquid assets invested by the Group to acquire or upgrade fixed, physical, non-consumable assets. Our capital expenditure for the years ended December 31, 2014, 2015 and 2016 related primarily to our Laundering and Sterilization Segment's purchase of linen, laundering machinery and sterilization equipment and surgical instruments. See "*Management's discussion and analysis of financial condition and results of operations—Capital Expenditures*." We define "Net working capital" as the sum of our trade receivables and advances to suppliers, inventories, trade payables and advances from customers and other elements of working capital (which includes current tax receivables, income tax payables, other current assets, other current liabilities, assets classified as held for sale, liabilities directly associated with assets classified as held for sale and provisions for risks and charges). We define "Adjusted net working capital" as net working capital as adjusted for the amount of trade receivables off balance-sheet that represent trade receivables sold on a non-recourse basis under our factoring facilities and outstanding at the relevant time.

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

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

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA and Normalized EBITDA do not reflect any cash requirements that would be required for such replacements; and
- the fact that other companies in our industry may calculate EBITDA and Normalized EBITDA differently than we do, which limits their usefulness as comparative measures.

Segment information

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

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

Until December 31, 2015, certain non-core services of the Group, such as building construction, project management and energy activities, were included under a third segment (the "**Other Segment**"). We do not provide those services any longer and, starting from the 2016 financial year, our Other Segment no longer exists.

Our Facility Management Segment, as further described under "*Business*," includes the following activities: Cleaning, Technical services, Landscaping and Other facility management services. In the twelve months ended March 31, 2017, our Facility Management Segment generated €794.3 million, or 85.5%, of our total revenue (gross of intra-group eliminations).

Our Laundering and Sterilization Segment, as further described under "*Business*," includes only such eponymous activities. In the twelve months ended March 31, 2017, our Laundering and Sterilization Segment generated €134.6 million, or 14.5%, of our total revenue (gross of intra-group eliminations).

Our consolidated financial statements also present a geographical breakdown of our total revenue, although revenue generated outside of Italy was not material for the periods under review. For the twelve months ended March 31, 2017, our total revenue generated outside of Italy was equal to €1.4 million.

Currency presentation and exchange rate information

In this Offering Memorandum, all references to "**euro**," "**EUR**" or "**€**" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, and all references to "**U.S. dollars**," "**USD**" and "**$**" are to the lawful currency of the United States of America.

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

The Bloomberg Composite Rate of the euro on June 27, 2017 was $1.1338 per €1.00.

	U.S. dollar per €1.00			
Year	**High**	**Low**	**Average(1)**	**Period end**
2012	1.3463	1.2053	1.2911	1.3197
2013	1.3804	1.2772	1.3300	1.3789
2014	1.3925	1.2100	1.3209	1.2100
2015	1.2099	1.0492	1.1032	1.0866
2016	1.1527	1.0384	1.1034	1.0547

Month	**High**	**Low**	**Average(2)**	**Period end**
January 2017	1.0784	1.0427	1.0630	1.0784
February 2017	1.0788	1.0544	1.0640	1.0608
March 2017	1.0864	1.0506	1.0684	1.0697
April 2017	1.0949	1.0599	1.0711	1.0901
May 2017	1.1237	1.0867	1.1055	1.1237
June 2017 (through June 27, 2017)	1.1338	1.1134	1.1210	1.1338

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

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

Certain definitions

As used in this Offering Memorandum:

"Acquisition"	has the meaning under the heading "*Summary—The Transactions*," including as may be modified to reflect the changes or other modifications related to the Shareholder Financing
"Agents"	the Escrow Agent, Paying Agent, the Transfer Agent, the Registrar, the Listing Agent and the Security Agent, collectively
"ANAC"	the Italian National Anti-Corruption Authority (*Autorità Nazionale Anticorruzione*)
"AVCP"	Authority for the Supervision of Public Contracts for Works, Services and Supplies (*Autorità per la Vigilanza sui Contratti Pubblici di Lavori, Servizi e Forniture*)
"BOT"	Build, Operate and Transfer, a type of PPP (as defined below) in which a private sector contractor constructs a public service asset (*i.e.*, a hospital) and receives contractual rights (a concession) to operate set services with regards to that asset for a defined period of time (*e.g.*, provide services to the hospital), after which the services are transferred to the PSE and healthcare customers (which may then establish a new public tender process)
"CAGR"	compound annual growth rate
"CCFS Facility"	the loan agreement dated as of August 6, 2015 by and between the Company, as borrower, and Consorzio Cooperativo Finanziario per lo Sviluppo Soc. Cop., as lender, to provide a €10.0 million term loan facility, which will be entirely repaid and discharged with a portion of the proceeds from the Offering
"CCNL Multiservizi"	the collective bargaining agreement dated May 31, 2011 currently in force between labor unions and cleaning and facility management providers such as the Group (*Contratto Collettivo Nazionale di Lavoro per il personale dipendente da imprese esercenti servizi di pulizia e servizi integrati/multiservizi*)
"Collateral"	the Escrow Charge (for the period from the Issue Date to the Completion Date), the Pre-Merger Collateral and the Post-Merger Collateral, as the context may require
"Company"	Manutencoop Facility Management S.p.A.
"Completion Date"	the date of the release of the proceeds of the Notes from escrow, following the satisfaction of certain conditions, including conditions relating to the Acquisition, which is also the expected date of the consummation of the Acquisition

"CONSIP"	CONSIP S.p.A., an Italian joint stock company fully owned by Italy's Ministry of the Economy and Finance that acts as central purchasing body, offering consulting, assistance and support services to public administration in procuring goods and services
"CONSIP School Tender Litigation"	the legal proceedings to which we are currently a party with respect to a public tender related to the provision of cleaning services at public schools administered by CONSIP in 2012, as described under "*Business—Legal proceedings—Consip School Tender Litigation*"
"Contribution"	has the meaning under the heading "*Summary—The Transactions*," including as may be modified to reflect the changes or other modifications related to the Shareholder Financing
"Current Code on Public Procurement"	Legislative Decree April 18, 2016, No. 50 and binding and non-binding implementing guidelines issued by ANAC
"DPO"	the weighted average "days payable outstanding" of our trade payables
"DSO"	the weighted average "days sales outstanding" of our trade receivables, calculated as the ratio of trade receivables (after deducting VAT to the invoiced amount of receivables and adding the trade receivables sold via existing factoring facilities without recourse) *divided by* year-to-date revenues *multiplied by* the days of the period to date
"e-Digital Services"	e-Digital Services S.r.l., a wholly-owned subsidiary of the Company that operates in the "business to business" services market
"EBITDA"	a non-IFRS, non-audited measurement of our performance as defined under "*Presentation of financial information—Non-IFRS financial measures*"
"Escrow Account"	the segregated bank account into which the Issuer will procure that the gross proceeds from the Offering are deposited, and such Escrow Account will be controlled by the Escrow Agent, and the proceeds therein will be charged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Notes pursuant to the Escrow Charge
"Escrow Agreement"	the agreement to be dated as of the Issue Date among the Issuer, the Trustee and the Escrow Agent regarding the establishment of the Escrow Account
"Escrow Charge"	the agreement to be dated as of the Issue Date among the Issuer, the Trustee and the Escrow Agent regarding the grant of a security interest over the Escrow Account in favor of the Trustee on behalf of the holders of the Notes

"Escrow Longstop Date"	November 13, 2017
"Eurozone"	the member states of the European Union participating in the European Monetary Union
"Existing Senior Secured Notes"	the 8.5% Senior Secured Notes due 2020 issued by the Company on August 2, 2013, to be satisfied and discharged and ultimately redeemed with the proceeds from the Offering
"Facility Management Segment"	our reporting segment under IFRS that comprises the following businesses: Cleaning, Technical services, Landscaping and Other facility management services (see also "*Presentation of financial information—Segment information*")
"Former Code on Public Procurement"	Legislative Decree April 12, 2006, No. 163 and Presidential Decree October 5, 2010, No. 207
"GDP"	gross domestic product
"Group," "us," "we" and "our"	the Company and its consolidated subsidiaries, unless the context requires otherwise or is clear from the context
"Guarantor"	Within 10 business days following the Merger Date, Servizi Ospedalieri
"healthcare customers"	a category we utilize to organize and analyze our customer base that includes PSEs involved in the healthcare sector; such category does not include the few private sector healthcare customers of the Group which are classified under private sector customers (see also "*Business—Customers and contracts—PSEs and healthcare customers*")
"HVAC"	Heating, ventilation and air conditioning systems
"H2H"	H2H Facility Solutions S.p.A. (formerly known as Manutencoop Private Sector Solutions S.p.A., company incorporated in 2004), a wholly-owned subsidiary of the Company since 2008 that offers facility management to private sector customers of the Group
"ICA"	Italian Competition Authority (*Autorità Garante della Concorrenza e del Mercato*)
"Italian Civil Code"	the Italian civil code (*codice civile*), enacted by Royal Decree No. 22 of March 16, 1942, as subsequently amended and supplemented
"Italian Public Tender Laws"	the Former Code on Public Procurement and the Current Code on Public Procurement
"Issuer"	CMF S.p.A.
"Laundering and Sterilization Segment"	our reporting segment under IFRS that includes our laundering and sterilization activities (see also "*Presentation of financial information—Segment information*")

"Maco"	Manutencoop Costruzioni S.p.A., a wholly-owned subsidiary of the Company that operated the building construction activities of the Group and was merged by incorporation into the Issuer effective as of January 1, 2016
"Manutencoop International"	Manutencoop International FM S.r.l., a wholly-owned subsidiary of the Company that operates internationally in the facility management segment
"May Dividend"	the dividend authorized by the Company's shareholders on April 27, 2017 in the amount of €25.1 million which was paid at the end of May 2017
"Merger"	the merger between the Issuer and the Company in accordance with Articles 2501-*bis* and following of the Italian Civil Code or any substantially similar form of merger, which we have agreed to implement as soon as practicable following the Completion Date and in any case within twelve months thereof, as further described under "*Summary—The Merger*"
"Merger Date"	the date that the Merger becomes effective
"MergerCo"	the entity resulting from the Merger
"MFM Call Option"	the contractual right granted to MSC pursuant to the 2016 MFM Shareholders' Agreement to acquire (directly or designating a third party as acquirer) the Minority Shareholders' entire stake in the Company, equal to 33.2% of the Company's share capital.
"Minority Shareholders"	the several financial investors that, as of the date of this Offering Memorandum and until the Completion Date, own 33.2% of the Company's share capital, and that, as of and from the Completion Date, following the Acquisition, will no longer be shareholders of the Company
"MSC"	Manutencoop Società Cooperativa which, following the Acquisition, will indirectly hold through the Issuer 100% of the Company's share capital
"Offering"	The offering of the Notes hereby
"PPP"	private public partnerships, a model of government service delivery involving the private sector, often in a BOT arrangement
"Post-Merger Collateral"	first-ranking security interests over: (i) in respect of the Pre-Merger Collateral securing all of the shares of the Issuer, a confirmation of such security in respect of the shares of MergerCo; (ii) all of the shares of the Guarantor; and (iii) Issuer's interest in the receivables in respect of certain existing intercompany loans by MergerCo to certain of its subsidiaries expected to be existing as of the Completion Date which will secure the Notes offered hereby following the Merger and no later than 10 business days following the Merger Date as further described under "*Description of the Notes—Security*"

"Pre-Merger Collateral"	first-ranking security interests over: (i) all of the shares of the Company; and (ii) the Issuer's interest in the receivables in respect of the Proceeds Loan which will secure the Notes offered hereby within 10 business days following the Completion Date as further described under "*Description of the Notes—Security*." The Pre-Merger Collateral in respect of the Proceeds Loan will cease to be effective as a consequence of the Merger whereas the security interest in respect of the shares of the Company will be confirmed in respect of the shares of MergerCo no later than 10 business days following the Merger Date
"Proceeds Loan"	the loan agreement to be entered into between the Issuer, as lender, and the Company, as borrower, on or about the Completion Date pursuant to which the Issuer will lend, and the Company will borrow, certain proceeds of the Notes in order to allow the Company, together with certain cash on balance sheet, to satisfy and discharge and ultimately redeem the outstanding Existing Senior Secured Notes and repay and discharge certain other outstanding financial debt (see also "*Use of proceeds*"). The Proceeds Loan will terminate automatically as a consequence of the Merger
"PSE"	public sector entities which are instrumentalities or state-owned enterprises formed for purposes of carrying out activities or providing services in the public interest and with the use of public funds within the meaning of Article 3 of Legislative Decree 163 of April 12, 2006, as amended, and a category we utilize to organize and analyze our customer base; this category does not include healthcare customers
"Receivables Sales"	the non-recourse sales of certain receivables of the Company, Servizi Ospedalieri and YouGenio to Banca Farmafactoring and of certain trade receivables belonging to the Company for total cash proceeds of €11.5 million and the collection and sale of certain healthcare PSE trade receivables made at the end of June 2017 for cash proceeds of €20.0 million as further described in footnote 2 under "*Capitalization*"
"Refinancing"	the satisfaction and discharge and subsequent redemption of all the outstanding Existing Senior Secured Notes and the repayment and discharge of certain other outstanding financial debt of the Group with a portion of the proceeds from the Offering and certain cash on balance sheet of the Group, as described under "*Use of proceeds*"
"retention rate"	the ratio between the weighted average of the total value of customer accounts as of the relevant year end who were already customers of the Group as of the year end of the previous year
"Revolving Credit Facility"	the senior secured revolving credit facility providing for up to €50 million to be entered into on or prior to the Issue Date between the Issuer as parent and UniCredit Bank AG, Milan Branch, as agent and security agent, and the other lenders thereto; the Company will accede to the Revolving

	Credit Facility as borrower on or about the Completion Date
"Roma Multiservizi"	Roma Multiservizi S.p.A., a 45.47%-owned affiliate of the Company (the remaining stake of which is owned by the City of Rome and its affiliates) that provides facility management services to the City of Rome and other PSEs. Its results are consolidated into the Issuer's financial statements under the equity method
"Security Agent"	UniCredit Bank AG, Milan Branch, in its capacity as security agent under the Indenture and the Revolving Credit Facility
"Security Documents"	any pledges, agreements and related documents that will be signed and entered into in connection with the granting of the Collateral to secure the obligations of the Issuer under the Notes offered hereby in accordance with the terms of the Indenture (see also "*Description of the Notes—Security*")
"Servizi Ospedalieri"	Servizi Ospedalieri S.p.A., a company incorporated in 1985, a wholly-owned subsidiary of the Company since 2007 that operates the Laundering and Sterilization Segment of the Group and, no later than 10 business days after the Merger Date, the Guarantor of the Notes
"Shareholder Financing"	has the meaning under the heading "*Summary—The Transactions*"
"Sicura"	Sicura S.p.A., a 85% owned subsidiary of the Company that operates the fire prevention and safety activities of the Group, and its subsidiaries
"Smail"	Società Manutenzione Illuminazione S.p.A., a wholly-owned subsidiary of the Company that operated the Lighting activities of the Group and was merged by incorporation into the Company effective as of January 1, 2016, following the disposal of its Lighting activities
"SMEs"	small and medium-sized enterprises
"TJA"	temporary joint associations, a method of entering into consortia which the Group uses along with partners in order to bid for public tenders and provide the goods and services thereunder
"Transactions"	has the meaning given to it under "*Summary—The Transactions*"
"Trustee"	The Law Debenture Trust Corporation p.l.c. in its capacity as trustee, legal representative (*mandatario con rappresentanza*) under the Indenture, common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code and as representative (*rappresentante*) pursuant to and for the purposes set forth under Article 2414-*bis*, paragraph 3, of the Italian Civil Code

"YouGenio"	YouGenio S.r.l., a wholly-owned subsidiary of the Company that operates in the "business to consumer" services market
"2013 MSC Vendor Note"	the vendor note issued by MSC to the Minority Shareholders in 2013, as subsequently amended in 2016 in connection with the execution of the 2016 MFM Shareholders' Agreement
"2016 MFM Shareholders' Agreement"	the agreement executed on July 19, 2016 between MSC and the Minority Shareholders that will automatically terminate on the Completion Date following the Acquisition

Industry and market data

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

In addition to the foregoing, certain information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Offering Memorandum is based on internal estimates or derived from third party data sets or information in the public record in each case based on assumptions we deem reasonable. Due to the timing of the release of definitive statistical or industry data, this Offering Memorandum presents or otherwise utilizes estimates for the year ended December 31, 2016 as estimated using interim data by various external trade associations and industry consultants using interim statistical data or assumptions based thereon. Where we have used such estimates in this Offering Memorandum, we have indicated such estimates with the designation "2016E." Industry publications and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that each of these studies, publications and any 2016E figures derived or presented therein is reliable, none of the Group, the Initial Purchasers, the Trustee or any of the Agents have independently verified such data and cannot guarantee their accuracy or completeness.

In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market related analyses and estimates, requiring us to rely on our own internally developed estimates regarding the industry in which we operate, our position in the industry, our market share and the market shares of various industry participants based on our experience, our own investigation of market conditions and our review of industry publications, including information made available to the public by our competitors. None of the Group, the Initial Purchasers, the Trustee or any of the Agents can assure you of the accuracy and completeness of, or take any responsibility for, such data. Similarly, while we believe our internal estimates to be reasonable, these estimates have not been verified by any independent sources, and none of the Group, the Initial Purchasers, the Trustee or any of the Agents can assure you as to their accuracy or the accuracy of the underlying assumptions used to estimate such data. Unless otherwise indicated, data on our market position and market share is based on revenue for the year ended December 31, 2016. Our estimates involve risks and uncertainties and are subject to change based on various factors. See "*Risk factors*," "*Industry*" and "*Business*" for further discussion.

All trademarks and trade names appearing in this Offering Memorandum belong to their respective owners.

Summary

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

Overview

We are the leading provider of facility management services and a leading provider of laundering and sterilization services in Italy, with a track record of success through continuous development and focus on mission critical services. We are an integrated services and solutions provider with strong coverage and positioning in each market segment we cover. We serve a diverse range of over 1,500 customers, including public sector entities (including healthcare providers) and private sector companies in Italy. Our success draws on our long history; our predecessor company began providing services to the Italian state-run railway network in 1938. In 2003, we were spun off from MSC, our controlling shareholder to consolidate as an independent Group. Since then, we have emerged as a multi-disciplinary provider of facility management services. MSC, our controlling shareholder, will hold 100% of our share capital following the Transactions. Our comprehensive multi-service and multi-technical offering covers most of the areas of the facility management and laundering and sterilization markets. For example, among others: (i) in the public sector, we provide daily cleaning, heating and plumbing systems and landscaping for public schools, state buildings and museums that allow them to receive visitors and patrons, (ii) in the healthcare sector, we provide laundering of linens, sterilization of surgical instruments and management of pharmaceutical logistics, all of which are vital services for the continued adequate care of patients and (iii) in the private sector, we maintain diverse retail and office spaces and telecommunications towers for our customers which keep their operations running smoothly.

We position ourselves as a solution provider rather than a service provider since we are able to offer all our services on a fully integrated basis and we leverage our deep understanding of our customers' businesses and industries and the regions in Italy where they do business to formulate cost-saving strategies. Unlike many of our competitors, we deliver solutions by relying significantly on in-house expertise and resources. We refer to this self-contained ability to implement our business plan in support of our customers' objectives as a "make" rather than a "buy" approach which we believe constitutes a key competitive advantage for us. With a headcount of more than 16,000 people, we believe we are currently the undisputed leader in the Italian facility management market.

For the twelve months ended March 31, 2017, we generated total revenue of €926.0 million and Normalized EBITDA of €108.4 million, corresponding to an 11.7% Normalized EBITDA margin as percentage of total revenue.

Service offering

We believe we distinguish ourselves through the quality and breadth of the services we regularly provide to our customers and the custom solutions we can devise both for their facility management and laundering and sterilization needs. Facility management services can be classified among three broad areas: technical, infrastructural and entrepreneurial. We operate across all these three areas. As attested by our market shares and revenues, we possess particular strength in technical services as demonstrated by our suite of offering, namely: technical maintenance, control engineering, energy management, HVAC, fire prevention and safety. In addition, we have strong capabilities in infrastructural services as demonstrated by our cleaning unit and also provide certain support services for enterprises. Recently, we also established two start-ups, Manutencoop International and YouGenio, with the objective of growing our business in the international "business to business" and Italian "business to consumer" services markets.

On an organizational level, we classify our services to our customers through two reporting segments: Facility Management Segment which generated 85.5% of total revenues (gross of intra-group eliminations) and 64.5% of EBITDA in the twelve months ended March 31, 2017 Laundering and Sterilization Segment which generated 14.5% of total revenues (gross of intra-group eliminations) and 35.5% of EBITDA in the twelve months ended March 31, 2017.

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

Our strengths

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

Resilient and steady growth in the Italian facility management and healthcare sectors. The Italian facility management and laundering and sterilization markets have historically outpaced GDP growth. According to Interconnection Consulting, the Italian facility management outsourced market reported a CAGR of 0.8% over the period 2010-2015 compared to Italy's real GDP CAGR of 0.4% over the same period. We believe this represents evidence of the non-discretionary nature of the solutions we provide and of the resiliency of our business model. We also believe that in a challenging economic period our customers recognize that to outsource their non-core functions to us may promote their own operational efficiency while generating cost savings. Interconnection Consulting estimates that external facility management services markets will grow steadily as more and more companies and PSEs are looking to outsource large part of their operations; the portion of the Italian facility management market that is already outsourced is expected to grow and reach €28.3 billion in 2019, with a CAGR of 2.1% from 2015 to 2019, almost double the expected CAGR of 1.0% for the entire facility management sector over the same period. The already outsourced portion of the Italian facility management market has a significant untapped potential, as demonstrated by the increase of 1.8% between 2014 and 2015, from €25.6 billion to €26.0 billion, and the fact that, in 2015, the outsourced services segment represented only approximately 39% of the Italian facility management market, whereas in more mature European markets, such as the United Kingdom, the outsourced services market represents more than 70% of the overall facility management market (source: Interconnection Consulting). Therefore, we believe that outsourcing trends will continue and the size of our reference markets will expand. We believe the facility management and laundering and sterilization markets in Italy will continue to benefit from a number of structural trends such as: increased customer preference for integrated one-stop-shop solution providers which can offer a full range of services according to customer needs, increased attention to quality as consequence of more robust certification requirements and growing awareness of energy efficiency and an outsourcing trend in both the public and private sectors driven by efficiencies and cost savings, as further encouraged as a result of budget constraints. For example, according to Interconnection Consulting, the Italian healthcare facility services are expected to grow at a

CAGR of 2.8% from 2015 to 2019. In addition, on the one hand, we believe the ageing population will lead to increased healthcare spending which is likely to have a positive effect on the demand for our services and, on the other, the new and increased focus on cost savings as a consequence of budget constraints has led the public sector to consolidate its purchases of outsourced services. We expect fewer but larger public tenders organized by PSEs and healthcare customers that may also involve larger geographical areas and increased quality requirements. As leaders in the Italian market, we believe we are well-positioned to seize opportunities generated by these trends and further strengthen our leadership position.

Unique positioning and leadership in the fragmented Italian facility management market. We are the leading player in the highly fragmented Italian facility management market. According to Interconnection Consulting, in the already outsourced facility management sector, our market share was 3.4% in 2015. Moreover, in the healthcare segment of the Italian laundering and sterilization market, we are one of the only two players with national scale and we were the second largest player in 2015 with a market share of 18.0%. In both markets, we have historically been able to gain market share from a variety of competitors and defend our market position from foreign entrants. We maintain long-term relationships with many of our customers that allow us to have access to additional revenues deriving from discretionary and non-discretionary spending. Additionally, we possess in-depth knowledge of the complex Italian public tender requirements. The Group has a dedicated engineering function with 29 specialists focused on preparing public and private tender bids across our Facility Management Segment and Laundering and Sterilization Segment. Over the period 2010-2015, our Facility Management Segment participated in approximately 600 public and healthcare tenders. Our long-standing relationships with PSEs, healthcare and private customers have fostered a trust-based relationship correlated with the proven reliability we have demonstrated, which is further exemplified by our high customer retention rate.

Unparalleled services offering with strong presence in highly remunerative market segments. We provide a comprehensive integrated portfolio of mission critical facility management and laundering and sterilization services, which we believe are indispensable to our customers, are deeply embedded in their operations, and therefore cannot be discontinued or postponed. Our business model seeks to position us as a partner for our customers possessing the know-how to analyze the technical requirements of their operations and, using our advanced information technology system and industry experience, develop solutions tailored for their specific needs. The large scale and breadth of our services make us a one-stop-shop for a broad array of customers, whereas many of our competitors do not have such capabilities and focus on niche markets or individual services. We leverage our diversified offering portfolio to seek out potential cross-selling opportunities within our customer base. For instance, we have been able to add services to existing contracts or to extend our services to additional regions of Italy. We believe our integrated services tend to produce increased customer loyalty, which provides us with an important competitive advantage. Our service proposition targets markets whose real estate facilities are a critical part of the value chain and where Facility Management services are highly strategic and mission critical. We believe our capacity to offer a wide range of integrated services represents a significant opportunity for our customers, who can rely on a single supplier that can efficiently satisfy many of their needs, without compromising the quality of the services rendered. In order to sustain the complex organization of our integrated offer, our operational efficiency and quality assurance capabilities have been improved through our investments in advanced information technology systems.

Unique features creating significant barriers to entry. We believe that the facility management and laundering and sterilization markets are characterized by significant barriers to entry, in particular for integrated service providers, because multi-service offerings with a broad geographical coverage require a high level of organization with specific technical competence in many different areas, as well as a substantial, highly skilled and dedicated work force, which we believe is not easy to replicate. Our advanced information technology systems provide us with data sets for formulating sound bids to tenders and once we have commenced a contract, we utilize our information technology systems to monitor the buildings we manage and quickly perform interventions in case of service interruption. In addition, we are qualified vendor to entities in the Italian public administration which acts as a further barrier to entry. Furthermore, complex public tender rules and local competitive dynamics have kept most of the largest international facility management operators out of the Italian market or with a very limited presence. We believe that the combination of our technical abilities and strong customer relationships bolster our leading position. In particular, close geographic proximity to customers is essential in the markets we serve, as our customers' purchasing decisions are often driven by the responsiveness and efficiency of their service providers. We strive to achieve this close proximity in our Facility Management Segment through a dense network of 47 offices throughout Italy and in our Laundering and Sterilization Segment through a network of 30 facilities (among which 4 dedicated plants and 22 on-site facilities in hospitals). Utilizing the resources of our network, we believe we are well positioned to provide services to our customers quickly, to develop close, long-standing relationships directly with our customers, and to provide services to large private sector customers with national operations (such as Auchan, NTV-Nuovo Trasporto Viaggiatori, Unipol, Carrefour, TIM and Wind) as well as to continue to serve the needs of SMEs providing, in particular, services with attractive margins, such as energy and HVAC management and sterilization services. Our geographic proximity to our customers also allows us to anticipate changes in our customers' specific needs, as well as to identify potential local market opportunities. Furthermore, the extensiveness of our network permits us to serve many of our customers directly with our own personnel ("self-delivery") rather than using subcontractors, allowing us to carefully manage customer care and gain further knowledge of our customers' operations in order to potentially cross-sell other Group services or extend the perimeter of our contracts. We believe that our dense regional network is also crucial to our ability to sell multiple services to our customers, in particular our integrated facility management services, which also enhances our visibility on the market and allows us to seize new commercial opportunities.

Highly visible, recurring and diversified revenue base. We believe that our customers consider resorting to our services to be essential in conducting their core businesses and supporting their operations, and generally more efficient than performing such services internally. According to Interconnection Consulting, the outsourced portion of the Italian facility management sector is anticipated to grow at a CAGR of 2.1% from 2015 to 2019, whereas the entire facility management sector over the same period is forecasted to grow at a CAGR of 1.0%. We believe the higher growth expected in our reference market indicates the value proposition offered by outsourced services providers or providers of outsourced services such as the Group. We also benefit from long-term contracts in our Facility Management Segment ranging from one to three years for private sector customers, three to four years for PSEs and four to five years for healthcare customers. Our backlog of €2,766 million as of March 31, 2017 gives us revenue visibility, as its absolute value represents the equivalent of almost three years of revenues, at current yearly revenues rates. The backlog is mainly related to contracts with PSEs and healthcare customers, which typically have long duration and represent contractually-committed future earnings. Approximately two-thirds of our yearly revenues have been derived from contracts already in place at the end of the prior year. We have a well-diversified customer base with over 1,500 customers and our top 10 customers accounted for only 20.1% of our revenues in 2016. Our high quality customer base includes large PSEs (such as central government ministries, local governments and universities), major public healthcare institutions and leading private companies with presence across Italy (such as Auchan, NTV-Nuovo Trasporto Viaggiatori, Unipol, Carrefour, TIM and Wind).

Attractive asset-light financial profile. Our business is highly cash-generative, with low capital expenditure requirements. We believe we produce one of the best-in-class margins in both our Facility Management Segment and Laundering and Sterilization Segment as compared to our local and international peers. For the 2014 to 2016 period, we achieved an average Normalized EBITDA margin of 10.6% and, according to management estimates, average cash maintenance capital expenditures of 2.6% as percentage of revenues for the 2014 to 2016 period. At the segment level, our Facility Management Segment had an EBITDA margin (gross of intra-group eliminations) of 7.4% in 2016, which we believe to be one of the highest among both Italian and international key peers, while our Laundering and Sterilization Segment had an EBITDA margin of 27.1%, which we believe to be among the highest in the Italian market due to our ability to harness economies of scale and deploy best-in-class technology. Our Facility Management Segment (which represented 85.5% of total revenue for the year ended December 31, 2016, gross of intra-group eliminations), according to management estimates, has low cash maintenance capital expenditures requirements (in average, 1.1% of revenues of the segment for the 2014 to 2016 period), which are mainly absorbed by our information technology systems. Our Laundering and Sterilization Segment (which represented 14.5% of total revenue in 2016, gross of intra-group eliminations), according to management estimates, had cash maintenance capital expenditures requirements of 11.1% of revenues in the period from 2014 to 2016, mainly absorbed by purchases of linen for hospitals and technical investments such as machineries for our sterilization centers or surgical instruments. According to management estimates, we achieved a cash flow conversion, defined as the ratio of ((Normalized EBITDA-Cash maintenance capital expenditures)/Normalized EBITDA), of 76.3% and 78.3%, in the years ended December 31, 2015 and 2016, respectively. In addition, we have an asset-light financial profile in that our cost structure is mainly composed of direct costs that are largely variable as linked to specific contracts; we have also implemented a costs reduction and optimization policy which helps us maintain our profitability, together with a tight working capital management and low capital expenditure requirements. Of our over 16,000 employees as of March 31, 2017, 12,772 were employed in accordance with Article 4 of CCNL Multiservizi, pursuant to which if we lose a tender for a contract we are now performing, the incoming provider is, in cases where the new contract is on the same or better terms and level of service, obliged to accept the transfer of the employees we were using to service such contract. According to management estimates, our cost structure is highly flexible. We define as flexible those costs that are directly linked to a specific contract and we believe we would not have to sustain in the event that the relevant contract were discontinued. Flexible costs refer to raw materials, outsourced services and personnel costs under the framework of Article 4 of CCNL Multiservizi. Considering our total cost base, our flexible costs were 63.6%, 63.4% and 64.6% in the years ended December 31, 2014, 2015 and 2016, respectively.

Our strategies

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

Focus on highly profitable segments. We intend to concentrate our efforts on competing in the most profitable segments by providing unparalleled service offerings with complete national reach throughout Italy and a highly diversified customer base. We intend to consolidate our leading position in high-margin/less price sensitive services, such as technical maintenance, energy and HVAC management and sterilization of surgical instruments, with a fully integrated platform. Within our Facility Management Segment, we intend to focus on (i) competing for complex public tenders which are awarded on the basis of technical quality of the service offered rather than solely on a cost basis, and (ii) accessing a larger share of the market through executing framework agreements with the public administration. We target markets where real estate facilities are a critical part of the value chain and where our services are highly strategic and mission critical for customers, in that it enables the latter to reduce complexity of non-core services. We intend to fully leverage our positioning in the fastest and largest customer segments, such as healthcare and government; Interconnection Consulting reports that such segments are expected to grow at a CAGR of 2.8% and 2.7%, respectively, over the period from 2015 to 2019.

Continue to consolidate market presence through bolt-on acquisitions. The Italian facility management services industry remains highly fragmented, presenting us with a significant potential for growth, favorable dynamics and attractive acquisition opportunities. We intend to evaluate opportunities to acquire and integrate other services providers in order to strengthen our competitive position, broaden the range of our offering and increase our presence in regions in Italy where we operate, only pursuing those opportunities that are EBITDA accretive according to return-on-investment criteria. The ability to offer a large and diversified range of integrated services is a key competitive advantage for us and the increased complexity of facility management fosters market concentration, favoring integrated operators. We intend to continue to grow through strategic bolt-on acquisitions by focusing on targets that provide access to technical capabilities or geographic coverage that complements our existing capabilities. We intend to grow selectively within complementary geographic markets, where we believe we will be able to efficiently replicate our core business model.

Selective further expansion of our business in EBITDA accretive areas. We intend to pursue our strategic objective of growth through the planning and development of new business initiatives and we are exploring new areas of intervention in and outside Europe to the extent the expected return justifies the investments. For example, we plan to develop the "Far Fare" project, consisting in an increase in our offering through subcontracting certain minor services to local and smaller service providers, and the "ESCo" project, relating to energy efficiency services for small and medium-sized enterprises, which should provide revenue visibility in light of the contracted long-term nature of these services. Moreover, in 2016, we expanded to the "business to consumer" services market with our start-up YouGenio. We intend to further grow our business in both the "business to business" services market and in the recently joined "business to consumer" services market. With respect to the latter, we have developed software application for home delivery of cleaning, electricity, air conditioning systems, security systems and other services. We believe this to be an attractive consumer-based business model with high growth potential where we can offer a very competitive set of services to households by leveraging on our integrated services expertise and local presence.

Consolidation of our leadership in the public administration segment. We intend to consolidate our leading position among Italian PSEs and healthcare customers and increase our market share by acquiring new contracts with large purchasing centers of Italian PSEs and healthcare customers to achieve high working volumes allowing us to leverage our economies of scale. We intend to use our in-depth knowledge of the requirements and tendering process in the Italian market and our ability to meet regulatory requirements and offer the full range of services required. In particular, the aggregation of PSE contracts through CONSIP's framework agreements that often comprise a larger range of services and/or geographic areas is particularly attractive because such contracts focus on a combination of cost and quality and award, subject to certain conditions, nearly exclusive rights to provide services for up to a specified amount in a specified region for a certain period. With respect to such framework agreements, we intend to actively promote our services to the PSEs in our assigned geographical areas, using our know-how to propose both routine and non-routine services to potential customers, thereby realizing the maximum revenues potential under CONSIP framework agreements. Our size, technical offering and operational expertise provide us with a compelling advantage to seize such opportunities.

Drive cash flow generation and deleveraging. We intend to exploit the potential of our business to generate strong cash flows from operations through preserving our high profitability, improving working capital management, maintaining capital expenditures low and continuing to decrease our financial indebtedness. As of December 31, 2014, 2015 and 2016 and March 31, 2017, our Net Debt followed a decreasing trend from €278.3 million, to €228.4 million, to €166.2 million and to €173.8 million, mostly achieved through cash from operations, reducing our net leverage (defined as Net Debt/Normalized EBITDA) from 2.9x as of December 31, 2014 to 1.6x as of March 31, 2017. This was mainly the result of (i) the positive trend in cash flow from operating activities (€18.6 million in 2014, €67.7 million in 2015, €86.4 million in 2016 and

€109.5 million in the twelve months ended March 31, 2017), (ii) the collection of overdue receivables from the Public Administration (for a sum exceeding approximately €60 million in 2014 and 2015) and the sale of certain corporate tax receivables, and (iii) cash inflow deriving from the sale of some non-core subsidiaries (*i.e.*, approximately €60 million from the sale of MIA S.p.A., Energyproject S.p.A. and SMAIL S.p.A.). In addition, in 2014 and 2015, we purchased on the market €45 million and €80 million, respectively, of outstanding Existing Senior Secured Notes, reducing our interest expenses. Following the Transactions, we intend to further deleverage our business. In order to maintain our strong profitability, we intend to continue to focus on efficiency improvements leading to reduction and optimization of (i) fixed costs, by way of real estate investments to limit rental costs, (ii) variable costs, by way of renegotiation of agreements with suppliers, and (iii) capital expenditures, by way of rationalization of our major investments (information technology and linen). Over the period from 2013 to 2015, we experienced a progressive decrease of such expenditures due to investments made to improve our IT software and surgical instruments and which have been particularly beneficial to our internal processes and for the management of tenders. We also plan to continue to improve our working capital management by increasing our focus on customer interaction and strengthening billing and collection procedures through coordinated and organized series of data collection initiatives (*i.e.*, periodic visits to customers).

Recent developments

Legal proceedings

For significant recent developments regarding certain legal proceedings and investigations we are currently subject to, see "*Business—Legal Proceedings—CONSIP School Tender Litigation,*" "*Business—Legal Proceedings—False Statement Registration proceeding pending against the Company before ANAC following the notice filed by a public-health agency to ANAC,*" "*Risk factors—Risks related to our business—We are involved in ongoing litigation in respect of an antitrust matter related to a public tender and we may face significant consequences in respect thereof,*" "*Risk factors—Risks related to our business—We are involved in false statement registration proceeding pending before ANAC and we may face significant consequences in respect thereof*" and "*Risk factors—Risks related to our business—We are susceptible to claims of anti-competitive practices.*"

The Transactions

Prior to the Completion Date, MSC will exercise the MFM Call Option by delivering the required notice to acquire the Minority Shareholders' 33.2% interest in the Company, designating the Issuer a beneficiary thereof and purchaser of the shares pursuant to the MFM Call Option and indicating the date for the transfer of such shares, falling no later than 30 business days from the delivery date of such notice. The transfer of these shares will occur on or about the Completion Date.

On or prior to the Completion Date, a new holding company formed above the Issuer or a special purpose vehicle or orphan issuer established by the Issuer's shareholder (such entity, if established, "**Holdco**") or, alternatively, the Issuer's direct shareholder MSC, is expected to issue or incur a financial instrument or other financing, in the form of a loan, a debt capital markets issuance via a direct private placement or marketed offering, equity (including of the Issuer) or quasi-equity or a vendor loan raised from certain Minority Shareholders or other third parties (or any combination of the foregoing), in an aggregate principal amount currently expected to be approximately €50.0 million but no more than €60.0 million in aggregate principal amount (to the extent issued in the form of debt) which will be issued, incurred, made available for drawing or released from escrow, as the case may be, on or about the Completion Date (any such transaction, the "**Shareholder Financing**"). The Shareholder Financing will be incurred or issued, as the case may be, without recourse to, and without any credit support in the form of security or guarantees granted by, the Issuer, the Company or any of its subsidiaries. The Shareholder

Financing may be of a larger aggregate principal amount than €50.0 million (but no more than €60.0 million if issued in the form of debt), including if needed to overfund any interest payments in cash, and the lenders of such financing could include current affiliates of the Company and/or the Minority Shareholders. The Shareholder Financing, if raised in the form of debt, will have a maturity after the stated maturity of the Notes. The Shareholder Financing, if raised in the form of debt, is expected to bear interest in cash or pay-in-kind or otherwise accrue deferred interest (or a combination thereof). It is currently expected that the proceeds from the Shareholder Financing will be utilized directly by the Holdco or MSC or contributed to the Issuer as equity or on-lent to the Issuer initially in the form of Subordinated Shareholder Funding (as defined under "*Description of Notes*"), in each case to complete the Transactions.

On or about the Completion Date, following the release of the escrowed proceeds of the Offering from the Escrow Account and the availability of the Shareholder Financing, we expect to use the proceeds from the Offering and cash on balance sheet of the Company amounting to €164.5 million, together with the Shareholder Financing (directly or indirectly), to:

(i) satisfy and discharge and ultimately redeem all the outstanding Existing Senior Secured Notes and repay and discharge certain other outstanding financial debt of the Group (collectively, the "**Refinancing**");

(ii) (a) acquire from MSC (directly or indirectly, through Holdco, as the case may be) the rights under the MFM Call Option for its fair market value to be settled in cash for €6.6 million, (b) acquire a 13.22% interest in the Company from MSC (directly or indirectly, through Holdco, as the case maybe) for consideration expected to be approximately €5.6 million in cash plus further consideration of approximately €50.0 million from, directly or indirectly, the Shareholder Financing (or such smaller percentage and for correspondingly reduced consideration to the extent that the Shareholder Financing is utilized directly by MSC or Holdco, as described elsewhere herein or otherwise), in connection with which the reserved rights in favor of the Minority Shareholders relating to 7.02% of the shares of the Company owned by MSC effectively securing the performance of MSC's obligations under the 2013 MSC Vendor Note would be extinguished, through the repayment, refinancing, cancelation, amendment, waiver and/or restatement of the 2013 MSC Vendor Note in connection with, or pursuant to, the Shareholder Financing, and (c) acquire from the Minority Shareholders their entire interest in the Company through the MFM Call Option for consideration of €132.8 million ((a), (b) and (c), together, the "**Acquisition**"); and

(iii) pay fees and expenses associated with these transactions.

On or about the Completion Date, MSC is expected to contribute (directly or indirectly, through Holdco, as the case maybe) approximately 53.57% of the Company's share capital to the Issuer (or such other amount of shares held by the Company following the application of the proceeds of the Shareholder Financing by MSC or Holdco, the use of proceeds so requires) (the "**Contribution**").

To the extent that the Shareholder Financing is utilized directly by MSC or Holdco to make payments pursuant to or on behalf of MSC in connection with the repayment, refinancing, cancelation, amendment, waiver and/or restatement of the 2013 MSC Vendor Loan Note or otherwise, the amounts paid by the Issuer to complete the Transactions would decrease correspondingly and the percentage of shares of the Company contributed to the Issuer by MSC or such Holdco would increase accordingly.

On or about the Completion Date, following the Transactions (including the Contribution), the Issuer will own 100% of the Company's share capital.

The following table shows the sources and uses of funds related to the Offering and the use of proceeds therefrom assuming it had been completed on March 31, 2017. Actual amounts will vary from estimated amounts depending on several factors, including estimated costs, fees and expenses, the actual date of the Completion Date and the final structure of the Shareholder Financing.

Sources of funds		Uses of funds	
(€ in millions)			
Notes offered hereby(1)	€360.0	Redemption of Existing Senior Secured Notes(3)	€300.0
Cash on balance sheet(2)	€164.5	Costs related to redemption premium of Existing Senior Secured Notes(4)	€ 19.6
		Repayment of other financial debt(5)	€ 47.9
		Payments in connection with the Acquisition(6)	€145.0
		Estimated fees, expenses and original issue discount ("**OID**")(7)	€ 12.0
Total sources	**€524.5**	**Total uses**	**€524.5**

(1) Represents the €360.0 million aggregate principal amount of Notes offered hereby (not including original issue discount ("**OID**") of 2%, for an issue price of 98%, reflected above in "Estimated fees, expenses and original issue discount").

(2) Represents cash on balance sheet as of March 31, 2017 after giving effect to the May Dividend and Receivables Sales that occurred or are expected to occur after March 31, 2017 as further described in footnote 2 under "*Capitalization*."

(3) Represents the aggregate principal amount of the Existing Senior Secured Notes outstanding as of March 31, 2017, to be satisfied and discharged on the Completion Date and subsequently redeemed on or about the 30th calendar day following the Completion Date following the delivery of a notice of redemption in respect thereof and the deposit with the Trustee on the Completion Date of funds in an amount sufficient to pay the redemption price and accrued but unpaid interest until, but excluding, the date on which such Existing Senior Secured Notes are redeemed.

(4) This figure reflects €13.2 million of accrued and unpaid interest on the Existing Senior Secured Notes as of March 31, 2017 and through the expected date of redemption of the Existing Senior Secured Notes set for indicative purposes at August 8, 2017 as well as the redemption premium of 102.125%. We expect that the accrued interest and redemption premiums will be paid directly by the Company using cash from balance sheet.

(5) Represents the repayment of €10.0 million outstanding under the CCFS Facility, €16.0 million outstanding under certain of our short-term bilateral facilities and €21.9 million outstanding under our recourse factoring facilities.

(6) Includes (i) the acquisition of MSC's right to exercise the call option, to be settled for the fair market value thereof in cash for €6.6 million, (ii) the Issuer's acquisition of the 13.22% stake in the Company's share capital from MSC for cash consideration of approximately €5.6 million (but not including further consideration of approximately €50.0 million from, directly or indirectly, the Shareholder Financing, described in the definition of "Acquisition" above), and (iii) the payment of €132.8 million, which is the price at which the Issuer will exercise the MFM Call Option, pursuant to which, on or about the Completion Date, the Issuer will purchase from the Minority Shareholders their entire stake in the Company, equal to 33.2% of the Company's share capital. To the extent that the Shareholder Financing is utilized directly by MSC or Holdco to make payments pursuant to or on behalf of MSC in connection with the repayment or cancelation of the 2013 MSC Vendor Note or otherwise, the amounts paid by the Issuer to complete the Transactions would decrease correspondingly and the percentage of shares of the Company contributed to the Issuer by MSC or such Holdco would increase accordingly. Moreover, in connection with the Shareholder Financing or otherwise, the descriptions and associated definitions of the Acquisition and the Contribution may be deemed modified to reflect changes or other modifications related to such Shareholder Financing as necessitated by the Transactions, *provided that* changes or modifications will not individually or taken as a whole have a material adverse effect on the holders of the Notes.

(7) Represents certain estimated fees and expenses associated with the Transactions, together with approximately €7.2 million in OID. Actual fees and expenses may vary.

Pending the consummation of the Acquisition, the gross proceeds of the Offering (after OID) will be deposited into the Escrow Account in the name of the Issuer but controlled by the Escrow Agent and charged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Notes pursuant to the Escrow Charge. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the delivery of all of the shares of the Company held by Minority Shareholders, the consummation of the Acquisition in accordance with the description included in this Offering Memorandum (subject to any changes or modifications that will not individually or taken as a whole have a material adverse effect on the holders of the Notes) and the other conditions specified under "*Use of proceeds*." If the Acquisition is not consummated on or prior to the Escrow Longstop Date, or upon the occurrence of certain other events, then all of the Notes will be subject to a special mandatory redemption. The special mandatory redemption will be at a price equal to 100% of the issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but not including, the date of the special mandatory redemption. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*," "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—Consummation of the Transactions is dependent upon completion of the Shareholder Financing which may not be raised on satisfactory terms, if at all, and additionally, the Shareholder Financing, if completed, may increase certain risks to the Issuer and its subsidiaries*" and "*Risk Factors—Risks related to the Notes, the Notes Guarantee and the Collateral—If consummation of the Acquisition is delayed beyond the Longstop Date, or if the other conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*."

In addition, on or prior to the Issue Date, the Issuer as parent will enter into the Revolving Credit Facility with UniCredit Bank AG, Milan Branch, as agent and security agent, and the other lenders thereunder which provides for up to €50 million in revolving credit on a senior secured basis. On or about the Completion Date, the Company will accede to, *inter alia*, the Revolving Credit Facility as borrower. In the event that freely available cash on the balance sheet on or about the Completion Date is lower than our estimate or insufficient to support our working capital requirements due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Completion Date or shortly thereafter. For more information regarding our net working capital requirements, which normally reach their peak in the first and third quarters of each financial year, see "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting our results of operations—Seasonality and working capital fluctuations*."

Throughout this Offering Memorandum, we will collectively refer to (i) the formation of the Issuer, (ii) the issuance of the Notes and funding of the Escrow Account on the Issue Date; (iii) the Shareholder Financing; (iv) the Contribution and the Acquisition, (v) the signing of the Revolving Credit Facility, (vi) the application of the proceeds from the Offering following the release of the escrowed proceeds, and (vii) the Refinancing, as the "**Transactions**." Notwithstanding the foregoing, in connection with the Shareholder Financing or otherwise, the descriptions and associated definitions of the Acquisition and the Contribution may be deemed modified to reflect changes or other modifications related to such Shareholder Financing as necessitated by the Transactions, *provided that* changes or modifications will not individually or taken as a whole have a material adverse effect on the holders of the Notes. For additional information, see "*Use of proceeds*," "*Description of certain financing arrangements*," "*Description of the Notes*" and "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources*."

The Merger

Following the consummation of the Acquisition, we have agreed to merge the Issuer with and into the Company in accordance with Articles 2501-*bis* of the Italian Civil Code (or substantially similar form of merger) as soon as practicable following the Completion Date and in any case within twelve months thereof. MergerCo will succeed to the Issuer's obligations with respect to the Notes. No later than 10 business days following the Merger Date, Servizi Ospedalieri will grant the Notes Guarantee. In addition, as a consequence of the Merger, the Proceeds Loan will be terminated and the security interests over the Issuer's interest in the receivables in respect of the Proceeds Loan will cease to be effective, and the Notes will continue to be secured by the share pledge over MergerCo (as company surviving to the Merger and, thereafter, Issuer hereunder). Following the Merger and no later than 10 business days following the Merger Date, the Notes will be secured by the Post-Merger Collateral consisting of first-ranking security interests over: (i) all of the shares of MergerCo; (ii) all of the shares of the Guarantor; and (iii) Issuer's interest in the receivables in respect of certain intercompany loans by MergerCo to certain of its subsidiaries existing as of the Completion Date.

Risk factors

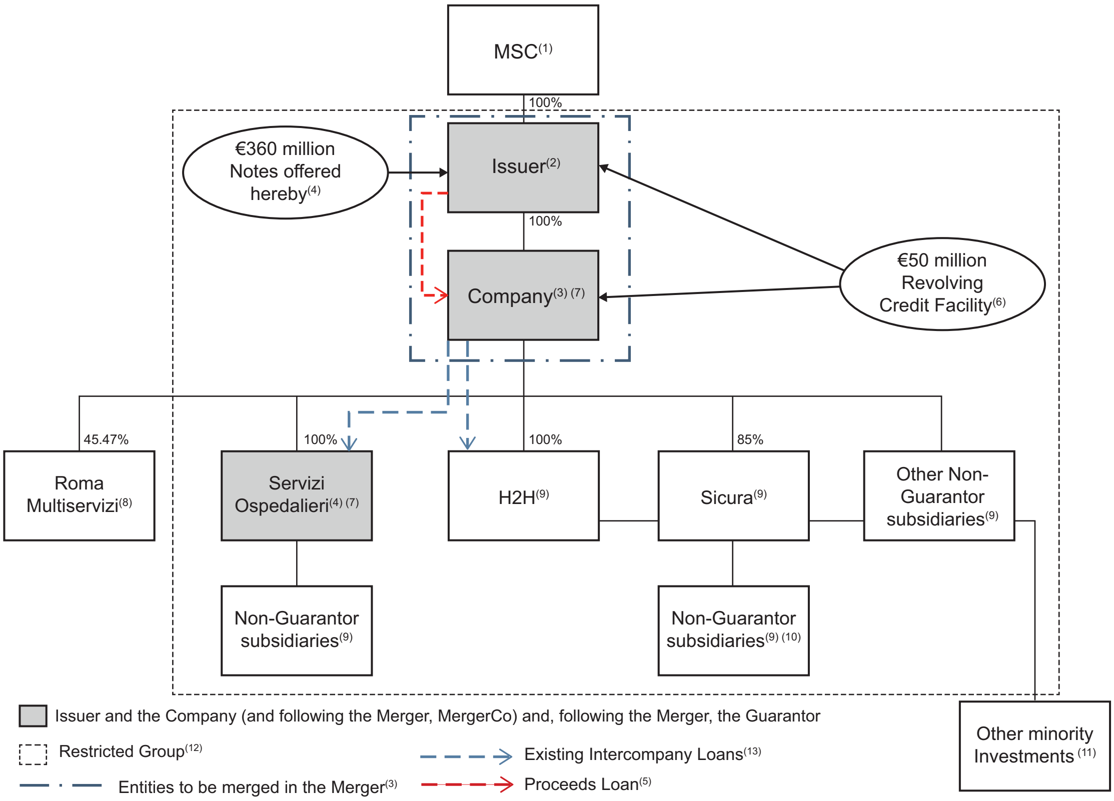
Investing in the Notes involves substantial risks. Please see the "*Risk factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.

Additional information

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

Corporate structure and certain financing arrangements

The following chart shows a simplified summary of the corporate and financing structure and nominal amounts of the principal indebtedness of the Group as of March 31, 2017 after giving effect to the Transactions. The chart does not include all entities in the Group, nor all of the debt obligations thereof. All entities shown below are, unless otherwise indicated, directly or indirectly owned by their respective parent company. Outstanding debt amounts are based on the nominal value figures as of March 31, 2017. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "*Description of the Notes,*" "*Description of certain financing arrangements*" and "*Capitalization*."



(1) MSC, a cooperative company, owns 100% of the share capital of the Issuer and, prior to the consummation of the Acquisition, is the controlling shareholder of the Company with a 66.8% interest in the share capital of the Company. Prior to the Completion Date, the Minority Shareholders hold the remaining 33.2% interest. For more information regarding MSC, see "*Our shareholder.*"

On or prior to the Completion Date, a new holding company formed above the Issuer or a special purpose vehicle or orphan issuer established by the Issuer's shareholder (such entity, if established, "**Holdco**") or, alternatively, the Issuer's direct shareholder MSC, is expected to issue or incur the Shareholder Financing in an aggregate principal amount currently expected to be approximately €50.0 million but no more than €60.0 million in aggregate principal amount (to the extent issued in the form of debt) which will be issued, incurred, made available for drawing or released from escrow, as the case may be, on or about the Completion Date as further described under "*Summary—The Transactions.*" The Shareholder Financing will be incurred or issued, as the case may be, without recourse to, and without any credit support in the form of security or guarantees granted by, the Issuer, the Company or any of its subsidiaries. The Shareholder Financing, if raised in the form of debt, will have a maturity after the stated maturity of the Notes. The Shareholder Financing, if raised in the form of debt, is expected to bear interest in cash or pay-in-kind or otherwise accrue deferred interest (or a combination thereof). It is currently expected that the proceeds from the Shareholder Financing will be utilized directly by the Holdco or MSC or contributed to the Issuer as equity or on-lent to the Issuer initially in the form of Subordinated Shareholder Funding (as defined under "*Description of Notes*"), in each case to complete the Transactions. The Shareholder Financing is not depicted in the chart above.

(2) The Issuer is a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy which was recently created for the purposes of the Transactions. As of the Issue Date, the Issuer conducts no business operations of its own and has no significant assets other than its rights to the Escrow Account. See "*Risk factors—Risks related to our capital structure—As of the Issue Date and prior to the Completion Date, the Issuer will have no assets other than its rights to the Escrow Account, and following the Completion Date and prior to the Merger, the Issuer will be dependent on payments from its subsidiaries in order to be able to make payments on the Notes which will be obligations solely of the Issuer, not guaranteed by any subsidiary and structurally subordinated to all of the debt and liabilities of the subsidiaries of the Issuer*" and "*Risk factors—Risks related to our capital structure—As of the Issue Date and prior to the Completion Date, the governance of the*

Company and its subsidiaries will be subject to the 2016 MFM Shareholders' Agreement which may cause deadlocks to occur in our general shareholders' assembly and/or Board of Directors' decision-making process, which in turn may delay or prevent critical decisions from being made."

On or about the Completion Date, the Issuer will acquire (directly or indirectly, through Holdco, as the case may be) the rights to exercise the MFM Call Option through a payment of the fair value to MSC, purchase the 33.2% interest in the Company's share capital from the Minority Shareholders, MSC will then contribute to the Issuer 53.57% of the Company's share capital and sell to the Issuer its remaining 13.22% stake in Company's share capital. To the extent that the Shareholder Financing is utilized directly by MSC or Holdco to make payments pursuant to or on behalf of MSC in connection with the repayment or cancelation of the 2013 MSC Vendor Note or otherwise, the amounts paid by the Issuer to complete the Transactions would decrease correspondingly and the percentage of shares of the Company contributed to the Issuer by MSC or such Holdco would increase accordingly. Moreover, in connection with the Shareholder Financing or otherwise, the descriptions and associated definitions of the Acquisition and the Contribution may be deemed modified to reflect changes or other modifications related to such Shareholder Financing as necessitated by the Transactions, *provided that* changes or modifications will not individually or taken as a whole have a material adverse effect on the holders of the Notes. Following the Transactions, MSC will indirectly own through the Issuer a 100% interest in the Company's share capital. On or about the Completion Date, following the Acquisition, the Issuer will conduct no business operations of its own and will serve as a holding company of the Company and will hold the receivables in respect of the Proceeds Loan. See "*Summary—The Transactions*" and see also "*Listing and general information—Issuer legal information*" for more information on the Issuer.

(3) The Company is a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy that carries out facility management and serves as the main holding company for the rest of the Group. Prior to the Completion Date, the Company and its subsidiaries will not be subject to the restrictive covenants of the Indenture (although they are and will be subject to the restrictive covenants of the indenture relating to the Existing Senior Secured Notes until the satisfaction and discharge of the Existing Senior Secured Notes to occur on the Completion Date). On or about the Completion Date, following the Transactions, the Issuer will directly hold 100% of the Company's share capital. As soon as practicable following the Completion Date and in any case within twelve months thereof, we have agreed to merge the Issuer and the Company (the "**Merger**," and the entity resulting from the Merger, "**MergerCo**" and such date that the Merger is consummated, the "**Merger Date**").

On April 27, 2017, the Company's shareholders authorized a dividend in the amount of €25.1 million which was paid at the end of May 2017. See note 4 to the Company's Unaudited Interim Condensed Consolidated Financial Statements as of and for the three months ended March 31, 2017.

(4) On the Issue Date and prior to the Completion Date, the Notes will be unguaranteed and will be obligations solely of the Issuer. Prior to the Completion Date, the obligations of the Issuer under the Notes will be secured by a charge over the Escrow Account. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—If consummation of the Acquisition is delayed beyond the Escrow Longstop Date, or if the other conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you will not obtain the return you expect on the Notes.*" As a consequence of the release from escrow of the escrowed proceeds from the Offering on the Completion Date, the Escrow Charge will be terminated and the security interests over the Escrow Account will cease to be effective.

Within 10 business days following the Completion Date, the Notes will be secured by the Pre-Merger Collateral consisting of first-ranking security interests over: (i) all of the shares of the Company held by the Issuer and (ii) the Issuer's interest in the receivables in respect of the Proceeds Loan. The Pre-Merger Collateral in respect of the Proceeds Loan will cease to be effective as a consequence of the Merger. Following the Merger and no later than 10 business days following the Merger Date, the Notes will be secured by first-ranking security interests over: (i) in respect of the Pre-Merger Collateral securing all of the shares of the Issuer, a confirmation of such security in respect of the shares of MergerCo; (ii) all of the shares of the Guarantor; and (iii) the Issuer's interest in the receivables in respect of certain existing intercompany loans by MergerCo to certain of its subsidiaries existing as of the Completion Date. The Issuer will use the proceeds from the Offering on the Completion Date, together with the Shareholder Financing and cash freely available on the balance sheet of the Company, to effect the Transactions as further described under "*Summary—The Transactions*" and "*Use of proceeds*."

Following the Completion Date and upon the consummation of the Merger, MergerCo will succeed to the Issuer's obligations with respect to the Notes. Within 10 business days following the Merger Date, the Notes will be guaranteed by Servizi Ospedalieri S.p.A. (the "**Guarantor**") which is organized as a joint stock company (*società per azioni*) under the laws of the Republic of Italy. See "*Listing and general information—Guarantor legal information*" for more information. For the twelve months ended March 31, 2017, the Company and the Guarantor generated 80.7% of the Group's total revenue and 94.6% of the Group's EBITDA (gross of intercompany balances and consolidation eliminations). As of March 31, 2017, the Company and the Guarantor constituted 84.1% of the Group's total assets (gross of intercompany balances and consolidation eliminations). The Notes Guarantee will be subject to contractual and legal limitations that may limit its enforceability, and the Notes Guarantee may be released under certain circumstances. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*" and "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

(5) On or about the Completion Date, the Issuer, as lender, and the Company, as borrower, will enter into a proceeds loan agreement expected to be in the amount of approximately €203 million pursuant to which the Issuer will lend and the Company will borrow a portion of the proceeds of the Notes in order to allow the Company to satisfy and discharge and ultimately redeem all the outstanding Existing Senior Secured Notes and repay and discharge certain other outstanding financial debt. See "*Use of proceeds*." As a consequence of the Merger, the Proceeds Loan will be terminated and the security interests over the Issuer's interest in the receivables in respect of the Proceeds Loan will cease to be effective.

(6) On or prior to the Issue Date, the Issuer as parent will enter into a Revolving Credit Facility providing for up to €50 million of senior secured revolving credit. On or about the Completion Date, the Company will accede as borrower to, *inter alia*, the Revolving Credit Facility. The Issuer will be original guarantor and the Company will be the borrower and a guarantor under the Revolving Credit Facility and Servizi Ospedalieri will also be a guarantor on a senior basis under the Revolving Credit Facility. The Revolving Credit Facility will be secured, subject to the Agreed Security Principles, on a first-ranking basis, by the Collateral, and by a special lien (*privilegio speciale*) over movable assets of the Company. The granting of the Pre-Merger

Collateral and the special lien (*privilegio speciale*) securing the Revolving Credit Facility is a condition precedent to the initial utilization of the Revolving Credit Facility. In the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after lenders under the Revolving Credit Facility and counterparties to certain future hedging obligations and certain other indebtedness permitted under the Indenture, if any, have been repaid in full. See "*Description of certain financing arrangements—Intercreditor Agreement.*" In the event that freely available cash on the balance sheet on or about the Completion Date is lower than our estimate or insufficient to support our working capital requirements due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Completion Date or shortly thereafter. For more information regarding our net working capital requirements, which normally reach their peak in the first and third quarters of each financial year, see "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting our results of operations—Seasonality and working capital fluctuations.*" For further information on the Revolving Credit Facility, see "*Description of certain financing arrangements—Revolving Credit Facility.*"

(7) The Company and Servizi Ospedalieri have one non-recourse (*pro-soluto*) factoring facility in place with Banca Farmafactoring S.p.A. pursuant to which they may sell up to €100 million of their trade receivables from entities in the National Health System per year to the factor. The Company has made collections or sales of €20.0 million as part of the Receivables Sales discussed in footnote 2 under "*Capitalization*." As of March 31, 2017, on a historical basis, we had €88.7 million available under that facility and, on a *pro forma* basis for the Receivables Sales and the Transactions, €73.0 million. In addition, as of the Issue Date, the Company had one recourse (*pro-solvendo*) factoring facility in place with UniCredit. As of March 31, 2017, on a *pro forma* basis for the Refinancing, no amounts were outstanding under this recourse factoring facility; Such factoring programs are expected to remain available to us and any indebtedness thereunder will rank effectively senior to the Notes to the extent of the value of the associated receivables. Following the Transactions, these two factoring facilities will remain outstanding and available to the Company (and following the Merger Date, to MergerCo) and the Guarantor. We expect that recourse and non-recourse factoring will continue to be an option available to us to manage our liquidity if the need arises. See "*Description of certain financing arrangements,*" "*Use of proceeds*" and "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting our results of operations—Trade receivables.*"

As of March 31, 2017, after giving effect to the Refinancing, the Company and the Servizi Ospedalieri would have had €4.1 million in financial leasing obligations secured by related equipment. Following the Offering, any indebtedness incurred by the Company and its subsidiaries will be structurally senior to the Notes until, as applicable, the Merger Date and, with respect to Servizi Ospedalieri, the granting of its Notes Guarantee within 10 business days following the Merger Date. Though the Indenture will impose certain limitations on the amount of indebtedness that can be incurred by non-Guarantor subsidiaries of the Issuer and MergerCo following the Merger, any indebtedness incurred by non-Guarantors in compliance with the Indenture will be structurally senior to the Notes, and, within certain limitations, may be secured by other assets or receivables, making such indebtedness, effectively senior to the Notes. In the event of a bankruptcy or liquidation of any of these non-Guarantor subsidiaries, such non-Guarantor subsidiaries will pay the holders of their respective debt and their respective trade creditors before they will be able to distribute any of their assets to their respective parent and ultimately to the Issuer. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*." See "*Description of certain financing arrangements*" for further information.

(8) Roma Multiservizi is our 45.47%-owned associate (the remaining interest is owned by the City of Rome and its associates) that provides facility management services to the City of Rome and other PSEs. Its results are consolidated into our financial statements under the equity method.

(9) Other than Servizi Ospedalieri which will guarantee the Notes on a senior basis within 10 business days following the Merger Date, no other Group company will guarantee the Notes. For the twelve months ended March 31, 2017, the Issuer's subsidiaries (other than the Company (which will be merged into the Issuer as soon as practicable following the Completion Date and in any case no later than twelve months thereof) and Servizi Ospedalieri) generated approximately 18.3% of the Group's total revenue and approximately 3.5% of the Group's EBITDA. As of March 31, 2017, such subsidiaries constituted approximately 14.4% of the Group's total assets.

(10) Non-controlling interests are held by third parties in certain of our non-Guarantor subsidiaries. See "*Risk factors—Risks related to our capital structure.*"

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

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

(13) In August 2013, in connection with the issuance of the Existing Senior Secured Notes, the Company, as lender, entered into an intercompany loan agreement with Servizi Ospedalieri, as borrower. This intercompany loan agreement will remain outstanding following the Transactions and the Company's (and, following the Merger, MergerCo's) interest in the receivables in respect thereof will form part of the Collateral securing the Notes within 10 business days following the Merger Date. See "*Description of the Notes—Security*."

The Offering

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

Issuer	CMF S.p.A., a private joint stock company (*società per azioni*) organized under the laws of the Republic of Italy (the "**Issuer**").
Notes Offered	€360,000,000 aggregate principal amount of 9.00% Senior Secured Notes due 2022 (the "**Notes**").
Maturity Date	June 15, 2022.
Interest	The Notes will bear interest at a rate of 9.00% per annum.
Issue Price	98.00%, plus accrued interest, if any, from the Issue Date.
Interest Payment Dates	Interest on the Notes will be payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2017.
Guarantees	On the Issue Date and prior to the Completion Date, the Notes will be unguaranteed and will be obligations solely of the Issuer which has no assets other than its rights to the Escrow Account. Following the Completion Date but prior to the Merger, the Notes will be unguaranteed and will continue to be obligations solely of the Issuer which will be a holding company with its sole activity consisting of holding the equity interest in the Company and its interests in the intercompany receivables in respect of the Proceeds Loan. Within 10 business days following the Merger Date, the Notes will be guaranteed (the "**Notes Guarantee**") on a senior basis by Servizi Ospedalieri S.p.A. The obligations of the Guarantor will be subject to legal and contractual limitations. See "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*" and "*Description of the Notes—Brief Description of the Notes and the Notes Guarantee—The Notes Guarantee*." As of March 31, 2017, after giving *pro forma* effect to the Transactions: • the Issuer and its consolidated subsidiaries would have had approximately €364.1 million of Gross Debt, of which €360.0 million is represented by the Notes; and • the subsidiaries of the Issuer would have had approximately €4.1 million of secured financial indebtedness other than the Notes (consisting of financial leasing);

	As of and for twelve months ended March 31, 2017, the Company and the Guarantor represented 80.7% of the Group's total revenue, 94.6% of the Group's EBITDA and 84.1% of the Group's total assets (gross of intercompany balances and consolidation eliminations). See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*."
Security	Prior to the Completion Date, the Notes will be secured in favor of the Trustee on behalf of the holders of the Notes by a first-ranking charge over the gross proceeds of the Offering held in the Escrow Account as further described below under "*—Escrow of Proceeds; Special Mandatory Redemption*." Within 10 business days following the Completion Date and prior to the Merger Date, the Notes will be secured by first-ranking security interests over: (i) all of the shares of the Company; and (ii) the Issuer's interest in the receivables in respect of the Proceeds Loan (collectively, the "**Pre-Merger Collateral**"). The Pre-Merger Collateral in respect of the Proceeds Loan will cease to be effective as a consequence of the Merger. As soon as possible practicable following the Completion Date and in any case within twelve months thereof, we have agreed to merge the Issuer and the Company in accordance with Articles 2501-bis and following of the Italian Civil Code (or substantially similar form of merger) (the "**Merger**," and the entity resulting from the Merger, "**MergerCo**" and such date that the Merger is consummated, the "**Merger Date**"). Following the Merger and no later than 10 business days following the Merger Date, the Notes will be secured by first-ranking security interests over: (i) in respect of the Pre-Merger Collateral securing all of the shares of the Issuer, a confirmation of such security in respect of the shares of MergerCo; (ii) all of the shares of the Guarantor; and (iii) the Issuer's interest in the receivables in respect of certain existing intercompany loans by MergerCo to certain of its subsidiaries existing as of the Completion Date (collectively, the "**Post-Merger Collateral**" and together with the Pre-Merger Collateral, the **"Collateral**"). The Revolving Credit Facility will also be secured, subject to the Agreed Security Principles, on a first-ranking basis, by the Collateral and additionally by a special lien (*privilegio speciale*) to be granted over movable assets of the Company. The Intercreditor Agreement will provide that lenders under the Revolving Credit Facility and counterparties to certain future hedging obligations, if any, will receive the proceeds from the enforcement of the Collateral for the

Notes in priority to the holders of the Notes. See "*Description of the Notes—Security*" and "*Description of certain financing arrangements—Intercreditor Agreement*" for further information. In addition, the Indenture will permit us to secure additional indebtedness with liens on the Collateral under certain circumstances.

The security interests may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. For more information on potential limitations to security interests, see "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

Ranking . . . . The Notes will be senior obligations of the Issuer and, as of the relevant grant date, will be secured on the Issue Date by the Escrow Charge and, following the Completion Date, will be secured by the relevant Collateral and additionally will:

- rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes;
- rank senior in right of payment to any and all of the existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes;
- be effectively senior to the Issuer's existing and future unsecured indebtedness to the extent of the value of the applicable Collateral securing the Notes;
- be effectively junior to any existing and future indebtedness of the Issuer that will receive proceeds from any enforcement action over the applicable Collateral on a priority basis, including indebtedness under the Revolving Credit Facility and certain future hedging obligations, if any, including any hedging obligations in respect of the Revolving Credit Facility and certain other future indebtedness; and
- be structurally subordinated to all existing and future indebtedness of the Issuer's Non-Guarantor subsidiaries.

The Notes Guarantee to be provided by the Guarantor following the Merger will be a senior obligation of the Guarantor and will:

- rank *pari passu* in right of payment with all existing and future indebtedness of the Guarantor that is not subordinated in right of payment to the Guarantor's Notes Guarantee;
- rank senior in right of payment to any and all of the existing and future indebtedness of the Guarantor that is subordinated in right of payment to the Guarantor's Notes Guarantee;

	• be effectively subordinated to the Guarantor's existing and future secured indebtedness to the extent of the value of the property or assets securing such indebtedness, unless such property or assets also secure the Notes Guarantee on an equal and ratable or priority basis; and • be structurally subordinated to all existing and future indebtedness of the Guarantor's subsidiaries that do not guarantee the Notes. See "*Description of the Notes—Brief Description of the Notes and the Notes Guarantee*."
Optional Redemption	The Issuer may redeem all or part of the Notes on or after June 15, 2020 at the redemption prices listed in the section entitled "*Description of the Notes—Optional Redemption.*" The Issuer may redeem all or part of the Notes at any time prior to June 15, 2020, by paying a "make-whole" premium as described in the section entitled "*Description of the Notes—Optional Redemption.*" At any time prior to June 15, 2020, the Issuer may on any one or more occasions use the proceeds of specified equity offerings to redeem up to 40% of the aggregate principal amount of Notes issued under the Indenture, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 109% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the date of redemption (subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant interest payment date); provided that at least 60% of the aggregate principal amount of the Notes of such series remains outstanding after the redemption and the redemption occurs within 120 days of the date of the closing of such relevant equity offering. See "*Description of the Notes—Optional Redemption*."
Tax Redemption	The Issuer may redeem the Notes, in whole but not in part, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to but excluding the redemption date, if the Issuer or, in certain circumstances, the Guarantor, would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See "*Description of the Notes—Redemption for Taxation Reasons*."

Escrow of Proceeds; Special Mandatory Redemption . . . .

On the Issue Date, the gross proceeds of the Offering will be deposited into the Escrow Account in the name of the Issuer but controlled by the Escrow Agent, and charged in favor of the Trustee on behalf of the holders of the Notes, pursuant to the Escrow Charge. The Escrow Agreement will provide that the gross proceeds of the Offering will be released on the Completion Date upon delivery of an officer's certificate to the Escrow Agent and Trustee certifying certain items, including that:

- concurrently with or promptly after the release of the funds from the Offering from the Escrow Account, the Shareholder Financing will be available to the Issuer or its affiliates (as the case may be) and the Contribution and the Refinancing will occur and the Acquisition will be consummated substantially on the terms described in the Offering Memorandum, except for any changes or modifications that will not, individually or when taken as a whole, have a material adverse effect on the holders of the Notes;
- after consummation of the Acquisition, the Issuer will directly own all of the shares of the Company;
- as of the Completion Date and concurrently with the release of the funds from the Offering, no insolvency Event of Default (as defined in *"Description of the Notes"*) with respect to the Issuer shall have occurred and in any case be continuing.

Thereafter the escrowed proceeds will be released to us and utilized as described in "*Summary—The Transactions*" and "*Use of proceeds*."

All of the Notes will be subject to a special mandatory redemption at a redemption price equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but not including, the date of the special mandatory redemption if: (a) the Completion Date does not occur on or prior to November 13, 2017 (the "**Escrow Longstop Date**"); (b) in the reasonable judgment of the Issuer, the Acquisition will not be consummated by the Escrow Longstop Date; or (c) certain insolvency events of default with respect to the Issuer occur on or prior to the Escrow Longstop Date. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*."

MSC will be required to fund the accrued and unpaid interest and additional amounts, if any, payable to holders of the Notes in the event of a special mandatory redemption, pursuant to the Contribution Agreement.

Additional Amounts	All payments made by or on behalf of the Issuer or the Guarantor under or with respect to the Notes will be made without withholding or deduction for, or on account of, any present or future taxes in any relevant taxing jurisdiction unless required by law. If any such withholding or deduction for, or on account of, any present or future taxes is required by law to be made with respect to any payment under the Notes, subject to certain exceptions, we will pay the additional amounts necessary so that the net amount received by the holders of the Notes after such withholding (including any withholding or deduction in respect of the additional amounts) is not less than the amount that such holders would have received in the absence of such withholding or deductions. See "*Description of the Notes—Withholding Taxes*." The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. Subject to and as set forth in "*Description of the Notes—Withholding Taxes*," the Issuer will not be liable to pay any additional amounts to holders of the Notes if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) ("**Decree No. 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**"), except, in the case of Decree No. 239, where the procedures required under Decree No. 239 in order to benefit from an exemption have not been complied with due to the actions or omissions of the Issuer or the Guarantor or their agents. See "*Description of the Notes—Withholding Taxes*." Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where a holder of the Notes is resident for tax purposes in a country included in the list issued under Article 11, paragraph 4, letter c) of Decree No. 239 (as currently identified in Ministerial Decree of September 4, 1996 as subsequently amended and supplemented) and such holder of the Notes complies with certain certification requirements, there is no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree No. 239 after the date hereof, including any change in the white list countries.
Change of Control	Upon the occurrence of certain events constituting a change of control, you will have the right to require the Issuer to repurchase the Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts, if any, to the date of

	repurchase. See "*Description of the Notes—Change of Control*."
Covenants	The Indenture will, among other things, restrict the ability of the Issuer and its restricted subsidiaries to: • pay dividends or make other distributions on, redeem or repurchase capital stock; • make certain restricted investments; • incur or guarantee additional indebtedness and issue certain preferred stock; • prepay or redeem subordinated debt; • create or incur certain liens; • create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Issuer or any of our restricted subsidiaries; • sell, lease or transfer certain assets including stock of restricted subsidiaries; • merge or consolidate with other entities; and • enter into certain transactions with affiliates. In addition, the Issuer will provide to the Trustee and to holders of the Notes annual and quarterly reports of the Issuer. These covenants are subject to important exceptions and qualifications. See "*Description of the Notes—Certain Covenants*."
Use of proceeds	On the Completion Date, we will use the proceeds from the Offering, together with the Shareholder Financing cash freely available on the balance sheet of the Company, to: (i) satisfy and discharge and ultimately redeem all the outstanding Existing Senior Secured Notes and repay and discharge certain other outstanding financial debt of the Group; (ii) (a) acquire from MSC (directly or indirectly, through Holdco, as the case may be) the rights under the MFM Call Option for its fair market value to be settled in cash for €6.6 million, (b) acquire a 13.22% interest in the Company from MSC (directly or indirectly, through Holdco, as the case maybe) for consideration expected to be approximately €5.6 million in cash plus further consideration of approximately €50.0 million from, directly or indirectly, the Shareholder Financing (or such smaller percentage and for correspondingly reduced consideration to the extent that the Shareholder Financing is utilized directly by MSC or Holdco, as described elsewhere herein or otherwise), in connection with which the reserved rights in favor of the Minority Shareholders relating to 7.02% of the shares of the Company owned by MSC effectively

	securing the performance of MSC's obligations under the 2013 MSC Vendor Note would be extinguished, through the repayment, refinancing, cancelation, amendment, waiver and/or restatement of the 2013 MSC Vendor Note in connection with, or pursuant to, the Shareholder Financing, and (c) acquire from the Minority Shareholders their entire interest in the Company through the MFM Call Option for consideration of €132.8 million ((a), (b) and (c), together, the "**Acquisition**"); and (iii) pay fees and expenses associated with these transactions. See "*Use of proceeds*."
Form and Denomination	The Issuer will issue the Notes on the Issue Date in global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.
Transfer Restrictions; Absence of a Public Market for the Notes	The Notes have not been registered under the U.S. Securities Act and thus are subject to restrictions on transferability and resale. The Issuer cannot assure you that a market for the Notes will develop or that, if a market develops, the market will be a liquid market. The Initial Purchasers have advised the Issuer that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and any market making with respect to the Notes may be discontinued without notice. See "*Plan of distribution*."
OID	It is expected that the Notes will be treated as issued with original issue discount ("**OID**") for U.S. federal income tax purposes. U.S. holders (as defined under "*Tax considerations—Certain U.S. federal income tax considerations*") generally will be required to include such OID in gross income (as ordinary income) on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders generally will include such OID in income in advance of the receipt of cash attributable to such income. See "*Tax considerations—Certain United States federal income tax considerations—Original issue discount*."
Listing	Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market of the Luxembourg Stock Exchange.
Trustee and *Rappresentante Comune*	The Law Debenture Trust Corporation p.l.c.
Escrow Agent, Transfer Agent and Paying Agent	The Bank of New York Mellon, London Branch.

Registrar and Luxembourg Listing Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Security Agent	UniCredit Bank AG, Milan Branch.
Governing Law of the Notes, the Indenture and the Notes Guarantee	New York law.
Governing Law of the Intercreditor Agreement, the Escrow Agreement and the Escrow Charge	English law.
Governing Law of the Security Documents	Italian law.

Summary historical consolidated financial information and other data

The following tables present the Company's summary consolidated financial information and other data as of and for each of the years ended December 31, 2014, 2015 and 2016 and as of and for the three months ended March 31, 2016 and 2017. This summary financial information and other data is derived from: (i) the Audited Consolidated Financial Statements and (ii) the Unaudited Interim Condensed Consolidated Financial Statements.

The unaudited financial information for the twelve months ended March 31, 2017 has been derived by subtracting from the audited consolidated financial statements of the Company and its consolidated subsidiaries for the year ended December 31, 2016 the information from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2016 and adding the information from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2017.

The following tables should be read in conjunction with the information contained in "*Presentation of financial information*," "*Use of proceeds*," "*Capitalization*," "*Management's discussion and analysis of financial condition and results of operations*" and the Company Financial Statements and related notes included elsewhere in this Offering Memorandum.

Summary consolidated statement of income:

(thousands of €, except percentages)	For the year ended December 31, 2014	2015	2016	For the three months ended March 31, 2016	2017	For the 12 months ended March 31, 2017
Total revenue	**974,290**	**955,729**	**929,098**	**241,696**	**238,599**	**926,001**
Costs of raw materials and consumables	(135,524)	(133,155)	(117,615)	(41,694)	(38,004)	(113,925)
Change in inventories of finished and semi-finished products	—	—	(55)	20	—	(75)
Costs for services and use of third party assets	(364,040)	(336,114)	(331,365)	(75,782)	(75,169)	(330,752)
Personnel costs	(374,210)	(380,793)	(376,266)	(95,188)	(95,255)	(376,333)
Other operating costs or gains	(7,645)	(12,602)	(7,900)	(1,804)	5,203	(893)
Minor costs related to labor capitalized internally	—	—	—	—	65	65
Amortization/depreciation, write-downs and write-backs of assets	(38,635)	(32,493)	(32,714)	(7,150)	(7,572)	(33,136)
(Accrual)/reversal to provisions for risks and charges	(7,238)	(51,561)	10,107	(208)	(553)	9,762
Total operating costs	**(927,292)**	**(946,718)**	**(855,808)**	**(221,806)**	**(211,285)**	**(845,287)**
Operating income	**46,998**	**9,011**	**73,290**	**19,890**	**27,314**	**80,714**
Share of net profit of associates	1,198	90	1,688	871	1,227	2,044
Dividends and net income/(loss) from sale of investments	427	(459)	498	—	—	498
Financial income	5,679	984	1,964	777	219	1,406
Financial expenses	(42,313)	(34,066)	(30,183)	(7,853)	(7,344)	(29,674)
Gains/(losses) on exchange rate	3	(10)	(38)	—	—	(38)
Profit/(loss) before taxes from continuing operations	**11,992**	**(24,450)**	**47,219**	**13,685**	**21,416**	**54,950**
Income taxes	(11,414)	(18,032)	(14,738)	(5,782)	(8,046)	(17,002)
Profit/(loss) after taxes from continuing operations	**578**	**(42,482)**	**32,481**	**7,903**	**13,370**	**37,948**
Profit/(loss) after taxes from discontinued operations	12,049	(2,887)	1,052	—	—	1,052
Profit/(loss) for the period:	**12,627**	**(45,369)**	**33,533**	**7,903**	**13,370**	**39,000**
Attributable to:						
Equity holders of the parent	12,354	(45,412)	33,649	8,073	13,348	38,924
Non-controlling interests	273	43	(116)	(170)	22	76

Summary consolidated statement of financial position:

(thousands of €)	As of December 31, 2014	2015	2016	As of March 31, 2017
Assets				
Total property, plant and equipment(i)	70,558	64,372	66,110	70,094
Goodwill	369,860	370,456	370,456	370,456
Other intangible assets	24,782	26,005	26,114	25,378
Total investment and other non-current financial assets(ii)	51,180	47,643	46,153	46,755
Other non-current assets	1,787	2,180	2,323	2,819
Deferred tax assets	27,439	19,044	20,971	20,966
Total non-current assets	**545,606**	**529,700**	**532,127**	**536,468**
Inventories	5,115	4,763	4,382	4,579
Trade receivables and advances to suppliers	580,629	519,194	456,095	468,619
Current taxes receivables	28,922	23,430	3,500	387
Other current assets	30,632	31,138	25,932	29,210
Total current financial assets	3,501	5,257	2,387	2,051
Cash and cash equivalents	113,382	114,391	174,992	176,231
Total current assets	**762,181**	**698,173**	**667,288**	**681,077**
Assets classified as held for sale	5,003	—	—	—
Total assets	**1,312,790**	**1,227,873**	**1.199.415**	**1,217,545**
Liabilities				
Employee termination indemnity	21,207	18,424	17,043	16,459
Provisions for risks and charges, non-current	12,373	58,738	44,522	29,933
Total long-term financial liabilities	379,001	311,686	305,482	308,831
Deferred tax liabilities	11,755	11,167	11,812	11,853
Other non-current liabilities	28	28	50	71
Total non-current liabilities	**424,364**	**400,043**	**378,909**	**367,147**
Provisions for risks and charges, current	20,559	14,515	10,715	10,346
Trade payables and advance from customers	380,821	380,215	346,308	348,484
Current tax payables	4	—	1,363	6,188
Other current liabilities	123,624	94,572	85,909	97,173
Bank borrowings including current portion of long-term debt, and other financial liabilities	28,512	48,563	52,839	52,079
Total current liabilities	**553,520**	**537,865**	**497,134**	**514,270**
Liabilities directly associated with assets classified as held for sale	—	—	—	—
Total liabilities	**977,884**	**937,908**	**876,043**	**881,417**
Total shareholders' equity	334,906	289,965	323,372	336,128
Total equity and liabilities	**1,312,790**	**1,227,873**	**1,199,415**	**1,217,545**

(i) "Total Property, plant and equipment" as presented herein refers to the sum of "property, plant and equipment" and "property, plant and equipment under lease."

(ii) "Total investment and other non-current financial assets" as presented herein refers to the sum of "investment accounted for under the equity method, other investments and non-current financial assets."

Summary consolidated statement of cash flow:

(thousands of €)	For the year ended December 31, 2014	For the year ended December 31, 2015	For the year ended December 31, 2016	For the three months ended March 31, 2016	For the three months ended March 31, 2017	For the 12 months ended March 31, 2017
Cash flow from operating activities	18,582	67,699	86,441	(20,875)	2,211	109,527
Cash flow from/(used) in investing activities	40,395	(18,659)	(21,421)	(4,118)	(9,883)	(27,186)
Cash flow used in financing activities	(130,133)	(48,031)	(4,419)	14,452	8,911	(9,960)
Change in cash and cash equivalents	(71,156)	1,009	60,601	(10,541)	1,239	72,381
Cash and cash equivalents at the end of the period	113,382	114,391	174,992	103,850	176,231	176,231

Other financial information:

(thousands of €, except percentages and ratios)	As of and for the year ended December 31,			As of and for the three months ended March 31,		As of and for the 12 months ended March 31,
	2014	2015	2016	2016	2017	2017
Cash and cash equivalents	113,382	114,391	174,992	103,850	176,231	176,231
EBITDA(1)	92,871	93,065	95,897	27,248	35,439	104,088
EBITDA margin(2)	9.5%	9.7%	10.3%	11.3%	14.9%	11.2%
Normalized EBITDA(1)	96,297	101,197	105,272	29,544	32,676	108,404
Normalized EBITDA margin(2)	9.9%	10.6%	11.3%	12.2%	13.7%	11.7%
Gross Debt(3)	395,157	348,092	343,576	363,236	352,038	352,038
Net Debt(3)	278,274	228,444	166,197	249,148	173,756	173,756
Net interest expense(4)	36,634	33,082	28,219	7,076	7,125	28,268
Net working capital(5)	125,293	89,223	45,614	117,878	40,604	40,604
Capital expenditures(6)	26,796	24,003	30,535	3,970	10,023	36,588
Net Leverage (Ratio of Net Debt(3) to Normalized EBITDA(1)	2.9x	2.3x	1.6x			1.6x
Ratio of Normalized EBITDA(1) to Net interest expense(4)	2.6x	3.1x	3.7x			3.8x
Other *pro forma* financial information:						
Pro forma cash and cash equivalents(7)						18,183
Net Debt as Adjusted(3)						343,528
Pro forma net interest expense(4)						33,250
Ratio of Normalized EBITDA(1) to Net Debt as Adjusted(3)						3.2x
Ratio of Normalized EBITDA(1) to *Pro forma* net interest expense(4)						3.3x

(1) "EBITDA" is defined as operating income before accrual to the provisions for risks and bad debts and charges and amortization/depreciation, write-downs and write-backs of assets. "Normalized EBITDA" is defined as EBITDA as adjusted for certain non-recurring items and certain start-up costs related to certain new business initiatives. EBITDA and Normalized EBITDA are not measurements of performance under IFRS and you should not consider EBITDA and Normalized EBITDA as alternatives to operating income or consolidated profits as a measure of our operating performance, cash flows from operating, investing and financing activities, as a measure of our ability to meet our cash needs or any other measures of performance under generally accepted accounting principles. We believe that EBITDA and Normalized EBITDA are useful indicators of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate us. EBITDA and Normalized EBITDA and similar measures are used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. EBITDA and Normalized EBITDA may not be indicative of our historical operating results, nor is it meant to be predictive of potential future results. See "*Presentation of financial information—Non-IFRS financial measures.*" The following table sets forth a reconciliation of EBITDA for the year from Operating income and displays the adjustments to reconcile Normalized EBITDA to EBITDA.

Reconciliation for the years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2016 and 2017 from the profit / (loss) for the period to EBITDA and Normalized EBITDA:

	For the year ended December 31,			For the three months ended March 31,		For the 12 months ended March 31,
(thousands of €)	2014	2015	2016	2016	2017	2017
Profit/(loss) for the period	**12,627**	**(45,369)**	**33,533**	**7,903**	**13,370**	**39,000**
Profit/(loss) after taxes from discontinued operations	(12,049)	2,887	(1,052)	—	—	(1,052)
Income taxes	11,414	18,032	14,738	5,782	8,046	17,002
Gains/(losses) on exchange rate	(3)	10	38	—	—	38
Financial expenses	42,313	34,066	30,183	7,853	7,344	29,674
Financial income	(5,679)	(984)	(1,964)	(777)	(219)	(1,406)
Dividends and net income/(loss) from sale of investments	(427)	459	(498)	—	—	(498)
Share of net profit of associates	(1,198)	(90)	(1,688)	(871)	(1,227)	(2,044)
Amortization/depreciation, accrual to provisions for trade receivables and other assets	38,635	32,493	32,714	7,150	7,572	33,136
(Accrual)/reversal to provisions for risks and charges	7,238	51,561	(10,107)	208	553	(9,762)
EBITDA	**92,871**	**93,065**	**95,897**	**27,248**	**35,439**	**104,088**
Voluntary redundancy and mobility schemes[(a)]	3,426	—	—	—	—	—
Tender offer consulting fees[(b)]	—	142	—	—	—	—
Structural reorganization costs[(c)]	—	583	2,111	—	1,557	3,668
Energy costs[(d)]	—	6,152	—	770	(6,152)	(6,922)
Legal fees on pending administrative litigation[(e)]	—	198	676	403	84	357
Fees on non-recourse factoring arrangements[(f)]	—	—	621	510	—	111
Compensatory damages for arbitration award[(g)]	—	—	1,915	—	—	1,915
Start-up costs[(h)]	—	1,057	4,052	613	1,748	5,187
Normalized EBITDA	**96,297**	**101,197**	**105,272**	**29,544**	**32,676**	**108,404**

(a) Voluntary redundancy schemes refers to financial expenses and incentives incurred in 2015 in connection with the Group's reorganization to encourage certain employees to voluntarily resign in connection with downsizing whereas mobility schemes refers to financial expenses and incentives incurred to encourage Group employees to voluntarily relocate to another office or branch of the Group where there is demand for such employees.

(b) Tender offer consulting fees refers to the commissions and fees paid by the Company to its financial and legal advisors in 2015 in connection with the tender offer launched by the Company in June 2015 in connection with the partial repurchase of the Existing Senior Secured Notes.

(c) Structural reorganization costs refers to the commissions and fees paid by the Company to its financial and legal advisors in the relevant period in connection with certain reorganizational efforts made by the Group, including, the sale of the public lighting subsidiary SMAIL S.p.A., the creation of new internal functions and departments (such as the functions of Chief Operating Officer, Key Account Manager and Area Manager for project financing and private partnerships, and the departments of Sales & Marketing and Planning & Continuous Improvement), the hiring of new key managers, and the establishment of Manutencoop International and e-Digital Services to develop the Group's international and technology-based businesses, respectively.

(d) Energy costs (*oneri di sistema*) refers to certain extraordinary costs accounted for by the Group in connection with its energy contracts, linked to certain regulatory changes entered into force in December 2014 affecting the electricity sector. The adjustment aims at adding back the negative impact on our results that these costs had in 2015 (when they were accounted for), in light of the fact that a new law entered into force in February 2017, with the effect of, *inter alia*, exempting the Company from the payment of said costs. According to the new rules, we believe that no additional *oneri di sistema* should be recognized during 2017 and that our payment obligations have ceased to apply to the *oneri di sistema* relating to previous years. Subsequently, for the three months ended March 31, 2017, we reported extraordinary revenue equal to the €6,152 thousand adjustment.

(e) Legal fees on pending administrative litigation primarily relates to the legal costs and fees we paid to our legal advisors in the relevant period in connection with the CONSIP School Tender Litigation (see "*Business—Legal Proceedings—CONSIP School Tender Litigation*").

(f) Fees on non-recourse factoring arrangements relates to the fees we paid in connection with the non-recourse factoring agreement with Banca Farmafactoring S.p.A., which we entered into in order to face any risk of cash outflow related to the monetary fine levied against us by the Italian competition authority in the CONSIP School Tender Litigation (see "*Business—Legal Proceedings—CONSIP School Tender Litigation*" and "*Description of certain financing arrangements—Factoring facilities—Banca Farmafactoring Facility*").

(g) Compensatory damages for arbitration award refers to the amounts we were required to pay in 2016 following the issuance of an arbitration award in August 2016 in connection with a proceeding (no longer pending) regarding the application of VAT.

(h) Represents the negative EBITDA contributed for the applicable period by our new ventures which were still in the start-up phase: (i) YouGenio for €1.6 million for the year ended December 31, 2016 and €2.6 million for the twelve months ended March 31, 2017, and (ii) Manutencoop International (our subsidiary for international tenders) and its French subsidiary for €2.5 million for the year ended December 31, 2016 and €2.5 million for the twelve months ended March 31, 2017.

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

(3) "Net Debt" is defined as the sum of long term debt adjusted and bank borrowings including current portion of long-term debt and other financial liabilities adjusted, net of cash and cash equivalents and current financial assets. Net Debt shows the remaining portion of such liabilities if it were to be partially repaid using all available cash and cash equivalents and current financial payables. "Net Debt as Adjusted" is defined as Net Debt adjusted to give effect to the Transactions, excluding the impact of any debt of a parent of the Issuer, such as the Shareholder Financing. Net Debt and "Net Debt as Adjusted" are not recognized measures of financial performance or liquidity under IFRS and therefore no undue reliance should be placed on such data. See "*Presentation of financial information—Non-IFRS financial measures.*" See also and "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources—Net Debt.*" The following table sets forth our Net Debt as of December 31, 2014, 2015 and 2016 and as of March 31, 2017.

	As of December 31,			As of March 31,	
(thousands of €)	**2014**	**2015**	**2016**	**2016**	**2017**
Long-term financial debt adjusted	381,514	310,921	310,419	311,096	313,447
Bank borrowings, including current portion of long-term debt and other financial liabilities adjusted	13,643	37,171	33,157	52,140	38,591
Gross Debt[(a)]	**395,157**	**348,092**	**343,576**	**363,236**	**352,038**
Cash and cash equivalents	(113,382)	(114,391)	(174,992)	(103,850)	(176,231)
Current financial assets	(3,501)	(5,257)	(2,387)	(10,238)	(2,051)
Net Debt	**278,274**	**228,444**	**166,197**	**249,148**	**173,756**

(a) For a reconciliation of Gross Debt as of March 31, 2017 on a historical basis, see "*Capitalization*."

The following table sets forth a reconciliation of Long term financial debt and Bank borrowings, including current portion of long-term debt and other financial liabilities, to Long term financial debt adjusted and Bank borrowings, including current portion of long-term debt and other financial liabilities adjusted, respectively:

	As of December 31,			As of March 31,	
(Thousands of €)	**2014**	**2015**	**2016**	**2016**	**2017**
Long-term financial debt	**379,001**	**311,686**	**305,482**	**311,749**	**308,831**
Unamortized portion of transaction cost	9,720	6,565	5,352	6,472	5,031
Capital contribution to be paid (non-current)	—	—	(415)	—	(415)
Debt for the acquisition of non-controlling interests (non-current)[(a)]	(7,207)	(7,330)	—	(7,125)	—
Long-term financial debt adjusted	**381,514**	**310,921**	**310,419**	**311,096**	**313,447**
Bank borrowing including current portion of long-term debt, and other financial liabilities	**28,512**	**48,562**	**52,839**	**57,229**	**52,079**
Interest accrued	(13,410)	(10,599)	(10,633)	(4,233)	(4,259)
Collections on behalf of factoring counterparties[(b)]	(53)	—	(2,744)	—	(2,920)
Debt for the acquisition of non-controlling interests (current)	(66)	(146)	(5,664)	(226)	(5,664)
Capital contribution to be paid (current)	(5)	(277)	(277)	(277)	(277)
Loans from non-controlling shareholders	(376)	(351)	(357)	(347)	(360)
Other	(959)	(18)	(7)	(6)	(8)
Bank borrowing including current portion of long-term debt, and other financial liabilities adjusted	**13,643**	**37,171**	**33,157**	**52,140**	**38,591**

(a) Debt for the acquisition of non-controlling interests (non-current) refer to the recognition, under IFRS 3, of the fair value of the contingent consideration granted to certain non-controlling interests. See "*Management's discussion and analysis of financial condition and results of operations—Arrangements with non-controlling shareholders in our subsidiaries.*"

(b) Collections on behalf of factoring counterparties refers to the balances of bank accounts into which customers make payments on the trade receivables that have been sold to factoring counterparties as further discussed under "*Description of certain financing arrangements—Factoring facilities—Banca Farmafactoring Facility.*"

(4) Net interest expense is defined as the financial expenses for the period net of financial income. "*Pro forma* net interest expense" is defined as the interest expense on the Notes and other financial expenses in respect of other obligations of the Group for the twelve months ended March 31, 2017, as if the Transactions had occurred on April 1, 2016, based upon the interest rate of the Notes. *Pro forma* net interest expense excludes charges allocated to debt issuance costs, including discounts on the sale of receivables pursuant to non-recourse factoring programs. *Pro forma* net interest expense also excludes the cash, pay-in-kind or deferred interest (as applicable) that may be payable on the Shareholder Financing by the applicable issuer or borrower. Pro forma net interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period of our financial condition at any future date.

(5) "Net working capital" is defined as the sum of our trade receivables and advances to suppliers, inventories, trade payables and advances from customers and other elements of working capital (which includes current tax receivables, current tax payables, other current assets, other current liabilities, assets classified as held for sale, liabilities directly associated with assets

classified as held for sale and current provisions for risks and charges). Net working capital is not a recognized measure of financial performance or liquidity under IFRS and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of financial information—Non-IFRS financial measures*" and "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources—Net working capital*."

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

(7) "*Pro forma* cash and cash equivalents" is defined as cash and cash equivalents of the Issuer after adjustments to give effect to the Transactions, the May Dividend and the completed and expected Receivables Sales as further described in footnote 2 under "*Capitalization*". See "*Use of proceeds*" and "*Capitalization*." Cash and cash equivalents have not been adjusted to give effect to any current or future payment obligations of the Group relating to the CONSIP School Tender Litigation which is payable in 30 monthly installments of €0.5 million per month and commenced in April 2017. See "*Business—Legal Proceedings—CONSIP School Tender Litigation.*"

Summary other financial and operational data:

	For the year ended December 31,			For the three months ended March 31,	
(millions of €, except percentage)	**2014**	**2015**	**2016**	**2016**	**2017**
Backlog(1)	2,887	2,847	2,845	2,800	2,766
Win rate (framework agreements)(2)	—	—	—	—	67%
Win rate (PSE and healthcare customers)(2)	20.6%	25.8%	27.4%	30.8%	20.0%

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

(2) "Win rate (framework agreements)" refers to the ratio between the total number of tenders awarded on maximum number of tenders winnable in the entire period indicated, *i.e.* from January 1, 2009 through March 31, 2017 as tracking win rate from period to period is not illustrative because the number of such framework tenders in any particular year or period may vary significantly; and "Win rate (PSE and healthcare customers)" refers to the ratio between the total number of the PSE and healthcare customers tenders in which the Group participated and the total number of such tenders which the Group secured through the relevant contracts in the period indicated.

Risk factors

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

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

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

Risks related to our business

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

The majority of our customers are Italian PSEs or healthcare customers (which for our classification purposes mainly belong to the public sector) which collectively accounted for approximately 74.8% of our total revenue for the year ended December 31, 2016. Our work with PSEs and healthcare customers exposes the Group to credit risks and delays in trade receivables. Although we have experienced a decreasing trend of delays in payments from our customers over the period 2014 to 2016 due in part to support of the Italian government and improvements in our invoicing systems, DSOs have increased again to 177 days as of March 31, 2017 due to seasonal factors, as payment times are historically longer in the first quarter of the year, but tend to fall each quarter, reaching their lowest point in the fourth quarter of each year. Obtaining timely payments from our customers, particularly from our PSE and healthcare customers, has historically been and remains difficult. In 2016, we estimate that the average payment period for our PSE customers was approximately 166 days and for our healthcare customers was approximately 192 days. Consequently, as of December 31, 2014, 2015 and 2016, DSOs were equal to 189 days, 185 days and 170 days, respectively. Total trade receivables (including trade receivables sold pursuant to our factoring facilities) at such dates were equal to €573 million, €507 million and €454 million, respectively. Although we review the credit risk related to our customers regularly, such risks may be exacerbated by events or circumstances that are inherently difficult to anticipate or control. Our allowance for doubtful accounts was €32.1 million as of March 31, 2017, representing approximately 6.8% of our total receivables for the same period, but we may incur other expenses in connection with our outstanding trade receivables that could render our provisions insufficient. The amount of our allowance for doubtful accounts is based on our assessment of historical collection trends, business and economic conditions and other collection indicators. However, we can give no assurance that doubtful accounts associated with delinquent payments or non-payment by our customers will not increase, which could have a material adverse effect on our business, financial condition and results of operations.

In connection with our contractual obligations to our PSE, healthcare customers and other clients, we must make payments to our employees, sub-contractors and suppliers for labor, supplies and equipment; we must make such payments even if our PSEs and healthcare customers have not yet paid us for services already rendered, which adversely affects our working capital. This together with increases in average payment delays may make it necessary for us to resort to additional financing on more onerous terms, which could have a material adverse effect on our business, financial condition and results of operations. See "*Business—Customers and contracts—PSEs and healthcare customers*" and "*Management's discussion and analysis of results of operations and financial condition—Principal factors affecting our results of operations—Trade receivables*."

Following the Transactions, our cash on balance sheet will decrease significantly, and this could, together with other factors, adversely affect our liquidity position. Moreover, an increase in DSOs and other factors may negatively affect our working capital and lead us to experience liquidity constraints.

Because of difficulties in promptly collecting payments contractually due to us, we have historically financed our working capital partially through bank loans, the issuance of the Existing Senior Secured Notes, cash from operations and partially by selling trade receivables on both a recourse and non-recourse basis through factoring transactions. Following the Transactions, our cash on balance sheet will decline significantly and, accordingly, on or about the Completion Date while we expect to have available all or part of our Revolving Credit Facility (which may be drawn in part on or shortly after the Completion Date to manage our working capital requirements, which normally reach their peak in the first and third quarters of each financial year), reduced cash on balance sheet is expected to increase our working capital funding needs and this, together with potential funding requirements in respect of performance bond associated with the CONSIP School Litigation, could lead to liquidity constraints on our business.

We use recourse and non-recourse factoring to manage our working capital. However, our factoring facilities normally provide that the factor may cancel its commitments in case of, among others, certain events of default. In addition, under our recourse factoring facility with UniCredit, the factor may cancel or reduce its commitments, or terminate the agreement, at any time by written notice to the Company. See "*Description of certain financing arrangements—Factoring facilities*."

More generally, a number of developments outside of our control may make it difficult for us to finance our working capital requirements. Net of trade receivables sold pursuant to our factoring facilities, our DSOs as of December 31, 2014, 2015 and 2016 decreased to 185 days, 182 days and 165 days, respectively. However, they have increased again to 171 days as of March 31, 2017 due to seasonal factors, as payment times are historically longer in the first quarter of the year, but tend to fall each quarter, reaching their lowest point in the fourth quarter of each year. Notwithstanding the general decreasing trend, if we generate significant amounts of new business and/or we hire additional employees, or if we are required to pay sanctions or fines in connection with legal proceedings or if our performance bonds are enforced following a breach of our undertakings under our contractual arrangements (including in connection with or as a consequence of the CONSIP School Tender Litigation or otherwise), we may experience liquidity constraints. There can be no assurance that our existing or future factoring facilities would be available and, even if available, would be sufficient, together with any amounts available under our Revolving Credit Facility, for any such working capital purposes or that we will be able to generate sufficient cash from operations, or secure new factoring facilities or other sources of financing on financial terms acceptable to us or at all, which could have a material adverse effect on our business, financial condition and results of operations.

We derive essentially all of our revenue from operations in Italy and our business, financial condition and results of operations may be adversely affected by unfavorable economic conditions in Italy and by market perceptions concerning Italy.

For the year ended December 31, 2016, essentially all of our total revenue was generated in Italy. Economies worldwide, including in Italy, have started to show significant signs of weakness, resulting in a general contraction in consumer spending that varies by market. See "*—Market perceptions concerning the instability of the euro could have adverse effect on our business, financial condition and results of operations*." In December 2014, Standard and Poor's downgraded Italy's sovereign debt rating to just above sub-investment grade, reflecting their views on Italy's lower-than-expected economic growth and its vulnerability to external financing risks and the negative implications these could have for future economic growth and public finances as well as fragile market confidence and deterioration of Italy's near-term economic outlook. A further downgrade of the Italian sovereign debt could create additional economic uncertainty and could have an adverse effect on our credit ratings.

More generally, global credit and capital markets have experienced volatility and disruption and business credit and liquidity have tightened. Credit has also contracted in a number of major markets, including Italy, and national unemployment rates have increased significantly in the years following the global crisis in 2008. Economists, observers and market participants have recently expressed concern regarding the sustainability of the EU and its common currency, the Euro, in their current form. On December 4, 2016 a majority of voters in Italy voted to defeat a referendum that would have, among other things, revised Title V of the Italian constitution and overhauled the structure of the Italian parliamentary system. While the failure to revise the Italian constitution will not have a direct effect on our operations, the Italian government's resignation in the wake of the referendum's defeat, some experts believe, may have negative consequences for the Italian economy, Italian creditors and Italy's future in the European Union. As of the date of this Offering, the Italian President has nominated a caretaker government led by Paolo Gentiloni to serve until national elections can be held in 2018.

Political instability may further contribute to recessionary conditions and uncertainty in the macroeconomic environment may adversely impact the decision of our customers (the majority of which are Italian PSEs or healthcare customers) to contract for facility management services. In addition, our customers have reduced the volume of additional services they may order as supplements to and above their existing contracts, as they scale back supplementary services in a difficult economic environment, and in some cases have re-insourced services previously assigned to our Group. We may not be able to sustain our current revenue or profit levels if adverse economic events or circumstances occur or continue to occur in Italy.

In addition, as the global financial system following the crisis in 2008 experienced severe credit and liquidity conditions and disruptions, leading to a reduction in liquidity, greater volatility, general widening of credit spreads and, in some cases, lack of transparency in money and capital markets, many lenders reduced or ceased to provide funding to borrowers. If these conditions were to occur again, this could negatively affect our ability to raise funding in the debt capital markets and/or access bank lending markets on financial terms acceptable to us or at all.

The continued impact of the adverse global, European and Italian economic and market conditions, including, among others, the events described above could have a material adverse effect on our business, financial condition and results of operations. As a result, our financial condition may be adversely impacted and costs of financing may significantly increase which could have a material adverse effect on our business, financial condition and results of operations, with a consequent adverse effect on our ability to meet our financial obligations, including under the Notes.

Furthermore, in June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. In January 2017, the Prime Minister of the United Kingdom announced the United Kingdom's intention to fully exit from the European Union. The referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union and has also given rise to calls for the governments of other European Union member states to consider withdrawal. The results of the recent parliamentary elections have produced no discernable majority which may increase uncertainty with respect to the "Brexit" negotiations. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business, results of operation and financial condition and reduce the price of the Notes.

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

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

Following a series of further administrative and court decisions, the Company's fine was reduced to €14.7 million (due to the lesser degree of the infringement than originally assumed), payable in 30 equal monthly installments starting in May 2017. The Company has appealed the decisions before the Italian Supreme Court on technical and jurisdictional grounds, and a decision is expected in 18 to 24 months. CONSIP also terminated the CONSIP School Framework Agreement in November 2016, which decision the Company appealed in the Civil Court of Rome. Despite the termination of the CONSIP School Framework Agreement, the CONSIP School Contracts are expected to remain in force until August 31, 2017, following which we expect that the individual CONSIP School Contracts will be extended by each school until new contracts and/or framework agreements are awarded for the school year 2017/2018 and/or the following school year 2018/2019.

If all of the CONSIP School Contracts were to be terminated by each relevant school on August 31, 2017, we estimate that our 2017 total revenue and EBITDA would be reduced by approximately €14.2 million and approximately €1.4 million, respectively (the related EBITDA is estimated by multiplying revenue by a margin of 10% that we estimate would likely be generated by such contracts during that period). If all of the CONSIP School Contracts were to be terminated by each relevant school on December 31, 2017, we estimate that our total backlog would be reduced by approximately €8.8 million and our future EBITDA would be reduced by approximately €0.9 million during the period from 2018 to 2020 (also applying an estimated EBITDA margin of 10%).

In addition, the Company could be excluded, on a case by case basis by public contracting entities arranging the applicable tender or upon a decision of an administrative court following a claim by competitors suing to prevent our participation in a tender, from we believe only public school cleaning tenders over a period not exceeding three years. For illustrative purposes, such a general exclusion could result in a potential loss in annual revenues and EBITDA of approximately €43 million and €4.3 million, respectively (assuming the new framework agreement has the approximate value of the prior CONSIP School Framework Agreement), for a period of approximately 4 to 5 years in respect of such school cleaning tenders in the event that the Company is rendered ineligible to participate in all public school cleaning tenders, including for a new school framework agreement.

Moreover, concurrently with the potential exclusion risk over a period not exceeding three years mentioned above in respect of school cleaning tenders, the Company could be excluded by public contracting entities arranging the applicable tender or upon a decision of an administrative court following a claim by competitors suing to block our participation in a tender or by regulators from public tenders in any sector on a case by case basis or for all such tenders for up to one year.

In a decision that we believe falls into this category, in June 2017, the Company was notified by CONSIP of its decision to (i) exclude the Company from new tenders for "barracks cleaning" and "public hospital cleaning" (the "**Excluded Tenders**") relating to the CONSIP School Tender Litigation and (ii) proceed with the enforcement of the Company's bid bond provided in connection with the tender for "public hospital cleaning" (up to €10.4 million). The Company has engaged legal counsel to contest the exclusion and the enforcement of the bid bond before the competent courts, as we believe the decisions have no legal basis. Neither of the Excluded

Tenders generate revenue for the Group or are included in the Company's backlog. Moreover, the Company has never operated in the barracks cleaning market segment and, with respect to services in the hospital services sector, the Company currently operates with various counterparts and pursuant to various existing contractual relationships, including the CONSIP Mies conventions, conventions with regional authorities or pursuant to contracts awarded directly by clients. CONSIP's decision does not prohibit the Company from participating in and winning future tenders arranged by CONSIP or, more generally, arranged by public authorities. On-going tender procedures remain valid. In addition, concurrently with the notification described above, the Company received official approval from CONSIP to enter into two contracts from the "Mies 2" tender awarding an integrated multi-services technology contract, including the supply of electricity for buildings used by the public health authorities (the individual contracts have a duration of 5/7 years, at the discretion of the individual authorities, from the activation of the applicable supply, subject to a maximum supply to be provided by the Company for the relevant period equal to €209 million). In addition, the Company has not received any notice of exclusion in connection with the FM4 Tender (described below).

For illustrative purposes, on average in the last two years, contracts subject to potential exclusion for up to one year (*i.e.* all contracts other than Laundering and Sterilization Segment contracts and private sector contracts) accounted for approximately €74 million and approximately €7 million, respectively, in total annual revenue and EBITDA per year for the typical contract duration of approximately five years. Therefore, any potential exclusion which causes us to not be able to participate in tenders during such periods could have a substantial adverse impact on our business over a period of years.

As a result of the CONSIP School Tender Litigation, certain of our competitors have challenged our eligibility to participate in individual public tenders, alleging that we should be excluded since our alleged antitrust infringement constitutes gross negligence or bad faith. Similarly, following the ICA Decision, certain of our competitors have already challenged the eligibility of other companies allegedly involved in our alleged antitrust infringement to participate in certain public tenders, alleging that such companies should be excluded since the alleged infringement constituted serious professional unlawful conduct under applicable law. To date, the competent courts have rejected such challenges; however, such court decisions could be challenged by our competitors. In addition, certain of our competitors have challenged the eligibility of another company allegedly involved in the alleged antitrust infringement to participate in certain public tenders. To date, in one case, the competent court sustained one of these challenges and excluded the applicable company from participating in the relevant tender.

The services which have not yet been performed during the remaining life of the CONSIP School Contracts are secured by performance bonds (the "**CONSIP School Performance Bonds**") which the Company might still be liable to payback, if enforced. The Company has accrued provisions of €17.5 million as of March 31, 2017 (unchanged from December 31, 2016) relating to the possible enforcement of the CONSIP School Performance Bonds, while the fine of €14.7 million described above, which was classified as a reserve in 2016, is now classified as debt of the Company. Any enforcement of the CONSIP School Performance Bonds could adversely affect our liquidity position.

In June 2017, we were informed that a criminal investigation against our former CEO and a current Company employee was concluded in relation to the CONSIP School public tender process. However, to date no criminal charges have been filed.

The occurrence of one or more of the adverse consequences described above would likely have a material adverse effect on our business, reputation, financial condition and results of operation and could adversely affect our ability to pay interest on the Notes or to repay the Notes at maturity or otherwise refinance the Notes. The estimates provided above may not fully quantify or account for the potential impact on our business or reputation of any adverse consequences related to the CONSIP School tender litigation. See "*Business—Legal Proceedings—CONSIP School Tender Litigation*" and "*Forward-Looking Statements*" for further information.

We are involved in a false statement registration proceeding pending before ANAC and we may face significant consequences in respect thereof.

A False Statement Registration Proceeding against the Company is currently pending following a notice filed by the Santobono-Pausilipon Public Health Agency of Napoli to ANAC (the "**Santobono-Pausilipon False Statement Registration Proceeding**"). The Santobono-Pausilipon False Statement Registration Proceeding is managed by ANAC and should be concluded within 180 days from the notice announcing its commencement (*i.e.*, May 2017). As of the date of this Offering Memorandum we have not received any notice of conclusion of this proceeding. The false statement is alleged to have been committed by the Company while submitting the administrative documentation required in the context of a public tender process launched in 2013 by the Santobono-Pausilipon Public Health Agency of Napoli (the "**Santobono-Pausilipon Tender**"). The Company's exclusion from all current and future public tenders (*i.e.*, all public tenders other than those launched in the Laundering and Sterilization Segment and any tender procedure launched by private entities) as a result of a False Statement Registration cannot exceed one year starting from the False Statement Registration, according to the statement made by ANAC in its note announcing the commencement of the Santobono-Pausilipon False Statement Registration Proceeding (due to the application of the Former Code on Public Procurement to this proceeding). Moreover such exclusion would be general and automatic (*i.e.*, irrespective of the sector and not only in relation to the public tenders managed by the Santobono-Pausilipon Public Health Agency) and would not operate on a case-by-case basis. Should a False Statement Registration occur the Company could challenge it before the TAR Lazio and the State Council (in its function of Supreme Administrative Court). However, such registration and the resulting exclusion from participating in the relevant public tenders would be effective even in the event of appeal, unless the appellate court were to enjoin immediately the enforcement pending the appellate court's review.

Protracted litigation is likely which is inherently uncertain and can be costly. In addition, the occurrence of the aforementioned risk would likely have a material adverse effect on our business, reputation, financial condition and results of operation. See "*Business—Legal Proceedings—False Statement Registration proceeding pending against the Company before ANAC following the notice filed by a public-health agency to ANAC.*"

It is difficult to quantify or qualitatively assess the impact of the mentioned risk. However, for illustrative purposes, in the last two years, contracts subject to potential exclusion (*i.e.*, all contracts other than Laundering and Sterilization Segment contracts and private sector contracts) accounted for approximately €74 million and approximately €7 million, respectively, in total annual revenue and EBITDA with a typical contract duration of approximately five years. Therefore, any potential exclusion which causes us to not be able to participate in tenders during such periods could have a substantial adverse impact on our business over a period of years.

We can provide no assurance as to what outcome will be achieved, and even regardless of the outcome, appeals and other related litigation can be lengthy and protracted, and distracting management's attention from our business priorities. The occurrence of the adverse consequences described above in respect of public office cleaning tenders specifically and/or all public contracts (*i.e.*, other than Laundering and Sterilization Segment contracts and private sector contracts) would likely have a material adverse effect on our business, reputation, financial condition and results of operation and could adversely affect our ability to pay interest on the Notes or to repay the Notes at maturity or otherwise refinance the Notes. The estimates provided above may not fully quantify or account for the potential impact on our business or reputation of any adverse consequences related to the Santobono-Pausilipon False Statement Registration, including due to decisions by parties such as private clients or hospitals choosing not to do business with us or other factors that may adversely impact our competitive, financial or market position. See "*Business—Legal Proceedings—False Statement Registration proceeding pending against the Company before ANAC following the notice filed by the Santobono-Pausilipon Public Health Agency of Napoli to ANAC*" and "*Forward-Looking Statements*" *for further information*.

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

We perform the majority of our work for customers under contracts with a fixed term and, in some cases, with termination clauses permitting the customer to terminate the contract at the customer's discretion upon an agreed notice period. While we strive to maintain long-standing ties with our customers, there can be no assurance that our customers will not exercise their rights to terminate their contracts prior to expiration or that we will be successful in seeking compensation under applicable laws for terminated contracts or we will be able to negotiate new contracts with customers. In case of termination of a contract at the discretion of a PSE and healthcare customers applicable law may limit the damages for which we are eligible. Contract terminations or dissatisfaction with our services may damage our reputation and make it more difficult for us to obtain similar contracts with other customers.

For the year ended December 31, 2016, our top 20 customers (which may include affiliates of the same groups) accounted for approximately 30.6% of our total revenues while our top 10 customers accounted for 20.1% of our revenues. The termination of a contract by a single key client of ours or the failure to fully renew existing arrangements with key clients could adversely affect our results of operations or harm our reputation. For example, in 2013, the renegotiation of our main contract with Telecom Italia led to a significant decrease in volume of our services for this customer which negatively affected the results of our Facility Management Segment in 2014 compared to 2013.

The termination, whether following the occurrence of a change of control of the Group or otherwise, or failure to renew or the renewal on less favorable terms of contracts with key customers of the Group could result in the loss of some or all our business with key customers and we may not be able to quickly and efficiently redeploy personnel, facilities or equipment that are currently dedicated to servicing such customers' assets.

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

If such contracts are either terminated or not renewed in the future or renewed on less favorable terms, such termination, non-renewal or renewal on less favorable terms could materially and adversely affect our Group's business, financial condition and results of operations.

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

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

In addition, the facility management market remains highly fragmented, and, according to Interconnection Consulting, the 10 biggest Italian industry operators held a market share of approximately 13.3% terms of revenue for the year ended December 31, 2015. We believe we are the leading Italian operator in the integrated facility management market with a market share of 3.4% in terms of revenue for the year ended December 31, 2015 (source: Interconnection

Consulting). However, an intensification in the level of competition in the facility management sector and in the other sectors in which our Group is active could, in the future, affect our performance and cause an erosion in our market share and therefore, our financial condition and results of operations. For further information, see "*Business—Our services*" and "*Industry—Market position and competition*."

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

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

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

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

Review and Public Procurement Policies" and "*—We are involved in ongoing litigation in respect of an antitrust matter related to a public tender and we may face significant consequences in respect thereof*."

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

PSEs and healthcare customers are an important customer segment for us and, collectively with healthcare customers that mainly belong to the public sector, represented approximately 74.8% of total revenue in the year ended December 31, 2016. Our business arrangements with PSEs and healthcare customers may be affected by a number of political and administrative decisions concerning reductions in levels of public spending that may occur in connection with the current focus in Italy and other European countries on reducing national and local government budget deficits.

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

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

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

In the case of the termination of a contract by a PSE or healthcare customer at its discretion, we would be able to recover costs incurred or committed, settlement expenses, and profit on work completed prior to termination. In most cases, we would also be able to recover lost profit pursuant to article 1671 of the Italian Civil Code, except in the cases of contracts entered into with CONSIP, which could prevent us from recognizing all of our potential revenue and profits from such contracts. See also "*—Our business could be adversely affected by the central role of CONSIP and other centralized purchasing agencies in public procurement with regards to setting economic terms for our services or by ongoing initiatives to reform decentralization in Italy*" and "*—PSE and healthcare customers may curtail their reliance on our services due to political and administrative decisions or budgetary constraints, or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests*." In the case of the termination of a contract by a PSE or healthcare customer as a result of a breach by us, we could be liable for excess costs incurred by the PSE or healthcare customer in obtaining services from another source and the PSE or healthcare customer could decide to enforce the guarantees and/or insurance bonds we are normally required to post in order to participate in competitive tenders, enter into contracts with customers or receive advances or payments from them during the outsourced service arrangement. The occurrence of any such event might lead to a significant cash outflow, which could have a material adverse effect on our business, financial condition and results of operations.

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

We currently, and may in the future, subcontract certain business services to one or more third parties or partner with third parties in TJAs to jointly deliver services. Under the terms of our contracts with our customers we are obligated to provide such subcontracted services and may be liable for the actions and omissions of such subcontractors. In the event our subcontractor fails to provide the subcontracted services in compliance with required services levels, or otherwise breaches its obligations, or discontinues its business, whether as the result of bankruptcy, insolvency or otherwise, we may be required to provide such services at a higher cost to us and may otherwise be liable for various costs, expenses and damages related to such event. In addition, should any of our subcontractors make a false statement in the context of a tender, we face the risk of being excluded from such tender. Any of these events may damage our reputation and otherwise result in a material adverse effect upon our business and financial condition. Any failure of TJA partners/subcontractors to meet their contractual obligations could harm our ability to deliver solutions under our integrated facility management contracts or our reputation, as well as result in customer losses and financial liabilities, any of which could have a material adverse effect on our business, results of operations and financial condition. See also "*—We may be deemed liable for damages caused by our TJA partners/subcontractors and have responsibilities towards their employees*."

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

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

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

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

We may be unable to obtain the performance bonds, securities or guarantees we need to compete in certain public tenders or to enter into certain contracts with our private customers, and due to our failure to perform our obligations, counterparties may enforce performance bonds we have posted.

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

Our PSE and healthcare customer contracts and certain of our private sector contracts often require performance bonds, primarily to guarantee our performance thereunder. As of March 31, 2017, the Group (excluding associates and investments in project companies) had performance bonds outstanding in the aggregate amount of €226.2 million. These are off-balance sheet items. Performance bonds and penalties present an ongoing potential for substantial cash out-flows. In addition, some of these bonds and guarantees include cross-default provisions which could be triggered if we are in default under other bonds and guarantees, which could significantly intensify the negative effect of a default under these instruments. If our customers were to enforce the performance bonds we were required to post at the time of the relevant contract or tender, we could be subject to material payment obligations which could individually or in the aggregate have a material adverse effect on our business, results of operations and financial condition. For information regarding the potential enforcement of our performance bond pursuant to the CONSIP School Tender, see "*—We are involved in ongoing litigation in respect of an antitrust matter related to a public tender and we may face significant consequences in respect thereof*" and "*Business—Legal proceedings—CONSIP School Tender Litigation*."

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

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

We may be unable to continue to win competitively awarded and other new contracts. In addition, we may spend significant time and incur costs in order to prepare a bid or proposal, or participate in a bidding process, at the end of which we may not be retained. This risk is generally more material in connection with large tenders launched by centralized purchasing agencies (such as CONSIP), in view of the fact that the time and costs associated with preparing our bids and participating in the related bidding processes are normally greater compared to smaller or local tenders. Accordingly, the impact on our business related to the negative outcome of centralized tenders would generally be more significant given the lost opportunities with limited alternatives compared to the negative outcome of smaller or local tenders. Even if we are awarded a contract, it may not yield the expected results, in particular if we are unable to successfully calculate prices, control costs and manage day-to-day operations. For example, the timetable and/or cost structure may differ from prior estimates as both depend on a wide range of parameters, some of which are difficult to forecast, such as increased payroll costs resulting from unfavorable changes in labor and employments laws or regulations, which can lead to execution difficulties and cost overruns that we may not be able to pass on to our customers. Our inability to accurately predict the actual cost of providing our services could result in a decrease in our margins or even losses under these contracts, which would have a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

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

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

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

Our Laundering and Sterilization Segment exposes us to risks relating to the sterilization of laundry and surgical instruments, which involves the preparation of sterile instrument sets for use in surgery rooms. In the event of any accidents or defects in the sterilization process, we could be liable to our customers or to third parties (*i.e.*, patients) and could face subsequent claims for damages. In addition, we provide a variety of services such as providing, installing and maintaining fire safety and prevention equipment and systems and maintaining and refueling boilers powered by heating fuel which if performed negligently could lead to injury or property damage. If we fail to meet applicable regulatory or safety standards causing harm to individuals or entities, including, for example, through contamination of food products produced at the facilities that we clean, the outbreak of illness within the hospitals that we service, or fire accidents due to failure to comply with applicable regulatory standards, we could face substantial civil liabilities. We have civil liability insurance policies to cover, among other things, the risks associated with the sterilization of linen and instruments. The total premiums covered by all insurance policies for the year ended December 31, 2016 amounted to €55 thousand (with coverage up to a maximum amount of €10.0 million for a single accident). However, we could be liable for damages not covered by these policies or could be required to pay amounts exceeding the amount of such insurance cover, which could have a material adverse effect our business, financial condition and results of operations.

In addition, our reputation could be harmed by any actual or alleged failure to meet applicable cleanliness or safety standards. Any publicity relating to incidents of this kind could have a material adverse effect on our reputation and therefore, our business, results of operations and financial condition.

We are exposed to risks associated with our environmental responsibilities.

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

In particular, Servizi Ospedalieri operates within a sector which is particularly exposed to environmental risks raised by the possible water pollution stemming from wastewater discarded from laundering and sterilization processes. Servizi Ospedalieri has civil liability insurance policies to cover, among other things, the environmental risks relating to this sector. Total premiums for all insurance policies for the year ended December 31, 2016 amounted to €55 thousand (with coverage up to a maximum amount of €2.0 million for a single accident). However, we could be liable for damages not covered by these policies or be required to pay amounts exceeding the level of such insurance cover in relation to environmental damages, which could have a material adverse effect on our business, financial condition and results of operations.

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

In addition, our Facility Management Segment is subject to energy efficiency laws, especially Law 10/91 of January 9, 1991 and subsequent implementing legislation, which require the reduction of energy consumption in buildings and energy audits. If efforts to address climate change or further reduce energy consumption result in increasingly stringent laws and requirements, and to the extent that we are unable to pass the costs of compliance on to our customers, our margins may decline, which could have a material adverse effect on our business, financial condition and results of operations.

We are susceptible to claims of anti-competitive practices.

We may be accused of anti-competitive practices. Any such claims could adversely affect our reputation and potentially result in fines, which the law provides are calculated as a percentage of the tender value, with the percentage, being determined by the type of offence. In addition, anticompetitive practices may, under certain interpretations of applicable law or public tenders, be deemed a cause for temporary exclusion from future tenders by the public contracting authorities, whether at the initiative of the public authority or as a consequence of lawsuits brought by our competitors. Any such fines or exclusions together with any legal proceedings could have an impact on our business, financial condition and results of operations.

As discussed elsewhere in this Offering Memorandum, the ICA issued a sanction against us in connection with alleged anti-competitive practices relating to the CONSIP School Framework Agreement. See "*—We are involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender relating to the cleaning of public schools, and our business and results of operations may face further significant adverse consequences deriving therefrom*". In addition, on June 19, 2014, the Company tendered to CONSIP for contracts to clean offices used by Italian public entities (the "**FM4 Tender**"). On March 23, 2017, we were informed that the ICA has opened an investigation against the Company and six other competitors to determine if antitrust violations were committed in connection with the FM4 Tender. The investigation is expected to be concluded by May 30, 2018. The allegations in the FM4 Tender are similar to those in the CONSIP School Tender Litigation and the potential consequences in terms of exclusion from public tenders could be similar to those described above in respect of public office cleaning tenders specifically and/or all public contracts (*i.e.*, other than Laundering and Sterilization contracts and private sector contracts) (with significant, but uncertain, adverse financial effects on the Company). To date, the Company has not received any notice of exclusion in connection with the FM4 Tender. If the Company is found to have committed a violation and the fine is calculated in a manner consistent with the final fine in the CONSIP School Tender Litigation, we estimate such fine would be up to a maximum of 5% of the approximately €530 million base tender value for the FM4 Tender. However, there may be a risk that such fine is increased if the violation is deemed a more serious offense than the CONSIP School Tender and/or a repeat offense. In the event the Company were actually excluded from the on-going FM4 Tender, CONSIP could enforce the Company's bid bond provided in connection with the tender (equal to €2.7 million). At this stage, potential liability cannot be estimated and therefore MFM has not set aside reserves relating to the FM4 Tender investigation. See "*Business—Legal Proceedings—ICA Investigation on the FM4 Tender*."

See "*—We are involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender relating to the cleaning of public schools, and our business and results of operations may face further significant adverse consequences deriving therefrom*" and "*Business—Legal Proceedings—CONSIP School Tender Litigation*."

We are subject to extensive regulatory requirements.

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

In addition, certain provisions of the Italian Public Tender Laws require compliance with certain morality requirements to participate in public tenders as discussed under "—*We may incur liabilities or be excluded from contracting with public authorities for the actions of our employees*" related to, *inter alia*, fraud, bribery and corruption, environmental violations, antitrust infringements, false statements to a public contracting authority and crimes against the person or workplace safety violations. Similarly, the provisions of LD 231 (as defined under "*Business—Regulation*") may also affect us. Failure to comply with such rules may render us ineligible to participate in a public tender and/or may result in the termination of a public contract awarded or entered into, exclusion from current public tenders, sanctions and penalties, civil and administrative fines, operational bans (including on a precautionary basis (*e.g.*, ordered by the competent authorities pending the investigation phase, thus before a first instance decision on the case has been issued). See"—*We may incur liabilities or be excluded from contracting with public authorities for the actions of our employees*" and "*Business—Legal Proceedings—Pending Criminal investigation (Santobono-Pausilipon Public Health Agency of Napoli*)." Other provisions of law, including criminal law provisions, prohibit various kind of fraud in relation to public contracting or willful failure to fulfill service obligations under a PSE or healthcare customer contract. Moreover, pursuant to several of our contracts with PSEs, such entities are entitled to terminate or withdraw from the contracts in the event of (i) a failure by us to comply with any moral and professional requirements or (ii) criminal proceedings involving one or more members of our corporate bodies or key employees, in connection with crimes against, among others, the public administration or the public order.

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

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

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

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

As of March 31, 2017, our backlog totaled approximately €2,766 million. We cannot be certain that our backlog will generate the expected revenue or cash flows or generate them when we expect. Unforeseen events or circumstances, including, for example, termination or scaling down of service contracts, increased time requirements to complete the work, delays in commencing work, disruption of work, litigation associated with amounts included in our backlog, including the CONSIP School Tender Litigation, resulting in the termination of such contracts or exclusion of our ability to perform them, or other unforeseen events (such as those discussed in these "*Risk Factors*") may affect projects in the backlog and could negatively impact our earnings and financial position. With respect to the CONSIP School Tender Litigation specifically, if all of the CONSIP School Contracts were to be terminated on August 31, 2017, we estimate that our total backlog would be reduced by €23.0 million (of which €14.2 million for the period from September 1, 2017 through December 31, 2017); and if all of the CONSIP School Contracts were to be terminated on December 31, 2017, we estimate that our total backlog would be reduced by €8.8 million. See "*Business—Legal Proceedings—CONSIP School Tender Litigation*" for further information. Moreover, any administrative liability for the Company under LD 231 could give rise, in the case of certain private sector contracts only, to the right of certain of our counterparties to terminate existing contracts, which could reduce our backlog. See "*—Business—Legal Proceedings—Naples Criminal investigation*."

Our customers may have the right under certain circumstances or with certain penalties or consequences to cancel, reduce or defer firm orders that we have in our backlog. If our customers cancel, reduce or defer firm orders, we may be protected from certain costs and losses, but our revenue will nevertheless be adversely affected. Although we strive to maintain ongoing relationships with our customers, there is an ongoing risk that orders may be cancelled or rescheduled due to fluctuations in our customers' business needs or purchasing budgets, especially with respect to PSEs and healthcare customers which comprise the awarding entity in 92.0% of our backlog. In addition, our realization of sales from new and existing programs is inherently subject to a number of important risks and uncertainties, including whether our customers execute the launch of new facilities or initiatives on time, or at all, the number of buildings that our customers actually commission or maintain and the timing of insourcing decisions made by our customers. Moreover, our backlog includes the percentage of revenue we estimate will accrue to the Group by virtue of our participation in TJAs which can be affected by defaults by our TJA partners or claims by subcontractors thereof as discussed under "*—We may be deemed liable for damages caused by our TJA partners/subcontractors and have responsibilities towards their employees*." There can be no assurances that the revenue projected in our backlog will be realized or, if realized, will result in profits. Because of contract terminations or suspensions and changes in contract scope and schedule, we cannot predict with certainty when, or if, our backlog will be actualized. We can provide no assurance that we will not receive additional terminations, and, even where a contract proceeds as scheduled, it is possible that the customer may default and fail to pay amounts owed to us. To the extent we are unable to realize the pipeline of revenue associated with contracts in our backlog due to material delays, terminations or payment defaults, our business, financial condition and results of operations could be adversely affected.

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

We may be unable to execute our growth strategy or to integrate new businesses successfully. As a result, future growth from acquisitions or start-up initiatives may be more limited than we would expect.

We intend to continue to develop and expand our business, including through (i) selective bolt-on acquisitions across Europe and beyond, as part of our strategic objective to grow in international markets by exploring new areas of action, and (ii) start-up initiatives in new sectors. However, acquisitions and start-up initiatives, in addition to our organic growth, may strain our management and financial resources. Among the risks associated with our growth strategy, which could materially adversely affect our business, results of operations and financial condition, are the following:

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

For example, for the year ended December 31, 2016, our two start-ups YouGenio, which operates in the "business to consumer" services market, and Manutencoop International, our subsidiary for international tenders, had a combined negative EBITDA of €4.1 million, as such investments are yet to generate significant revenue.

There can be no assurance that, following integration with our Group, an acquired operation will be able to maintain its customer base consistent with expectations or generate the expected margins or cash flows. Likewise, if we fail to control start-up costs, or do not accurately estimate their amount when pricing our services, we may experience significant losses or otherwise not generate the expected return from the investment made. The assessments of any potential acquisition targets and start-up initiatives are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations and there can be no assurance that our assessments of and assumptions regarding acquisition candidates and start-up initiatives will prove to be correct and actual developments may differ significantly from our expectations.

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

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

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

We conduct essentially all of our business within Italy and therefore have limited experience operating in foreign markets. However, in 2015, we outlined our strategic objective of growth in the international markets, devoting specialized personnel to exploring new areas of action in and outside Europe, and created a subsidiary, Manutencoop International FM S.r.l., for the purpose of creating or acquiring shareholdings in foreign countries for the development of new business undertakings. Entering international markets, including other European markets or emerging markets, will require substantial amounts of management time and attention, either through acquisitions, joint ventures or other forms of association (including through the establishment of a network with European partners). Our services may not be accepted in other markets to the extent which would be necessary to make our international expansion profitable. Moreover, the additional demands on management from these activities may detract from our efforts in Italy and adversely affect our operating results. Any international expansion will expose us to the risks normally associated with conducting international business operations, including unexpected changes in regulatory requirements, changes in foreign legislation (and public tender requirements), possible foreign currency controls, currency exchange rate fluctuations or devaluations, tariffs, difficulties in staffing and managing foreign operations, difficulties in obtaining and managing information suppliers, potential negative tax consequences and difficulties collecting accounts receivable. Moreover, joint ventures, associations or networks may involve additional risks related to disagreements regarding strategy, the need to provide further investments, general lack of control over the direction of the joint venture or association and/or reputational risks with respect to the quality of services rendered by network partners.

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

As of March 31, 2017, approximately 12,772 workers (approximately 89.2% of our total workers) are employed pursuant to CCNL Multiservizi. Article 4 of CCNL facilitates, under certain circumstances, the transfer of employees from one outsourced provider of cleaning and facility management to another upon the expiration or termination of a contract to provide such services to a PSE, healthcare customer or private sector customer, which has the effect of reducing liabilities for exiting providers and reducing startup costs for incoming providers. Any future labor law reforms, renegotiation of the CCNL. with trade unions and other parties and/or new case law could hinder or significantly reduce our ability to manage our labor costs by increasing liabilities in cases where we are the exiting provider (*i.e.*, employee severance indemnities) or by increasing startup costs where we are the incoming provider (*i.e.*, cost of recruiting and training new personnel) which could also have a material adverse effect on our business, financial condition and results of operations. For further information, see "*Business—Employees and labor arrangements—Transfer of employees*."

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

As of December 31, 2016, 451 individuals (approximately 3% of our total employees), from manual workers to top managers, who work for our Group are actually employees of MSC and are leased to the Group under employee leasing arrangements ("*rapporti di somministrazione*") under a permanent authorization granted by the Italian Ministry of Labor on June 13, 2007. This includes certain executive officers and managers of the Group. In addition, 216 other individuals are leased to us from a number of staff-leasing providers. Termination of such contracts by MSC or these staff-leasing providers, any change in the relevant laws or re-characterization of these employment relationships by a court or tribunal could make us hire such employees directly or make other arrangements, which could have a material adverse effect on our business, financial condition and results of operations. In addition, tax, social security and other public authorities may consider these employee-leasing arrangements differently under new laws or new interpretations of existing laws, causing us to incur liabilities related to contributions to certain social security programs, which could also have a material adverse effect on our business, financial condition and results of operations. For further information, see "*Business—Employees and labor arrangements—Employee leasing*."

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

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

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

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

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

In carrying out our activities, we partner with third parties in TJAs and we subcontract certain services to third party companies. Reliance on TJA partners and/or subcontractors reduces our ability to directly control the workforce and the quality of the services provided. Accordingly, we are exposed to risks relating to managing TJA partners and subcontractors and the risk that they may fail to meet agreed quality benchmarks under the contract or to generally comply with applicable legislative or regulatory requirements. In case of default by a TJA partner/subcontractor, we may be deemed jointly liable for any damages suffered by the customer as a consequence of such default, especially when such TJA partner/subcontractor renders services as an input to services provided in conjunction with the Group. While TJA partners are each liable to the customer and our subcontracts usually provide for an indemnity from the subcontractor to cover our costs in case of such a claim as well as the assignment of claims and other provisions regarding the enforcement of the contract, we cannot assure you that customers or courts will agree and will not impose sanctions on us or prevent us from participating in future public tenders.

Under Italian law, concession holders have responsibilities towards the concession-granting authority with respect to the conduct and quality of work of such concession holder’s subcontractors and the actions of the subcontractor’s employees. Duties that the law recognizes include the following duties of the concession holder and imposes joint and several responsibility for any resultant breach thereof: to maintain a safe work environment, to supervise the quality of the subcontractors’ work product and to monitor and cause the subcontractors pay salary, social security and tax payments to the subcontractor’s employees for the duration of the subcontract and for two years after its expiration.

We have become party to an action before the Court of Ivrea regarding a fire occurred in March 2013 in the former Olivetti area at Scarmagno (Turin). Three of the Company’s employees, the owner of one of the Company’s sub-contractors and the owner of the firm that stocked combustible material have been charged with negligence and violations of safety regulations that caused the fire to start and spread over a large area following the performance of facility management services. We were joined to the claim by the plaintiffs, as a severally liable party in respect of financial and non-financial damages. The Company appeared as a severally liable party in respect of all the financial and non-financial damages. The request for damages amounts to approximately €4 million. On February 24, 2017, the Criminal Court of Ivrea ruled the full acquittal of all the defendants; both the Office of the Public Prosecutor before the Court of Ivrea and the aforementioned plaintiffs can still challenge such decision before the Criminal Court of Appeal of Turin.

In relation to the same fire event, the three insurance companies involved paid the injured parties approximately €40 million in damages and then formalized through a letter their application to recover the damages from both the individual persons charged and their employers, including us. The claims for damages amount to approximately €50 million in total, including the claims from the owners of the properties affected and the above-mentioned insurance company claims. In relation thereto, AIG Europe Limited, one of the three mentioned insurance companies also brought a suit against the Company, the owner of the building and the Company’s subcontractor before the Civil Court of Milan aimed at recovering the damages allegedly caused by the Company’s employees. Moreover, Generali Assicurazioni joined the proceeding, seeking damages jointly from the Company and one of its subcontractors. AIG Europe Limited’s request for damages amount to €187,130, while the request from Generali Assicurazioni amounts to €24.3 million. Should AIG and Generali prevail in such proceeding, we believe that the other insurance companies involved would have significant chances to prevail in any civil action they should bring against the Company. See "*—Business—Legal Proceedings—Prelios SGR S.p.A. —Scarmagno Fire*."

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

Our employees deliver services within buildings, for specific fixed assets (*i.e.*, telecommunications equipment) and at locations owned or operated by our customers. As a result, we may be subject to claims in connection with damage to property, business interruptions, unauthorized use of the customer's property, unauthorized entry or breach of security protocols, negligence or willful misconduct or other tortious acts by our employees or people who have gained unauthorized access to premises through us. Such claims may be substantial and may result in adverse publicity for our Group. Accordingly, these claims could have a material adverse effect on our business, financial condition and results of operations.

In addition, the tender process by PSEs and healthcare customers involves risks associated with fraud, bribery and corruption and the procurement process by private sector customers involves risks associated with fraudulent activity (private bribery). Although we maintain internal monitoring systems, and we have never been convicted, fined or sanctioned in connection with fraud, bribery or corruption, we may be unable to detect or prevent every instance of fraud, bribery and corruption involving our employees or agents in the future. We may therefore be subject to civil, administrative and criminal penalties, also pursuant to the provisions of LD 231 (as defined in "*Business—Regulation*") and to reputational damage as a result of such occurrences. Investigations and convictions (including non-final and binding ones) with regards to certain scheduled crimes (*moralità professionale*), including, *inter alia*, fraud, bribery and corruption, environmental violations antitrust infringements, false statements to a public contracting authority and crimes against the person or workplace safety violations may expose us to sanctions and penalties, civil and administrative fines, operational bans (including on a precautionary basis—*e.g.*, ordered by the competent authorities pending the investigation phase, thus before a first instance decision on the case has been issued) and render us ineligible to maintain our existing PSE or healthcare customer contracts and/or participate in current and future public tenders. As a result, the involvement or association of our employees or agents with fraud, bribery or corruption, or other relevant violations or allegations or rumors relating thereto, could therefore have a material adverse effect on our business, financial condition and results of operations. See "*Business—Regulation,*" "*Business—Legal Proceedings,*" "*—We are involved in false statement registration proceeding pending before ANAC and we may face significant consequences in respect thereof,*" "*—We are involved in ongoing litigation in respect of an antitrust matter related to a public tender and we may face significant consequences in respect thereof,*" "*Business—Legal Proceedings—False Statement Registration proceeding pending against the Company before ANAC following the notice filed by the Santobono-Pausilipon Public Health Agency of Napoli to ANAC,*" "*Business—Legal Proceedings—Bribery investigation (Brindisi)*" and "*Business—Legal Proceedings—Pending criminal proceeding and investigation involving our Chief Executive Officer relating to matters that occurred at his previous employer.*"

For example, on April 3, 2017, the Public Prosecutor of the Court of Napoli served a search warrant and a formal notice announcing the commencement of a criminal investigation against three employees and a former employee of the Company in relation to the alleged bribery by such persons of one or more public officials in the context of the tender for the awarding of certain cleaning services at the Santobono-Pausilipon Public Health Agency (*Azienda Ospedaliera di Rilievo Nazionale Santobono-Pausilipon*) of Napoli. The employees of the Company are under investigation for the crime of corruption, which could trigger administrative liability for the Company under LD 231. In relation thereto, on April 27, 2017, the Company was formally informed by the competent Office of the Judge of the Preliminary Investigations that the Public Prosecutor requested such judge to issue a temporary injunction prohibiting the Company from contracting with public authorities (*misura cautelare del divieto di contrattare con la P.A.*) against the Company pending the conclusion of the aforementioned criminal investigation.

Following a hearing on May 26, 2017, the judge rejected the temporary injunction, finding that the conditions for such injunction were not satisfied. See "*Business—Legal Proceedings—Pending Criminal investigation (Santobono-Pausilipon Public Health Agency of Napoli*)"

In addition, on May 8, 2014, the Public Prosecutor of Milan commenced a criminal investigation in connection with the tenders associated with the Milan 2015 Expo against, among others, (i) the former chairman of the Company, (ii) the former chairman and the former commercial director of Servizi Ospedalieri, in connection with alleged criminal conducts relating to certain public tender processes. During the preliminary investigations, the Public Prosecutor maintained that (i) the former chairman of the Company obstructed public tenders and disclosed non-public information (*turbativa d'asta e rivelazione di segreto d'ufficio*); (ii) the former commercial director of Servizi Ospedalieri obstructed public tenders (*turbativa d'asta*) and (iii) the former chairman of Servizi Ospedalieri obstructed public tenders and was also liable of corruption (*turbativa d'asta e corruzione*). In July 2015, the former chairman and the former commercial director of Servizi Ospedalieri were served with a formal notice concerning the conclusion of the preliminary investigation (*avviso di conclusione delle indagini preliminari*) which, pursuant to the Italian Criminal Procedure Code, can anticipate the formal request of indictment (*richiesta di rinvio a giudizio*). Such notice did not mention the allegation of corruption against the former chairman of Servizi Ospedalieri, nor was it served to the former chairman of the Company. The corruption allegedly committed by the former chairman of Servizi Ospedalieri may trigger administrative liability of Servizi Ospedalieri under LD 231; however, as of the date of this Offering Memorandum, no charges have been formally brought against the former chairman of Servizi Ospedalieri nor against Servizi Ospedalieri, the latter not being therefore a party to the investigations. As of the date of this Offering Memorandum, we are not in a position to predict the outcome of the aforementioned investigations. Based on the information available to us, we believe that no criminal conducts were committed by the former chairman of the Company, the former chairman and the former commercial director of Servizi Ospedalieri. The former chairman of Servizi Ospedalieri currently serves as a director of the Company.

Furthermore, in 2013 the Public Prosecutor of the Court of Savona commenced a criminal investigation against, among others, the chief executive officer of the Company. The investigation relates to alleged violations, occurring between 2000-2014, of environmental laws and regulations while serving his office at Tirreno Power S.p.A. In November 2016, the chief executive officer of the Company was served with a notice holding him liable for unintentional environmental damage as a consequence of the aforementioned violations. A hearing to decide on the indictment is scheduled to take place on October 26, 2017. Moreover, the Public Prosecutor of the Court of Savona served the chief executive officer of the Company with a formal notice of the extension of the term related to a criminal investigation (*avviso di proroga delle indagini preliminari*) against him and other officers of Tirreno Power S.p.A. alleging that the aforementioned unintentional violations and environmental damage may also result in charges of manslaughter. As of the date of this Offering Memorandum, we are not in a position to predict the outcome of the aforementioned criminal proceeding and investigation. No administrative liabilities for the Company under LD 231 may arise, since the investigated crimes were allegedly committed in the interest of Tirreno Power S.p.A., which is not part of our Group. See "*Business—Legal Proceedings—Pending criminal proceeding and investigation involving our Chief Executive Officer relating to matters that occurred at his previous employer*."

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

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

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

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

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

Our activities require capital expenditures (defined as the "purchase of property, plant and equipment," "property, plant and equipment under lease" and "other intangible assets"). Our capital expenditures for the Facility Management Segment were €10.8 million, €7.7 million, €8.8 million and €9.2 million for the years ended December 31, 2014, 2015 and 2016 and for the twelve months ended March 31, 2017, respectively. We currently manage four facilities in our Laundering and Sterilization Segment, including sterilization stations and laundry plants. For example, we must maintain and replace equipment we use to wash and sterilize linens in our Laundering and Sterilization Segment in order to fulfill our obligations to our customers. For the years ended December 31, 2014, 2015 and 2016 and for the twelve months ended March 31, 2017, our capital expenditures for the Laundering and Sterilization Segment (related to maintenance, upgrade of existing equipment, purchases of new equipment and purchases of linen) were €16.0 million, €16.3 million, €21.7 million and €27.4 million, respectively. We can provide no assurance that our capital expenditure will not increase, and such increases may divert significant cash flows from other investments or uses, including debt servicing, which could have a material adverse effect on our business, financial condition and results of operations.

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

We have a significant amount of goodwill. As of March 31, 2017, we had goodwill of €370.5 million, which represented 30.4% of our total assets as of such date. Goodwill is subject to impairment testing at least annually, or more frequently if there are signs of potential impairment in the carrying amounts. Fair value is determined based on the discounted cash flows from our cash-generating units based on an estimate of expected cash flows from such cash-generating unit. See "*Management's discussion and analysis of financial condition and results of operations—Critical accounting policies—Impairment of goodwill and other assets*." Changes in estimates of future cash flows caused by items such as unforeseen events or changes in market conditions could negatively affect our reporting unit's fair value and result in an impairment charge. Factors that could cause us to change our estimates of future cash flows include a prolonged economic crisis, successful efforts by our competitors to gain market share in our core markets, our inability to compete effectively with other operators or our inability to maintain price competitiveness. An impairment of a significant portion of our goodwill would require us to record a correspondingly significant charge in our income statement which could have a material adverse effect our business, financial condition and results of operations.

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

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

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

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

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

We currently employ more than 16,000 employees in Italy, including those employed pursuant to employee leasing arrangements. We are involved in certain labor disputes related to damages, dismissals (including collective dismissals) and wage disputes. Applicable law and CCNL Multiservizi regulate our relations with our employees and our ability to manage, and in certain cases, discontinue our employment relationships. See "*—Our ability to manage our labor costs is primarily dependent upon provisions of the collective bargaining agreement applicable to cleaning and facility management that allow the transfer of employees to and from the Group upon the awarding or loss of a contract for cleaning and/or facility management, as applicable*."

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

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

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

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

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

We are subject to the risk of legal claims and proceedings (including labor disputes) and regulatory enforcement actions in the ordinary course of our business and otherwise. In addition, public tenders we win from PSEs and healthcare customers may be challenged by third party competitors, and the resultant litigation in administrative courts could be protracted and cause delay to our projects. From time to time, we have been party as defendant or plaintiff in various claims and lawsuits incidental to the ordinary course of our business, such as those related to labor issues, restitution of retainers, and challenges to public tenders won or lost. The results of pending or future legal proceedings are inherently difficult to predict and we can provide no assurance that we will not incur losses in connection with current or future legal or regulatory proceedings (including tax audits) or actions that exceed any provision we may set aside in respect of such proceedings or actions or that exceed any insurance coverage available, which may have a material adverse effect on our business, financial condition and results of operations. See "*Business—Legal Proceedings*."

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

We are from time to time subject to tax and social security audits and investigations by Italian tax, social security and other public authorities, which may include, without limitation, investigations with respect to the corporate and indirect tax regime of our transactions and value-added tax classification and social security contributions. Adverse developments in these laws or regulations, or any change in position by the relevant authorities regarding the application, administration or interpretation of these laws or regulations, could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. In addition, the relevant authorities may disagree with the positions we have taken or intend to take regarding the tax and social security treatment or characterization of any of our transactions. It may be necessary to defend our tax and social security filings in court if a reasonable settlement cannot be reached with the relevant authorities and such ensuing litigation could be costly and distract management from the other affairs of our business. Audits and investigations by the competent authorities may generate negative publicity which could harm our reputation with customers, suppliers and counterparties. The financial impact of any tax or social security reassessment in connection with our business could have a material adverse effect on our business, financial condition and results of operations.

We rely on certifications by industry standards-setting bodies.

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

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

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

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

As part of our business, we process and come into possession of patient health information. EU and Italian laws regulate the use and handling of such information and if we violate the privacy or confidentiality of patient health information, we could be subject to administrative, civil or criminal penalties. We have implemented safeguards to protect the integrity of our data systems and we have trained the relevant staff with respect to procedures we deem adequate, however, there can be no assurance that we will be successful in protecting the privacy and confidentiality of patient health information. If we breach our obligations under the relevant laws, the resultant liabilities or harm to our reputation may have a material adverse effect on our business, financial condition and results of operations.

Market perceptions concerning the instability of the euro could have adverse effect on our business, financial condition and results of operations.

Recent developments in the Eurozone have raised uncertainties regarding the stability and overall standing of the European Monetary Union. Financial markets and the supply of credit may continue to be negatively impacted by ongoing fears surrounding the sovereign debts or fiscal deficits of several countries in Europe, including Italy, the possibility of further downgrading of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency given the diverse economic and political circumstances in individual member states. Governments and regulators have implemented austerity programs and other remedial measures to respond to the Eurozone debt crisis and stabilize the financial system, but the actual impact of such programs and measures is difficult to predict. In addition, uncertainty surrounding the terms on which the United Kingdom is expected to exit from the European Union and the outcome of the political elections to be held in Germany in September 2017, may have a significant impact on the European and global economy, which could have a negative impact on our financial condition.

If the Eurozone debt crisis is not resolved, it is possible that one or more countries may default on their debt obligations or cease using the Euro and reestablish their own national currency, or that the Eurozone may collapse. If such an event were to occur, it is possible that there would be significant, extended and generalized market dislocation throughout Europe, including Italy, which may negatively affect our business, results of operations and financial condition.

Risks related to our capital structure

As of the Issue Date and prior to the Completion Date, the Issuer will have no assets other than its rights to the Escrow Account, and following the Completion Date and prior to the Merger, the Issuer will be dependent on payments from its subsidiaries in order to be able to make payments on the Notes which will be obligations solely of the Issuer, not guaranteed by any subsidiary and structurally subordinated to all of the debt and liabilities of the subsidiaries of the Issuer.

As of the Issue Date and prior to the Completion Date, the Issuer will have no assets other than its rights to the Escrow Account (which will be pledged to the Trustee on behalf of the holders of the Notes pursuant to the Escrow Charge). If the Acquisition is not completed prior to the Escrow Longstop Date, the Issuer will be dependent on any cash received from its shareholder MSC or any third party financing it can procure in order to fund the accrued interest and Additional Amounts, if any, in connection with a Special Mandatory Redemption. See also "*—Risks related to the Notes, the Notes Guarantee and the Collateral—If consummation of the Acquisition is delayed beyond the Escrow Longstop Date, or if the other conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you will not obtain the return you expect on the Notes*."

Following the Completion Date and prior to the Merger, the Issuer will be a holding company that conducts no business operations of its own and has no significant assets other than the shares it holds in the Company and its receivables under the Proceeds Loan and any future intercompany loans. As a result, prior to the Completion Date and subsequently, prior to the Merger, the Issuer will be dependent upon the cash flow from its subsidiaries in the form of dividends, intercompany loans, or otherwise to make any payments due on the Notes. With respect to payments from time to time owed to the Issuer under the Proceeds Loan, see "*—The rights of the Issuer to receive payments under the Proceeds Loan, and the right of MergerCo to receive payment under any intercompany loans may be subordinated by law to the obligations of other creditors*." Following the Issue Date and prior to the Merger, the Notes will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of all of the Issuer's subsidiaries, including the Company. Following the Offering, any indebtedness incurred by the Company and its subsidiaries will be structurally senior to the Notes until, as applicable, the Merger Date and, with respect to Servizi Ospedalieri, the granting of its Notes Guarantee within 10 business days following the Merger Date. Though the Indenture will impose certain limitations on the amount of indebtedness that can be incurred by non-Guarantor subsidiaries of the Issuer and MergerCo following the Merger, any indebtedness incurred by non-Guarantors in compliance with the Indenture will be structurally senior to the Notes, and, within certain limitations, may be secured by other assets or receivables, making such debt, if any, effectively senior to the Notes.

In addition, the Issuer's subsidiaries may be restricted from providing funds to the Issuer under some circumstances. These circumstances could include, among others, restrictions under Italian corporate law which require a company to retain at least 5% of its annual unconsolidated net income until such reserve reaches at least 20% of the value of the company's share capital, and future contractual restrictions, including restrictions in credit facilities and other indebtedness, that may affect the ability of the Issuer's subsidiaries to pay dividends or make other payments to the Issuer. In addition, applicable tax laws may also subject such payments to taxation.

Although the Indenture and the Revolving Credit Facility will limit the ability of our restricted subsidiaries to incur contractual restrictions on their ability to pay dividends or make other payments to us, there are significant qualifications and exceptions to these limitations. We cannot assure you that the arrangements with our subsidiaries, the funding permitted by the agreements governing existing and future indebtedness of our subsidiaries and our results of operations and cash flow generally will provide us with sufficient dividends, distributions or loans to fund payments on the Notes. In the event that we do not receive distributions or other payments from our subsidiaries, we may be unable to make required principal and interest payments on the Notes, and we do not expect to have any other sources of funds that would allow us to make payments to holders of the Notes.

The Issuer does not currently control the Company or its subsidiaries and affiliates, and the Issuer will not control them until the consummation of the Acquisition.

The Company is owned by MSC (66.8%) and the Minority Shareholders (33.2%). The Issuer will not obtain control of the Company and its subsidiaries and affiliates until the consummation of the Acquisition on the Completion Date. We cannot assure you that the shareholders of the Company will operate the Company's business during the interim period in the same way that we would.

In addition, prior to the consummation of the Acquisition, neither the Company nor any of its subsidiaries will be subject to the covenants described in "*Description of the Notes*," to be included in the Indenture. As such, we cannot assure you that, prior to such date, the Company or any of its subsidiaries will not take an action that would otherwise have been prohibited by the Indenture had such covenants been applicable.

As of the Issue Date and prior to the Completion Date, the governance of the Company and its subsidiaries will be subject to the 2016 MFM Shareholders' Agreement which may cause deadlocks to occur in our general shareholders' assembly and/or Board of Directors' decision-making process, which in turn may delay or prevent critical decisions from being made.

The 2016 MFM Shareholders' Agreement was signed by and between MSC and the Minority Shareholders on July 19, 2016 and amended on November 29, 2016, regarding, among other things, the governance of the Company. Pursuant to such agreement, the Minority Shareholders have nominated four directors to the Company's Board of Directors, and the remainder have been nominated by MSC. The 2016 MFM Shareholders' Agreement vests certain decisions with the Board of Directors of the Company under the bylaws and calls for a supermajority in order for the Board of Directors to resolve on certain decisions, effectively providing the Minority Shareholders with certain veto rights regarding the following decisions of the Company: (i) acquisitions and disposals exceeding €15.0 million (excluding acquisitions and disposals that are related to, or the consequence of, participation in public tenders); (ii) other investments and dispositions of assets above €3.0 million, excluding in respect of securitization and factoring, (iii) financings exceeding €15.0 million; (iv) granting any third-party guarantees or liens (excluding those related to public and private tenders), (v) preparing, modifying or amending the industrial plan and/or budget of the Company and its subsidiaries; and (vi) bond issuances. The 2016 MFM Shareholders' Agreement and the Company's bylaws do not contain any mechanisms for resolving potential deadlocks. While directors are under a duty to act in the best interest of the Company, any deadlocks may impede the further development of our business in that such deadlocks may delay or prevent critical decisions from being made, including decisions which could be advantageous to the holders of the Notes. In addition, the 2016 MFM Shareholders' Agreement and the Company's bylaws vest certain decisions with the general shareholders' assembly and calls for an 84% supermajority in order to resolve on certain decisions of the Company, including dividend distribution, share buybacks and authorization of shareholders to create liens over their Company's shares, among other matters. As a result, the vote of at least half of the Minority Shareholders is required to take any such decisions and during the escrow period the Minority Shareholders may not have an interest in taking any action that could inure to the benefit of the Company's majority shareholder or its creditors.

Deadlocks in the general shareholders' assembly and/or Board of Directors can be disadvantageous to the holders of the Notes in the context of a Special Mandatory Redemption, such as preventing the distribution of dividends from the Company to MSC to fund any shortfall in the Escrow Account or may prevent the Company from seizing business opportunities prior to the Completion Date that would create value for creditors of the Company. See also "*Management*."

In addition, on the Completion Date, following the resignation of one or more director nominated by the Minority Shareholders, the entire Board of Directors of the Company is expected to resign. The Issuer will have the power to appoint the Company's entire Board of Directors but no decision in respect of its composition has been made as of the date hereof.

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

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

Following the Merger and the grant of the Notes Guarantee by Servizi Ospedalieri to occur within 10 business days thereof, the Notes will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of MergerCo's non-Guarantor subsidiaries.

Failure to complete the Merger within 12 months following the Completion Date will constitute an event of default under the Indenture, and prior to the consummation of the Merger, you will not have the benefit of all the Collateral or any credit support from the Company or Servizi Ospedalieri.

We have undertaken to take all reasonable efforts to complete the Merger as soon as practicable following the Completion Date and in any case no later than 12 months following the Completion Date. The Merger will be undertaken pursuant to the provisions of Article 2501-*bis* c.c. In order to complete the Merger, there are various steps that we must take including the preparation of a merger plan, a report by the directors of the companies involved in the Merger (*relazione dell'organo amministrativo*) and a report by an independent expert appointed by the competent court, assessing the sustainability of debt at the level of the company resulting from the Merger. Our estimation of the time frame required to complete the Merger is based upon market practice for such post-closing mergers in Italy, which, in our case, will involve an Italian joint stock company (*società per azioni*). As a result, the independent expert is required to be appointed by the court, which creates uncertainty as to the time frame for the Merger. In addition, there can be no assurance that the independent expert will release its report or that the other steps required for the Merger will be taken in a timely manner, or at all. While we have taken advice from counsel and believe we can accomplish the Merger within the required time frame, failure to complete the Merger within 12 months following the Completion Date and/or the failure to grant the Post-Merger Collateral thereafter would constitute an Event of Default under the Indenture. Moreover, subject to certain exceptions, the Merger can only be implemented following the expiration of 60 days after the latest filing with the competent companies' registry of the resolution approving the Merger, during which the creditors of the companies involved in the Merger are entitled to challenge the Merger. As a result of the consummation of the Merger, the security interest in the Proceeds Loan will no longer exist by operation of law. Prior to the consummation of the Merger, the granting of the Notes Guarantee by Servizi Ospedalieri and the grant of the Post-Merger Collateral, the Notes will not benefit from any credit support from the Company or Servizi Ospedalieri. For the twelve months ended March 31, 2017, the Company and the Guarantor generated 80.7% of the Group's total revenue and 94.6% of the Group's EBITDA (gross of intercompany balances and consolidation eliminations). As of March 31, 2017, the Company and the Guarantor constituted 84.1% of the Group's total assets (gross of intercompany balances and consolidation eliminations). As of March 31, 2017, after giving effect to the Transactions, the Group would have had €343.9 million of net debt (€4.1 million of which was represented by financial debt other than the Notes and expect that we would have had up to €50.0 million available for borrowing under our Revolving Credit Facility. In the event we are unable to consummate the Merger, we would default under the Notes and you may not be able to completely recover your investment. Additionally, as the granting of the Notes Guarantee by Servizi Ospedalieri and the grant of the Post-Merger Collateral is dependent on the Merger Date occurring, a delay in the consummation of the Merger prolongs the risk that in any insolvency or enforcement situation you may only assert your claims against the Issuer which is a holding company with no operations of its own rather than against MergerCo and the Guarantor.

The merger of the Issuer and the Company and the assumption of obligations under the Notes by MergerCo may be treated as a taxable exchange for U.S. federal income tax purposes.

If the conditions for the Merger are met, the Issuer and the Company will merge and the resulting entity will assume the obligations of the Issuer under the Notes. Although the issue is not free from doubt, we intend to take the position (to the extent we are required to do so) that these transactions will not be treated as resulting in a taxable exchange for U.S. federal income tax purposes. It is possible, however, that the IRS could take a contrary view, and seek to treat the Merger and the assumption of the obligations under the Notes by the successor Issuer as resulting in a taxable exchange for U.S. federal income tax purposes. If so, U.S. holders (as defined in "*Certain tax considerations—Certain United States federal income tax considerations*") would recognize gain or loss in connection with such taxable exchange and would have a new holding period and new tax basis in the Notes for U.S. federal income tax purposes. In addition, if the fair market value of the Notes at the time of the Merger is less than the principal amount of the Notes (by more than a statutorily defined de minimis amount), such Notes may be treated as issued with original issue discount (potentially in an amount greater than the initial amount of the original issue discount). Please see "*Certain tax considerations—Certain United States federal income tax considerations*."

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

On the Issue Date, MSC will directly own a 100% interest in the Issuer. In addition, on the Completion Date, following the Transactions, MSC will indirectly own through the Issuer a 100% interest in the Company's share capital. The interests of MSC and/or any other principal shareholder in the future could conflict with each other and/or the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our liabilities when due. Any principal shareholder could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in its judgment could enhance its investment, although such transactions might involve risks to the holders of the Notes. In addition, since we engage in a number of business transactions with MSC, a default by MSC or a dispute between MSC and any principal shareholder in the future could have a material adverse effect on our business, financial condition and results of operations. See also "*—As of the Issue Date and prior to the Completion Date, the governance of the Company and its subsidiaries will be subject to the 2016 MFM Shareholders' Agreement which may cause deadlocks to occur in our general shareholders' assembly and/or Board of Directors' decision-making process, which in turn may delay or prevent critical decisions from being made*" and "*—Risks related to the Notes, the Notes Guarantee and the Collateral—Consummation of the Transactions is dependent upon completion of the Shareholder Financing which may not be raised on satisfactory terms, if at all, and additionally, the Shareholder Financing, if completed, may increase certain risks to the Issuer and its subsidiaries.*"

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

We conduct our business through operating subsidiaries that in some cases include non-controlling shareholders and investments with third parties (related to project financing activities and our affiliate Roma Multiservizi). While we generally consider entering into such partnerships or investments to be positive developments, various disadvantages may result from the participation of non-controlling shareholders whose interests may not always be aligned with ours. Some of these disadvantages may, among other things, result in our inability to implement organizational efficiencies and transfer cash and assets from one subsidiary to another in order to allocate assets most effectively. In addition, we may have to make payments in connection with put options and earn-out agreements with non-controlling shareholders. As of March 31, 2017, these arrangements only related to a put option in connection with Sicura. As of March 31, 2017, management estimated that the potential liability with respect to the Sicura put option amounted to €5.4 million (all of which is payable in 2017), decreasing from €7.3 million in 2015, following the acquisition of an additional 5% stake in Sicura by the Group in 2016. See "*Management's discussion and analysis of financial condition and results of operations—Off-balance sheet arrangements—Arrangements with non-controlling shareholders in our subsidiaries*" and Note 11 of the Company's Unaudited Interim Condensed Consolidated Financial Statements.

The rights of the Issuer to receive payments under the Proceeds Loan, and the right of MergerCo to receive payment under any intercompany loans may be subordinated by law to the obligations of other creditors.

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower, if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan ("**undercapitalization**"). The above rules apply to shareholders' loans "made in any form" and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly. Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. As of the date hereof, there are few court precedents interpreting the provisions summarized above and limited guidance has been provided so far by the courts on the specific features and extent of the undercapitalization requirement. Some of such precedents have, however, held that Article 2467 also applies to companies incorporated as *società per azioni*, hence potentially to the borrowers under the intercompany loans that are a *società per azioni*, such as the Company as borrower under the Proceeds Loans prior to the Merger and the Guarantor of the Notes offered hereby and H2H as borrower in respect of certain existing intercompany loans granted, prior to the Merger, by the Company and, following the Merger, by MergerCo.

Therefore, it cannot be excluded that a court may find the requirements provided for by the relevant provisions of the Italian Civil Code to be applicable in respect of the Proceeds Loans and the existing intercompany loans borrowed by Servizi Ospedalieri and H2H. Accordingly, an Italian court may conclude that the obligations of the Company, Servizi Ospedalieri or H2H are subordinated to all its obligations to other creditors. Should such obligations be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, an insolvency of the Issuer or the Company prior to the Merger or an insolvency of MergerCo, the Guarantor or H2H following the Merger Date and applicable guarantee/collateral grant date, may render unrecoverable any amounts under such intercompany loans, which could impair your recovery as a senior creditor of, as applicable, the Issuer or MergerCo.

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

As of the Issue Date and prior to the Completion Date, the Issuer will have no indebtedness outstanding other than the Notes which will be secured by the Escrow Charge. Subject to the Agreed Security Principles, following the Completion Date and on the relevant collateral grant date, the Notes will be secured by first ranking pledges over the applicable Collateral. The Indenture will also provide for a negative pledge but will allow us and our restricted subsidiaries, subject to specified limitations, to incur other secured indebtedness that will be effectively senior to the Notes and the Notes Guarantee to the extent of the value of the assets (other than the Collateral) that secure that indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization, or other insolvency or bankruptcy proceeding, the proceeds from the sale of assets (other than the Collateral) securing any such secured indebtedness will be available to pay obligations on the Notes only after all such secured indebtedness (including claims preferred by operation of law) has been paid in full. As a result, holders of Notes may receive less, ratably, than holders of such secured indebtedness. As of March 31, 2017, after giving effect to the Transactions, other than the Notes offered hereby of €360.0 million, we would have had €4.1 million of indebtedness outstanding which was secured over assets other than the Collateral, mainly consisting of financial leases.

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

Current tax legislation in Italy (Article 96 of Presidential Decree No. 917 of December 22, 1986, as amended and restated) allows for the full tax deductibility of interest expense incurred by a company (other than those operating in the banking and financial sector) in each fiscal year up to the amount of the interest income of the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expense in excess of the above indicated amount is allowed up to a threshold of 30% of the EBITDA of a company (*i.e.*, *risultato operativo lordo della gestione caratteristica*) modified with certain adjustments (“**ROL**”) as recorded in such profit and loss account. The amount of ROL not used for the deduction of the amount of interest expense exceeding interest income can be carried forward, increasing the amount of ROL for the following fiscal years. Net interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years an deducted, provided and to extent that, in such fiscal years, the amount of interest expense that exceeds interest income is lower than 30% of ROL. If the tax group regime (*consolidato fiscale*) applies, interest expense not deducted by an entity in the tax group due to lack of ROL can be deducted at the tax unit level, within the limit of the excess of ROL of the other Italian resident companies pertaining to the same tax group. According to Article 4 of Italian Legislative Decree No. 147 of September 14, 2015, published in the Official Gazette No. 220 of September 22, 2015 (“**Internalization Decree**”), starting from January 1, 2016, ROL of non-resident controlled companies will no longer be taken into consideration for such purposes. Under certain conditions, dividends received by Italian companies from non-resident controlled companies shall be taken in account for ROL deduction expenses.

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

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

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

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

Risks related to our indebtedness

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

As of the Issue Date and prior to the Completion Date, the Issuer will have no other indebtedness outstanding but the Notes offered hereby. Upon completion of the Transactions, we will continue to have a substantial amount of outstanding debt with significant debt service requirements. As of March 31, 2017, on an as adjusted basis after giving effect to the Transactions, our consolidated Net Debt would have been €343.9 million and expect that we would have had up to €50.0 million available for borrowing under our Revolving Credit Facility. In the event that freely available cash on the balance sheet on or about the Completion Date is lower than our estimate or insufficient to support our working capital requirements due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Completion Date or shortly thereafter. Our significant leverage could have important consequences for you as a holder of the Notes, including:

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

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

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

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

We have incurred significant amounts of debt and may incur more debt in the future, including secured debt. Our Revolving Credit Facility will provide for commitments of up to €50 million. On the Completion Date, it is expect that the Revolving Credit Facility will be undrawn. However, in the event that freely available cash on the balance sheet on or about the Completion Date is lower than our estimate or insufficient to support our working capital requirements due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Completion Date or shortly thereafter. In addition, we may incur substantial additional debt in the future. The terms of the Indenture will limit, but not prohibit us from incurring additional debt, including under the Revolving Credit Facility, or by a non-Guarantor or debt that is secured on assets of the Group that do not constitute Collateral, which debt would be satisfied ahead of the Notes and the Notes Guarantee. The incurrence of additional debt would increase the leverage-related risks described in this Offering Memorandum.

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

Prior to the Completion Date, the Revolving Credit Facility will not be available for utilization and the Indenture related to the Notes offered hereby will be the sole indebtedness of the Issuer. Following the Completion Date, restrictive covenants under the Revolving Credit Facility and the Indenture may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

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

As of March 31, 2017, on an as adjusted basis after giving effect to the Transactions, our Net Debt was approximately €343.9 million. Other than the Notes, our main sources of financing were: (i) drawings under the Revolving Credit Facility and (ii) liabilities due to leasing companies of approximately €4.1 million. The Revolving Credit Facility bears a floating interest rate based on EURIBOR plus a certain margin. If significant fluctuations of floating interest rates occur and cannot be adequately covered through hedging transactions, our interest obligations could become greater, which could adversely affect our business, financial condition and results of operations.

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

The risk factors discussed in this sub-section "Risks related to the Notes Guarantee and the Collateral" are provided for prospective investors to assess the risks related to the collateral structure that is intended to be put into place on the Completion Date. As such, references to ''Collateral'' in this section ''Risks related to the Notes, the Notes Guarantee and the Collateral'' refers to the Collateral as such term is defined under "Description of the Notes" and does not include the Escrow Charge. Prospective investors should note that the inclusion of this section is not a guarantee by the Issuer that the Acquisition will occur.

Consummation of the Transactions is dependent upon completion of the Shareholder Financing which may not be raised on satisfactory terms, if at all, and additionally, the Shareholder Financing, if completed, may increase certain risks to the Issuer and its subsidiaries.

The Notes offered hereby are part of a larger financing with the objective of consummating the Transactions. Another source of financing that is necessary to complete the Transactions is the Shareholder Financing. The Shareholder Financing is not committed financing, and may take the form of a loan, debt capital markets instrument, equity or quasi-equity or a combination of the foregoing. There can be no guarantee that our shareholder will be able to complete the Shareholder Financing and, as the availability of the Shareholder Financing is a condition to the release from escrow of the gross proceeds of the Notes offered hereby, if such condition is not satisfied on or prior to the Escrow Longstop Date, the Notes will be subject to a Special Mandatory Redemption. Additionally, even if the Shareholder Financing is completed and the Transactions are consummated, the structure of the Shareholder Financing may increase certain risks to the Issuer and its subsidiaries. For example, upon a default and enforcement under the Shareholder Financing by the lenders or holders thereof, a "*Change of Control*" under the Indenture could result. In addition, such instrument could require the Issuer and its subsidiaries to service any loan from a parent company or otherwise pay dividends or other amounts to such parent to the extent permitted by the Indenture and the Revolving Credit Facility to service the interest on such Shareholder Financing. This could result in decreased liquidity within the restricted group of the Notes and otherwise limit such group's ability to make certain investments in its business and thereby harm its results of operations. Moreover, if the Shareholder Financing takes a form of a vendor loan or equity or quasi-equity placed with the Minority Shareholders or with other third-party creditors, such holders may seek certain corporate governance rights with respect to the Company (and MergerCo after the Merger) for so long as such loan or instrument is outstanding. Such corporate governance rights could involve the appointment of one or more directors and/or veto rights with respect to certain decisions which could create the risk of deadlock or otherwise affect the management of the group in ways that could impact the execution of its strategy or be adverse to the interests of holders of the Notes. See "*—If consummation of the Acquisition is delayed beyond the Escrow Longstop Date, or if the other conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes,*" "*—The Issuer may not be able to repurchase the Notes upon the occurrence of a change of control*" and "*Risks related to our capital structure—As of the Issue Date and prior to the Completion Date, the governance of the Company and its subsidiaries will be subject to the 2016 MFM Shareholders' Agreement which may cause deadlocks to occur in our general shareholders' assembly and/or Board of Directors' decision-making process, which in turn may delay or prevent critical decisions from being made.*" See also " *Summary—The Transactions" and "Description of certain financing arrangements—Shareholder Financing.*"

If consummation of the Acquisition is delayed beyond the Escrow Longstop Date, or if the other conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes.

The proceeds from the Offering will be held in the Escrow Account pending the satisfaction of certain conditions, some of which are outside of our control. If, for any reason, the Acquisition is delayed and is not completed on or before the Escrow Longstop Date (November 13, 2017) or any other event triggers an escrow termination, the Notes will be subject to a special mandatory redemption as described in "*Description of the Notes—Escrow of Proceeds*; *Special Mandatory Redemption*" and you may not obtain the return you expect to receive on the Notes and you may not be able to reinvest the proceeds from the redemption in an investment that yields comparable returns.

The escrow funds will be initially limited to the gross proceeds of the Offering of the Notes and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the date of special mandatory redemption. The Issuer will be required to fund the accrued and unpaid interest and Additional Amounts, if any, as well as the difference between the gross proceeds of the Offering and the issue price owing to the holders of the Notes. There can be no assurance that the Issuer will have sufficient funds to make these payments or that the relevant payment will be made in a timely fashion as the Issuer is a holding company with no operations of its own. In the event that prior to the escrow release date, the Issuer were to be subject to bankruptcy or insolvency proceedings, this would trigger the special mandatory redemption of the Notes. The special mandatory redemption could be limited by the applicable insolvency laws and there can be no assurances that the escrow funds could be applied to satisfy the special mandatory redemption.

Under the Contribution Agreement to be entered into on or about the Issue Date, MSC will agree with the Issuer to contribute to the escrow account an amount necessary to, among other things, fund the accrued and unpaid interest accrued on the Notes and additional amounts, if any, from the Issue Date to, but excluding, the special mandatory redemption date. In the event such agreements are not honored, the Issuer will not have sufficient funds to make these payments.

Your decision to invest in the Notes is made at the time of purchase. Changes in our business or financial condition, or the terms of the Acquisition, between the closing of this Offering and the date on which the Acquisition is consummated, will have no effect on your rights as a purchaser of the Notes.

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

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

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

To the extent permitted under applicable law, and subject to the Agreed Security Principles, on the relevant collateral grant dates (*i.e.*, no later than 10 business days following the Completion Date with respect to the Pre-Merger Collateral and no later than 10 business days following the Merger Date with respect to the Post-Merger Collateral), the Notes will be secured on a first-ranking basis by substantially the same rights, property and assets securing the obligations under the Revolving Credit Facility (other than the special lien (*privilegio speciale*)). In addition, under the terms of the Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral.

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

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

Other creditors not party to the Intercreditor Agreement could commence enforcement action against the Issuer or one or more of its subsidiaries during the consultation period, the Issuer or one or more of its subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Collateral could otherwise be impaired or reduced in value. In addition, if we incur substantial additional indebtedness which may be secured on the Collateral, the holders of the Notes may not comprise the requisite majority senior secured creditors for the purposes of instructing the Security Agent. Further, if the super senior creditors have not been repaid in full within six months of the end of the consultation period or in the event of the occurrence of certain other circumstances described above, then control of the enforcement proceedings will shift to the majority super senior creditors.

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

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

The security interests in the Collateral may be limited by Italian law or subject to certain limitations or defenses that may adversely affect their validity and enforceability.

The ability of the Security Agent to enforce the Collateral may be limited by mandatory provisions of Italian law. Enforcement of the Collateral may be subject to certain statutory limitations and defenses or to limitations indicated in the Security Documents and designed to ensure compliance with applicable statutory requirements.

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Trustee acting in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Code.

In addition, under Italian law, in the event that the Issuer or a Guarantor enters into an insolvency proceeding, the security interests created to secure the Issuer's obligations under the Notes could be subject to potential challenges by an insolvency receiver or by other creditors pursuant to the avoidance rules and claw-back actions set forth by the Italian insolvency laws as well as by and the other relevant non-insolvency laws. In this regard, a longer hardening period might apply to the Collateral which will be granted after the issuance of the Notes, including in respect of security interests granted over the shares of the Guarantor held by MergerCo as part of the Post-Merger Collateral. Furthermore, under Italian law, in the event that the Issuer enters into insolvency proceedings, the security interests created under the Security Documents entered into to secure the Issuer's obligations under the Notes could be subject to potential challenges by an insolvency administrator or by other creditors of the Issuer under the rules of avoidance or claw back of Italian insolvency laws and the relevant law on the non-insolvency avoidance or claw back of transactions by the debtor made during a certain legally specified period (the "**suspect period**"). In this regard, a longer period might apply to any Collateral governed by Italian law which may be granted after the Offering.

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect to the claims of other creditors, even if such claims are secured claims. For a more detailed description of various limitations on the security under Italian law and certain Italian insolvency law considerations, see "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

The security interests in the Collateral will not be granted directly to the holders.

The Collateral will be created and perfected in favor of the Trustee acting in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code in addition to its capacity as Trustee under the Indenture. Under such provision (introduced by Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the notes or in favor of a representative (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf of the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

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

Under Italian law, a security interest in certain tangible and intangible assets can only be properly perfected and thus retain its priority if certain actions are undertaken by the secured party and/or the grantor of the security interest. The security interests in the Collateral may not be perfected with respect to the claims of the Notes if we or the Security Agent fail or are unable to take the actions required to perfect the security interest. Any failure to perfect a security interest, including on a timely basis prior to claims made by third parties, may result in the ineffectiveness of the relevant security interest in the Collateral or adversely affect the priority of such security interest in favor of third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral.

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

The granting of new security interests in connection with the issuance of the Notes, including the Post-Merger Collateral, may create new hardening periods for such security interests in Italy and the relevant regime for hardening periods may be less favorable if the secured debt (or part thereof) is pre-existing to the granting of the security interest. In addition, the granting of a shared security interest to secure future indebtedness or the transfer or the assignment of the security interest may restart or reopen hardening periods. The applicable hardening period for these new security interests will run from the moment each new security interest has been granted, perfected or recreated. In each instance, if the security interest granted, perfected or recreated were to be enforced before the end of the relevant hardening period applicable in Italy, such security interest may be declared void and/or it may not be possible to enforce it. See "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

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

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

Subject to the Agreed Security Principles, (A) within 10 business days following the Completion Date and prior to the Merger Date, the obligations of the Issuer with respect to the Notes and the Indenture will be secured by (i) a first-ranking pledge over all of the shares of the Company held by the Issuer (the "**Company Share Pledge**"); and (ii) a first-ranking security assignment over the receivables in respect of the Proceeds Loan by the Issuer to the Company; and (B) following the Merger and no later than 10 business days following the Merger Date, the obligations of MergerCo with respect to the Notes and the Indenture will be secured by (i) the first-ranking Company Share Pledge as acknowledged and confirmed to secure the Notes with the shares of MergerCo (the "**MergerCo Share Pledge**"); (ii) a first-ranking share pledge over all of the shares of Servizi Ospedalieri; and (iii) a first-ranking security assignment over the receivables in respect of certain existing intercompany loans by MergerCo to its Restricted Subsidiaries existing as of the Completion Date. See "*Description of the Notes—Security*."

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

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

The security interest will be subject to practical problems generally associated with the realization of security interests in the Collateral. For example, the Trustee or Security Agent may be required to obtain the consent of a third party and/or court order to obtain or enforce a security interest in a contract. In addition, our business requires a variety of national and local permits and licenses and it is subject to regulations and permitting requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or if changes in applicable regulations or requirements occur. We cannot assure you that the Trustee or Security Agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties or court orders will be given or granted when required to facilitate enforcement on such assets. Accordingly, the Trustee or the Security Agent may not have the ability to enforce upon those assets and the value of the Collateral may significantly decrease.

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

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

- upon a sale or other disposition (including by way of consolidation or merger) of the capital stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or any of its restricted subsidiaries) otherwise permitted by the Indenture;
- upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary (as defined in "*Description of the Notes*");
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture;
- in accordance with an enforcement action pursuant to the Intercreditor Agreement;
- as described under "*Description of the Notes–Amendments and Waivers*";
- upon release of the guarantee of other indebtedness which gave rise to the obligation to provide such additional Notes Guarantee;
- in connection with any sale or other disposition of all or substantially all of the assets of such Guarantor, including by way of merger, consolidation, amalgamation or combination, to a person that is not (either before or after giving effect to such transaction), the Issuer or one of our restricted subsidiaries, if the sale, disposition, exchange or other transfer is otherwise permitted by the Indenture; or
- upon the solvent liquidation or winding up of a Guarantor;
- in connection with a Permitted Reorganization (as defined in "*Description of the Notes*").

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

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

- with respect to the Escrow Charge, in accordance with the terms of the Escrow Agreement and the Escrow Charge;
- in connection with any sale or other disposition of Collateral (other than the Company Share Pledge or MergerCo Share Pledge) , directly or indirectly, to a person that is not (either before or after giving effect to such transaction) the Issuer or any restricted subsidiary (but excluding any transaction subject to the covenant described under "*Description of the Notes—Certain Covenants—Merger and Consolidation*"), if the sale or other disposition does not violate the provisions of the Indenture;
- in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and capital Stock, of such Guarantor;
- as described under "*Description of the Notes–Amendments and Waivers*";
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture;

- if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary (as defined in "*Description of the Notes*") in accordance with the applicable provisions of the Indenture, the release of the property and assets, and capital stock, of such Unrestricted Subsidiary;
- in connection with a transaction permitted by the covenant described under "*Description of the Notes—Certain Covenants—Merger and Consolidation*" or as may be permitted under "*Description of the Notes—Certain Covenants—Impairment of Security* Interest";
- in connection with an initial public offering of MergerCo or (following an initial public offering) issuances and/or sales of capital stock of MergerCo, the release of certain security interests to facilitate such initial public offering or issuances and/or sales;
- in connection with a Permitted Reorganization;
- in connection with the Merger, *provided* that subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, first-priority security interests are granted in favor of the Notes on an equal and ratable first-priority basis over the Capital Stock of MergerCo; or
- as otherwise permitted in accordance with the Indenture or the Intercreditor Agreement.

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

The insolvency laws of Italy may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar.

The Issuer and the Guarantors are incorporated in Italy and are likely to have their "centres of main interests" under the laws of Italy. In accordance with Council Regulation (EC) No. 1346/2000 of May 29, 2000 on insolvency proceedings, as amended, the main insolvency proceedings are opened in the jurisdiction in which the debtor has its "centre of main interests." Accordingly, insolvency proceedings with respect to these companies may proceed under, and be governed by, Italian insolvency law. The insolvency laws of Italy may not be as favorable to your interests as those of the United States or another jurisdiction with which you may be familiar. In particular, the Indenture could be limited in scope and effect by Italian courts to the extent its covenants and provisions, which are untested under Italian case law, could be considered to conflict with mandatory provisions of Italian law. As a consequence, enforcement of rights under the Notes, the Notes Guarantees and the Collateral in an insolvency situation may be delayed and be complex and costly for creditors. See "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations.*"

The principal amount of the Proceeds Loan and the intercompany loans by MergerCo to certain of its subsidiaries existing as of the Completion Date forming part of the Collateral, may be less than anticipated as a result of prepayments of such loans prior to the maturity date of the Notes.

On or about the Completion Date, the Issuer will enter into the Proceeds Loan. The receivables relating to the Proceeds Loan will form part of the Collateral within 10 business days following the Completion Date as part of the Pre-Merger Collateral and the receivables relating to certain existing intercompany loans by MergerCo to certain of its subsidiaries existing as of the Completion Date will be pledged to secure the Notes within 10 business days following the Merger Date as part of the Post-Merger Collateral. Repayments prior to the Merger Date of amounts due under the Proceeds Loan (which are permissible in certain circumstances provided under the Proceeds Loan agreement) or repayments prior to the maturity date of the Notes of such existing intercompany loans would result in a reduction in the principal amount of the Proceeds Loan or such intercompany loans, as applicable. We have in the past made prepayments of amounts due under our intercompany loans and are not prohibited under the Indenture from making prepayments of amounts outstanding under the Proceeds Loan or such intercompany loans prior to the maturity dates of the Notes. Any reduction in the principal amount of the Proceeds Loan (prior to the Merger) and of any of such existing intercompany loans could reduce the value of your security on the receivables. See "*Description of certain financing arrangements—Proceeds Loan*," "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*" and "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*."

The Notes Guarantee of Servizi Ospedalieri, when granted following the Merger, will be significantly limited by applicable laws and are subject to certain limitations and defenses.

No later than 10 business days following the Merger Date, the Guarantor will guarantee the prompt payment of the Notes as described in "*Description of the Notes—Guarantee*." The Notes Guarantee provides the holders of the Notes with a direct claim against the Guarantor. However, the obligations of the Guarantor under its Notes Guarantee will be limited under the Indenture to an amount which has been determined so as to ensure that amounts payable will not result in violations of laws related to corporate benefit, capitalization, capital preservation, financial assistance or transactions under value, or otherwise cause the Guarantor to be deemed insolvent under applicable law or such Notes Guarantee to be deemed void, unenforceable or *ultra vires*, or cause the directors of such Guarantor to be held in breach of applicable corporate or commercial law for providing such Notes Guarantee.

The Notes Guarantee of Servizi Ospedalieri, as a consequence of applicable Italian corporate law limitations, will not exceed at any time, an amount equal to the aggregate principal amount of any intercompany loans, or other financial support in any form (such term, for the avoidance of doubt, not including equity contributions), existing as of the Completion Date or made available from time to time to the Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by the Issuer (whether directly or indirectly), as resulting from time to time from the latest financial statements (*bilancio di esercizio*) of that Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) duly approved by the shareholders' meeting of that Guarantor and/or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code, as the case may be, in each case, net of any proceeds already received pursuant to the enforcement of its guarantee under the Revolving Credit Facility. In any event, for the sole purposes of complying with article 1938 of the Italian Civil Code, the maximum amount that a Guarantor may be required to pay in respect of its obligations as a Guarantor under the Indenture shall not exceed €432,000,000.

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

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

In connection with the enforcement of share pledges over shares of entities with outstanding debt obligations, any sale of such entities is likely to involve a release of some or all of the debt of such entity, which could result in a taxable capital gain to such entities. As, following the Merger, the Notes will be an obligation of MergerCo, an enforcement over the shares of MergerCo would involve the enforcement over the share pledge of an entity with outstanding debt claims. In addition, the Indenture does not prohibit MergerCo or the Company from incurring additional debt claims in the future. Consequently, following the Merger, the enforcement of the share pledge over MergerCo's shares may result in the release of the debt obligations of the MergerCo. Such release is permitted by the Intercreditor Agreement and could result in a taxable capital gain. This taxable capital gain is likely to reduce the proceeds of any recovery from the enforcement of such share pledge. Therefore, the value of the pledge over the shares of the MergerCo is limited.

Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes Guarantee and the Collateral.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance laws, a court could void or subordinate the claims under the Notes Guarantee or the Collateral to other claims against the Guarantor if it was determined that Guarantor:

- granted the Notes Guarantee or the Collateral with actual intent to hinder, delay or defraud creditors or shareholders;
- received less than reasonably equivalent value or fair consideration for granting the Notes Guarantee or the Collateral, and, at the time thereof was insolvent or rendered insolvent by reason of granting the Notes Guarantee or the Collateral;
- was engaged or about to engage in a business or a transaction for which remaining assets available to carry on business constituted unreasonably small capital;
- intended to incur, or believed that the issuer would incur, debts beyond the ability to pay the debts as they mature; or
- was a defendant in an action for money damages, or had a judgment for money damages rendered against it if, in either case, after final judgment, the judgment is unsatisfied.

The measures of insolvency for the purposes of fraudulent transfer laws vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if, at the time it incurred the debt:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it cannot pay its debts as they become due.

We cannot be sure as to what standard a court would apply in making a solvency determination or that a court would conclude that the Guarantor was solvent after the granting of Notes Guarantee or the relevant security provider (*i.e.*, the Issuer, the Guarantor, the Company or MergerCo, as applicable) was solvent after granting the Collateral. Regardless of the standard that the court uses, we cannot be sure that the granting of the Notes Guarantee or the Collateral would not be voided or subordinated to our other debt. See "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*" for further information.

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

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

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

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

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

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

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

You may have difficulty enforcing your rights against the Issuer (and following the Merger, MergerCo), the Guarantor and their directors and executive officers.

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

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

Upon the occurrence of a change of control of the Issuer, the Issuer will be required to offer to repurchase all of the Notes in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. See "*Description of the Notes—Change of Control*." It may not have sufficient funds at the time of any such event to make the required repurchases.

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

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

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

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

The Notes offered hereby will mature in 2022 and the Revolving Credit Facility will mature six months prior to the maturity of the Notes. In addition, all of our other indebtedness that will remain outstanding following the Refinancing Transactions may be terminated or repayable prior to the maturity of the Notes. As a result, we may not have sufficient cash to repay all amounts owing on the Notes at maturity, since the prior maturity of such other indebtedness may make it difficult to refinance the Notes offered hereby. In addition, if our access to capital markets or our ability to enter new financing arrangements is reduced for any reason, we may not be able to refinance our Revolving Credit Facility on satisfactory terms or at all, which could have a material adverse effect on our business, financial position and results of operations.

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

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

Market perceptions concerning the instability of the euro, the potential reintroduction of individual currencies within the Eurozone or the potential dissolution of the euro entirely, could negatively impact our business or our ability to refinance our liabilities, including the Notes.

A recurring concern is the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual euro member states. The departure or risk of departure from the euro by one or more Eurozone countries could have major negative effects on our existing contractual relations with our customers, and could adversely affect the Italian economy, where we generate all of our revenue. Any of these developments could affect our ability to refinance our liabilities, including the Notes, and have a significant negative impact on our business, financial condition and results of operations.

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

The Notes will initially only be issued in global certificated form and will initially be held through Euroclear and Clearstream. Interests in the global notes will trade in book entry form only, and Notes in definitive registered form, or Definitive Registered Notes, will be issued in exchange for Book Entry Interests only in very limited circumstances. Owners of Book Entry Interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes and will be entered as such in the register of holders of the Notes maintained by the Registrar. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to The Bank of New York Mellon, London Branch, as Paying Agent, which then will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold Book Entry Interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to Euroclear and Clearstream, we, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of Book Entry Interests. Accordingly, if you own a Book Entry Interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

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

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

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

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

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

One or more independent credit rating agencies are expected to assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the

Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if in its judgment circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

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

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

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

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

No assurance can be given that the listing of the Notes on the Official List of the Luxembourg Stock Exchange will satisfy the listing requirement of Decree No. 239 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to the exemption from the requirement to apply withholding tax. The Italian tax authorities issued an interpretive circular relating to, among others, the listing requirement of the aforementioned legislation that may be interpreted to require that the Notes be listed upon their issuance to benefit from the aforementioned provisions, including the exemption from the requirement to apply withholding tax. In the event that the Notes are not listed or that such listing requirement is not satisfied, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax, currently at a rate of 26%, and, subject to certain exceptions, see "*Description of the Notes—Withholding Taxes*," we would be required to pay additional amounts with respect to such withholding taxes such that holders receive a net amount that is not less than the amount that they would have received in the absence of such withholding. The Issuer cannot assure you that the

Italian tax authorities will not interpret the applicable legislation as requiring that the listing be effective at closing (upon issuance of the Notes) and we cannot assure you that the listing can be achieved by the Issue Date. The imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay, subject to certain exemptions, additional amounts to holders of the Notes could have a material adverse effect on our financial condition and results of operations.

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

The regime provided by Decree No. 239 and in particular the exemption from withholding tax, which is in principle granted to holders of the Notes who are the beneficial owners of the proceeds from the Notes and who are resident in a country or territory included in the White List, applies if certain procedural requirements are met. It is not possible to assure that all non-Italian resident investors can claim the application of the withholding tax exemption where the relevant foreign intermediary fails to comply with the procedural rules set for the application of the exemption regime or fails to provide sufficient information to the relevant Italian tax authorities under the procedures set for applying the exemption regime. See "*Tax Considerations—Certain Italian Tax Considerations*."

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

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

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

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

It is expected that the Notes will be treated as issued with original issue discount for U.S. federal income tax purposes.

It is expected that the Notes will be treated as issued with original issue discount ("**OID**") for U.S. federal income tax purposes. U.S. investors generally will be required to include amounts representing OID in their gross income as it accrues in advance of the receipt of cash payments attributable to such income using the constant yield method. See "*Tax Considerations—Certain United States Federal Income Tax Considerations—Original issue discount*."

Use of proceeds

We expect the aggregate principal amount from the Offering of the Notes will be approximately €360.0 million. Pending the consummation of the Acquisition, an amount equal to the proceeds of the Offering (net of original issue discount) will be deposited into the Escrow Account in the name of the Issuer but controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the holders of the Notes.

The Transactions

Prior to the Completion Date, MSC will exercise the MFM Call Option by delivering the required notice to acquire the Minority Shareholders' 33.2% interest in the Company, designating the Issuer a beneficiary thereof and purchaser of the shares pursuant to the MFM Call Option and indicating the date for the transfer of such shares, falling no later than 30 business days from the delivery date of such notice. The transfer of these shares will occur on or about the Completion Date.

On or prior to the Completion Date, a new holding company formed above the Issuer or a special purpose vehicle or orphan issuer established by the Issuer's shareholder (such entity, if established, "**Holdco**") or, alternatively, the Issuer's direct shareholder MSC, is expected to issue or incur a financial instrument or other financing, in the form of a loan, a debt capital markets issuance via a direct private placement or marketed offering, equity (including of the Issuer) or quasi-equity or a vendor loan raised from certain Minority Shareholders or other third parties (or any combination of the foregoing), in an aggregate principal amount currently expected to be approximately €50.0 million but no more than €60.0 million in aggregate principal amount (to the extent issued in the form of debt) which will be issued, incurred, made available for drawing or released from escrow, as the case may be, on or about the Completion Date (any such transaction, the "**Shareholder Financing**"). The Shareholder Financing will be incurred or issued, as the case may be, without recourse to, and without any credit support in the form of security or guarantees granted by, the Issuer, the Company or any of its subsidiaries. The Shareholder Financing may be of a larger aggregate principal amount than €50.0 million (but no more than €60.0 million if issued in the form of debt), including if needed to overfund any interest payments in cash, and the lenders of such financing could include current affiliates of the Company and/or the Minority Shareholders. The Shareholder Financing, if raised in the form of debt, will have a maturity after the stated maturity of the Notes. The Shareholder Financing, if raised in the form of debt, is expected to bear interest in cash or pay-in-kind or otherwise accrue deferred interest (or a combination thereof). It is currently expected that the proceeds from the Shareholder Financing will be utilized directly by the Holdco or MSC or contributed to the Issuer as equity or on-lent to the Issuer initially in the form of Subordinated Shareholder Funding (as defined under "*Description of Notes*"), in each case to complete the Transactions.

On or about the Completion Date, following the release of the escrowed proceeds of the Offering from the Escrow Account and the availability of the Shareholder Financing, we expect to use the proceeds from the Offering and cash on balance sheet of the Company amounting to €164.5 million, together with the Shareholder Financing (directly or indirectly), to:

(i) satisfy and discharge and ultimately redeem all the outstanding Existing Senior Secured Notes and repay and discharge certain other outstanding financial debt of the Group (collectively, the "**Refinancing**");

(ii) (a) acquire from MSC (directly or indirectly, through Holdco, as the case may be) the rights under the MFM Call Option for its fair market value to be settled in cash for €6.6 million, (b) acquire a 13.22% interest in the Company from MSC (directly or indirectly, through Holdco, as the case maybe) for consideration expected to be approximately €5.6 million in cash plus further consideration of approximately €50.0 million from, directly or indirectly, the Shareholder Financing (or such smaller percentage and for correspondingly reduced consideration to the extent that the Shareholder Financing is utilized directly by MSC or

Holdco, as described elsewhere herein or otherwise), in connection with which the reserved rights in favor of the Minority Shareholders relating to 7.02% of the shares of the Company owned by MSC effectively securing the performance of MSC's obligations under the 2013 MSC Vendor Note would be extinguished, through the repayment, refinancing, cancelation, amendment, waiver and/or restatement of the 2013 MSC Vendor Note in connection with, or pursuant to, the Shareholder Financing, and (c) acquire from the Minority Shareholders their entire interest in the Company through the MFM Call Option for consideration of €132.8 million ((a), (b) and (c), together, the "**Acquisition**"); and

(iii) pay fees and expenses associated with these transactions.

On or about the Completion Date, MSC is expected to contribute (directly or indirectly, through Holdco, as the case maybe) approximately 53.57% of the Company's share capital to the Issuer (or such other amount of shares held by the Company following the application of the proceeds of the Shareholder Financing by MSC or Holdco, the use of proceeds so requires) (the "**Contribution**").

To the extent that the Shareholder Financing is utilized directly by MSC or Holdco to make payments pursuant to or on behalf of MSC in connection with the repayment, refinancing, cancelation, amendment, waiver and/or restatement of the 2013 MSC Vendor Loan Note or otherwise, the amounts paid by the Issuer to complete the Transactions would decrease correspondingly and the percentage of shares of the Company contributed to the Issuer by MSC or such Holdco would increase accordingly.

On or about the Completion Date, following the Transactions (including the Contribution), the Issuer will own 100% of the Company's share capital.

The following table shows the sources and uses of funds related to the Offering and the use of proceeds therefrom assuming it had been completed on March 31, 2017. Actual amounts will vary from estimated amounts depending on several factors, including estimated costs, fees and expenses, the actual date of the Completion Date and the final structure of the Shareholder Financing.

Sources of funds		**Uses of funds**	
(€ in millions)			
Notes offered hereby(1)	€360.0	Redemption of Existing Senior Secured Notes(3)	€300.0
Cash on balance sheet(2)	€164.5	Costs related to redemption premium of Existing Senior Secured Notes(4)	€ 19.6
		Repayment of other financial debt(5)	€ 47.9
		Payments in connection with the Acquisition(6)	€145.0
		Estimated fees, expenses and original issue discount ("**OID**")(7)	€ 12.0
Total sources	**€524.5**	**Total uses**	**€524.5**

(1) Represents the €360.0 million aggregate principal amount of Notes offered hereby (not including original issue discount ("**OID**") of 2%, for an issue price of 98%, reflected above in "Estimated fees, expenses and original issue discount").

(2) Represents cash on balance sheet as of March 31, 2017 after giving effect to the May Dividend and Receivables Sales that occurred or are expected to occur after March 31, 2017 as further described in footnote 2 under "*Capitalization*."

(3) Represents the aggregate principal amount of the Existing Senior Secured Notes outstanding as of March 31, 2017, to be satisfied and discharged on the Completion Date and subsequently redeemed on or about the 30th calendar day following the Completion Date following the delivery of a notice of redemption in respect thereof and the deposit with the Trustee on the Completion Date of funds in an amount sufficient to pay the redemption price and accrued but unpaid interest until, but excluding, the date on which such Existing Senior Secured Notes are redeemed.

(4) This figure reflects €13.2 million of accrued and unpaid interest on the Existing Senior Secured Notes as of March 31, 2017 and through the expected date of redemption of the Existing Senior Secured Notes set for indicative purposes at August 8, 2017 as well as the redemption premium of 102.125%. We expect that the accrued interest and redemption premiums will be paid directly by the Company using cash from balance sheet.

(5) Represents the repayment of €10.0 million outstanding under the CCFS Facility, €16.0 million outstanding under certain of our short-term bilateral facilities and €21.9 million outstanding under our recourse factoring facilities.

(6) Includes (i) the acquisition of MSC's right to exercise the call option, to be settled for the fair market value thereof in cash for €6.6 million, (ii) the Issuer's acquisition of the 13.22% stake in the Company's share capital from MSC for cash consideration of approximately €5.6 million (but not including further consideration of approximately €50.0 million from, directly or indirectly, the Shareholder Financing, described in the definition of "Acquisition" above), and (iii) the payment of €132.8 million, which is the price at which the Issuer will exercise the MFM Call Option, pursuant to which, on or about the Completion Date, the Issuer will purchase from the Minority Shareholders their entire stake in the Company, equal to 33.2% of the Company's share capital. To the extent that the Shareholder Financing is utilized directly by MSC or Holdco to make payments pursuant to or on behalf of MSC in connection with the repayment or cancelation of the 2013 MSC Vendor Note or otherwise, the amounts paid by the Issuer to complete the Transactions would decrease correspondingly and the percentage of shares of the Company contributed to the Issuer by MSC or such Holdco would increase accordingly. Moreover, in connection with the Shareholder Financing or otherwise, the descriptions and associated definitions of the Acquisition and the Contribution may be deemed modified to reflect changes or other modifications related to such Shareholder Financing as necessitated by the Transactions, *provided that* changes or modifications will not individually or taken as a whole have a material adverse effect on the holders of the Notes.

(7) Represents certain estimated fees and expenses associated with the Transactions, together with approximately €7.2 million in expected OID. Actual fees and expenses may vary.

Pending the consummation of the Acquisition, the gross proceeds of the Offering will be deposited into the Escrow Account in the name of the Issuer but controlled by the Escrow Agent and charged on a first-ranking basis in favor of the Trustee on behalf of the holders of the Notes pursuant to the Escrow Charge. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the delivery of all of the shares of the Company held by Minority Shareholders, the consummation of the Acquisition in accordance with the description included in this Offering Memorandum and the other conditions specified hereunder.

The Escrow Agreement will provide that the gross proceeds of the Offering will be released on the Completion Date upon delivery of an officer's certificate to the Escrow Agent and Trustee certifying certain items, including that:

- concurrently with or promptly after the release of the funds from the Offering from the Escrow Account, the Shareholder Financing will be available to the Issuer or its affiliates (as the case may be) and the Contribution and the Refinancing will occur and the Acquisition will be consummated substantially on the terms described in the Offering Memorandum, except for any changes or modifications that will not, individually or when taken as a whole, have a material adverse effect on the holders of the Notes;

- after consummation of the Acquisition, the Issuer will directly own all of the shares of the Company; and

- as of the Completion Date and concurrently with the release of the funds from the Offering, no insolvency Event of Default (as defined in "*Description of the Notes*") with respect to the Issuer shall have occurred and in any case be continuing.

If the Acquisition is not consummated on or prior to the Escrow Longstop Date, or upon the occurrence of certain other events, then all of the Notes will be subject to a special mandatory redemption. The special mandatory redemption will be at a price equal to 100% of the issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but not including, the date of the special mandatory redemption. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*" "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—Consummation of the Transactions is dependent upon completion of the Shareholder Financing which may not be raised on satisfactory terms, if at all, and additionally, the Shareholder Financing, if completed, may increase certain risks to the Issuer and its subsidiaries*" and "*Risk Factors—Risks related to the Notes, the Notes Guarantee and the Collateral—If consummation of the Acquisition is delayed beyond the Longstop Date, or if the other conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes.*"

In addition, on or about the date hereof, the Issuer as parent will enter into the Revolving Credit Facility with UniCredit Bank AG, Milan Branch, as agent and security agent, and the other lenders thereunder which provides for up to €50 million in revolving credit on a senior secured basis. On or about the Completion Date, the Company will accede to, *inter alia*, the Revolving Credit Facility as borrower. In the event that freely available cash on the balance sheet on or about the Completion Date is lower than our estimate or insufficient to support our working capital requirements due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Completion Date or shortly thereafter. For more information regarding our net working capital requirements, which normally reach their peak in the first and third quarters of each financial year, see "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting our results of operations—Seasonality and working capital fluctuations.*"

Throughout this Offering Memorandum, we will collectively refer to (i) the formation of the Issuer, (ii) the issuance of the Notes and funding of the Escrow Account on the Issue Date; (iii) the Shareholder Financing; (iv) the Contribution and the Acquisition, (v) the signing of the Revolving Credit Facility, (vi) the application of the proceeds from the Offering following the release of the escrowed proceeds, and (vii) the Refinancing, as the "**Transactions**." Notwithstanding the foregoing, in connection with the Shareholder Financing or otherwise, the descriptions and associated definitions of the Acquisition and the Contribution may be deemed modified to reflect changes or other modifications related to such Shareholder Financing as necessitated by the Transactions, *provided that* changes or modifications will not individually or taken as a whole have a material adverse effect on the holders of the Notes. For additional information, see "*Summary—The Transactions*," "*Description of certain financing arrangements*," "*Description of the Notes*" and "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources*."

The Merger

Following the consummation of the Acquisition, we have agreed to merge the Issuer with and into the Company in accordance with Articles 2501-*bis* of the Italian Civil Code (or substantially similar form of merger) as soon as practicable following the Completion Date and in any case within twelve months thereof. MergerCo will succeed to the Issuer's obligations with respect to the Notes. No later than 10 business days following the Merger Date, Servizi Ospedalieri will grant the Notes Guarantee. In addition, as a consequence of the Merger, the Proceeds Loan will be terminated and the security interests over the Issuer's interest in the receivables in respect of the Proceeds Loan will cease to be effective, and the Notes will continue to be secured by the share pledge over MergerCo (as company surviving to the Merger and, thereafter, Issuer hereunder). Following the Merger and no later than 10 business days following the Merger Date, the Notes will be secured by the Post-Merger Collateral consisting of first-ranking security interests over: (i) all of the shares of MergerCo; (ii) all of the shares of the Guarantor; and (iii) Issuer's interest in the receivables in respect of certain intercompany loans by MergerCo to certain of its subsidiaries existing as of the Completion Date.

Capitalization

The table below sets out the Issuer's cash and cash equivalents and other current financial assets and capitalization as of March 31, 2017, adjusted to reflect the effects of (i) the May Dividend, (ii) the Receivables Sales and (iii) the Other Adjustments, consisting of (a) the Acquisition, (b) the Offering and (c) the Refinancing which includes the effects of the accrued interest and premium in respect of the satisfaction and discharge and ultimate redemption of the Existing Senior Secured Notes. We have prepared the information presented in the "As Adjusted" column for illustrative purposes only. Such information addresses a hypothetical situation and, therefore, does not represent our actual financial position or results as no historical consolidated statement of financial position for the Issuer is available at March 31, 2017. Consequently, such information and resulting adjustments may not be indicative of our total capitalization as of the date of this Offering Memorandum, or any other prior date. Investors are cautioned not to place undue reliance on this hypothetical information.

The table is based on the assumption that the Acquisition represents a business combination involving entities under common control where the Issuer presents the hypothetical consolidated capitalization based on the carrying amounts previously recognized by MSC in its consolidated financial statements and the amounts paid for the Acquisition is presented as a deduction to the Issuer's hypothetical consolidated shareholders' equity.

The historical consolidated financial information as of March 31, 2017 with respect to the Company has been derived from the Company's Unaudited Interim Condensed Consolidated Financial Statements prepared in accordance with International Accounting Standards 34 included elsewhere in this Offering Memorandum.

This table should be read in conjunction with "*Use of proceeds*," "*Management's discussion and analysis of financial condition and results of operations*," "*Description of certain financing arrangements*" and the financial statements and the accompanying notes of the Company appearing elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to the Issuer's capitalization since March 31, 2017.

	As of March 31, 2017				
(thousands of €)	**Company historical(1)**	**May Dividend and Receivables Sales**	**Sub-total**	**Other adjustments(4)**	**As adjusted(5)**
Cash and cash equivalents	176,231	6,424(2)	**182,655**	(164,472)(6)	18,183
Other current financial assets(7)	2,051	—	**2,051**	—	**2,051**
Current bank overdrafts(8)	15,988	—	**15,988**	(15,988)	—
Notes offered hereby(9)	—	—	—	360,000	**360,000**
Existing Senior Secured Notes(10)	300,000	—	**300,000**	(300,000)	—
Revolving Credit Facility(11)	—	—	—	—	—
Due to leasing companies(12)	4,116	—	**4,116**	—	**4,116**
Recourse factoring(13)	21,934	—	**21,934**	(21,934)	—
Term loans (including current portion)(14)	10,000	—	**10,000**	(10,000)	—
Gross debt	**352,038**	**—**	**352,038**	**12,078**	**364,116**
Total shareholders' equity	**336,128**	**(25,091)(3)**	**311,037**	**(182,149)**	**128,888**
Total capitalization(15)	**688,166**	**(25,091)**	**663,075**	**(170,071)**	**493,004**

(1) Represents the Company's historical financial information as extracted from the Unaudited Interim Condensed Consolidated Financial Statements.

(2) Cash and cash equivalents as of March 31, 2017 was €176.2 million, an amount which reflected €13.9 million in outstanding trade receivables sold under non-recourse factoring facilities but not yet collected by the factor (plus €1.2 million in non-recourse factoring from prior periods relating to programs that have been terminated). As of March 31, 2017, on a *pro forma* basis for the Receivables Sales and the Transaction, the availability under the Banca Farmafactoring committed line for receivables from healthcare PSEs was €73.0 million. This amount has been adjusted for the following transactions which occurred prior to the date hereof:

(thousands of €)	As of March 31, 2017 (unaudited)
Dividend paid at the end of May 2017[(a)]	(25,091)
Cash proceeds from sale of tax and trade receivables[(b)]	11,515
Cash proceeds from sale of receivables[(c)]	20,000
Cash and cash equivalents	**6,424**

(a) The shareholder of the Company approved a dividend in the amount of €25.1 million paid at the end of May 2017. See note 4 to the Company's Unaudited Interim Condensed Consolidated Financial Statements.

(b) Represents: the cash proceeds from a one-off sale without recourse to Banca Farmafactoring S.p.A. of tax receivables belonging to the Company, Servizi Ospedalieri and YouGenio and certain trade receivables belonging to the Company and assigned to Banca Farmafactoring.

(c) Represents the cash proceeds from the collection of and from the sale of a portfolio of receivables from certain healthcare PSEs pursuant to the non-recourse factoring agreement with Banca Farmafactoring S.p.A. that we closed at the end of June 2017. See "*Description of Certain Financing Arrangements—Factoring facilities—Banca Farmafactoring Facility*."

(3) Total shareholders' equity as of March 31, 2017 has been adjusted for the dividend that shareholder of the Company approved in the amount of €25.1 million paid at the end of May 2017. See note 4 to the Company's Unaudited Interim Condensed Consolidated Financial Statements.

(4) Other adjustments consist of:

	As of March 31, 2017		
(thousands of €)	Acquisition I	Offering and Refinancing II	Other adjustments I+II
		(unaudited)	
Cash and cash equivalents	**(145,000)[(a)]**	**19,472[(c)]**	**(164,472)**
Current bank overdrafts	—	(15,988)[(d)]	**(15,988)**
Notes offered hereby	—	360,000[(e)]	**360,000**
Existing Senior Secured Notes	—	(300,000)[(f)]	**(300,000)**
Recourse factoring	—	(21,934)[(g)]	**(21,934)**
Term loans (including current portion)	—	(10,000)[(h)]	**(10,000)**
Gross Debt	**—**	**12,078**	**12,078**
Total shareholders' equity	**(161,818)[(b)]**	**(20,331)[(i)]**	**(182,149)**
Total capitalization	**(161,818)**	**(8,253)**	**(170,071)**

(a) Represents the payment by the Issuer in connection with the Acquisition, as described in "*Summary—The Transactions*" and "*Description of certain financing arrangements—Shareholder Financing*."

(b) Represents the effect of the Acquisition on the Issuer's consolidated shareholders' equity, based on the assumption that the Acquisition represents a business combination involving entities under common control. It corresponds to the €195.0 million that will be the cost of the Acquisition, net of goodwill of €33.2 million recognized by MSC in its consolidated financial statements and related to the Company.

(c) Represents the effect of proceeds and repayments described below under footnotes (d) to (h), jointly with the estimated transaction costs (€12.0 million), and the estimated accrued interest, through but excluding the date of redemption, and early redemption costs on the Existing Senior Secured Notes (equal to €13.2 million and €6.4 million, respectively) that will be paid in connection with the Transaction.

(d) Represents the repayment of the Current bank overdrafts, described in footnote 5, with a portion of the proceeds from the Offering.

(e) Represents the estimated proceeds of the Offering, gross of the estimated transaction costs of €12.0 million (including original issue discount).

(f) Represents the aggregate principal amount of the Existing Senior Secured Notes outstanding as of March 31, 2017, excluding accrued but unpaid interest. More details on this use are described in footnote 10.

(g) Represents the repayment of the recourse factoring, described in footnote 13 below, with a portion of the proceeds from the Offering.

(h) Represents the repayment of the Term Loan, described in footnote 14, with a portion of the proceeds from the Offering.

(i) Represents the effect of the early redemption of the Existing Senior Secured Notes, comprised of estimated accrued interest from April 1, 2017 through but excluding the date of redemption (€8.9 million) set for indicative purposes at August 8, 2017, early redemption costs (€6.4 million) and write-off of unamortized transaction costs incurred at the issuance of the Existing Senior Secured Notes (€5.0 million).

(5) We have prepared the information presented in the "As adjusted" column for illustrative purposes only. Such information addresses a hypothetical situation and, therefore, does not represent the Issuer's actual financial position. Consequently, such information may not be indicative of the Issuer's total capitalization as of the date of this Offering Memorandum or any prior date. Investors are cautioned not to place undue reliance on this hypothetical information.

(6) Cash and cash equivalents in the "other adjustments" column reflects the use of approximately €164.5 million in connection with the Transactions as described under "*Use of proceeds*." It does not give effect to any current or future payment obligations of the Group relating to the CONSIP School Tender Litigation which is payable in 30 monthly installments of €0.5 million per month starting April 2017. See "*Business—Legal Proceedings—CONSIP School Tender Litigation*."

(7) Other current financial assets consists of short-term loans granted to related parties, pledged current accounts related to the collection service of the receivables transferred without recourse to Banca Farmafactoring and with recourse to UniCredit Factoring, receivables from joint ventures and escrow amounts paid as part of business combinations.

(8) Current bank overdrafts refers to various short-term financing arrangements, which will be repaid with the proceeds of the Notes offered hereby, including revolving financing (loans maturing in less than three months), "invoice discounting" financing (assignment of trade receivables to banks or other financial institutions in exchange for cash advances) and other account overdraft facilities.

(9) Represents the estimated proceeds of the Offering, gross of the estimated transaction costs of €12.0 million (including original issue discount).

(10) Represents the aggregate principal amount of the Existing Senior Secured Notes outstanding as of March 31, 2017, to be satisfied and discharged on the Completion Date and subsequently redeemed on or about the 30th calendar day following the Completion Date following the delivery of a notice of redemption in respect thereof and the deposit with the Trustee on the Completion Date of funds in an amount sufficient to pay the redemption price and accrued but unpaid interest until, but excluding, the date on which such Existing Senior Secured Notes are redeemed.

(11) On or about the Issue Date, the Issuer, as parent, and UniCredit Bank AG, Milan Branch, as agent, intend to enter into the Revolving Credit Facility which provides for up to €50 million in revolving credit. On or about the Completion Date, the Company will accede as borrower to, inter alia, the Revolving Credit Facility. The Revolving Credit Facility will be secured by first-ranking security over the same Collateral that will secure the Notes offered hereby and an additional special lien ("*privilegio speciale*") over movable assets of the Company. In the event that freely available cash on the balance sheet on or about the Completion Date is lower than our estimate or insufficient to support our working capital requirements due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Completion Date or shortly thereafter. For more information regarding our net working capital requirements, which normally reach their peak in the first and third quarters of each financial year, see "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting our results of operations—Seasonality and working capital fluctuations*."

(12) See "*Description of Certain Financing Arrangements—Financial leasing*."

(13) Receivables sold under our recourse factoring arrangement with UniCredit will continue to be accounted for in our financial statements, so long as any receivables are still outstanding and in the amount from to time to time outstanding. "*Description of Certain Financing Arrangements—Factoring facilities—UniCredit Factoring Facility*."

(14) See "*Description of Certain Financing Arrangements*" for a description of the financing arrangements that will remain outstanding following the Transactions. The Adjustments column reflects the repayment of €10.0 million outstanding under the CCFS Facility with a portion of the proceeds from the Offering.

(15) Total capitalization is defined as the sum of Gross Debt and total shareholders' equity. Total capitalization as shown herein does not take into account the proceeds of any Shareholder Financing that may be contributed as equity or on-lent to the Issuer as Subordinated Shareholder Funding (as defined in "*Description of the Notes*") in the future. See also "*Summary—The Transactions*" and "*Description of certain financing arrangements—Shareholder Financing*."

Selected historical financial information

The following tables present the Company's selected consolidated financial information as of and for each of the years ended December 31, 2014, 2015 and 2016 and as of and for the three months ended March 31, 2016 and 2017. This selected financial information is derived from the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements.

The following tables should be read in conjunction with the information contained in "*Presentation of financial information,*" "*Use of proceeds,*" "*Capitalization,*" "*Management's discussion and analysis of financial condition and results of operations*" and Company Financial Statements and related notes included elsewhere in this Offering Memorandum.

Selected consolidated statement of income:

	For the year ended December 31,			For the three months ended March 31,	
(thousands of €, except percentages)	**2014**	**2015**	**2016**	**2016**	**2017**
Total revenue	**974,290**	**955,729**	**929,098**	**241,696**	**238,599**
Costs of raw materials and consumables	(135,524)	(133,155)	(117,615)	(41,694)	(38,004)
Change in inventories of finished and semi-finished products	—	—	(55)	20	—
Costs for services and use of third party assets	(364,040)	(336,114)	(331,365)	(75,782)	(75,169)
Personnel costs	(374,210)	(380,793)	(376,266)	(95,188)	(95,255)
Other operating costs or gains	(7,645)	(12,602)	(7,900)	(1,804)	5,203
Minor costs related to labor capitalized internally	—	—	—	—	65
Amortization/depreciation, write-downs and write-backs of assets	(38,635)	(32,493)	(32,714)	(7,150)	(7,572)
(Accrual)/reversal to provisions for risks and charges	(7,238)	(51,561)	10,107	(208)	(553)
Total operating costs	**(927,292)**	**(946,718)**	**(855,808)**	**(221,806)**	**(211,285)**
Operating income	**46,998**	**9,011**	**73,290**	**19,890**	**27,314**
Share of net profit of associates	1,198	90	1,688	871	1,227
Dividends and net income/(loss) from sale of investments	427	(459)	498	—	—
Financial income	5,679	984	1,964	777	219
Financial expenses	(42,313)	(34,066)	(30,183)	(7,853)	(7,344)
Gains/(losses) on exchange rate	3	(10)	(38)	—	—
Profit/(loss) before taxes from continuing operations	**11,992**	**(24,450)**	**47,219**	**13,685**	**21,416**
Income taxes	(11,414)	(18,032)	(14,738)	(5,782)	(8,046)
Profit/(loss) after taxes from continuing operations	**578**	**(42,482)**	**32,481**	**7,903**	**13,370**
Profit/(loss) after taxes from discontinued operations	12,049	(2,887)	1,052	—	—
Profit/(loss) for the period:	**12,627**	**(45,369)**	**33,533**	**7,903**	**13,370**
Attributable to:					
Equity holders of the parent	12,354	(45,412)	33,649	8,073	13,348
Non-controlling interests	273	43	(116)	(170)	22

Selected consolidated statement of financial position:

(thousands of €)	As of December 31, 2014	2015	2016	As of March 31, 2017
Assets				
Total property, plant and equipment[(i)]	70,558	64,372	66,110	70,094
Goodwill	369,860	370,456	370,456	370,456
Other intangible assets	24,782	26,005	26,114	25,378
Total investment and other non-current financial assets[(ii)]	51,180	47,643	46,153	46,755
Other non-current assets	1,787	2,180	2,323	2,819
Deferred tax assets	27,439	19,044	20,971	20,966
Total non-current assets	**545,606**	**529,700**	**532,127**	**536,468**
Inventories	5,115	4,763	4,382	4,579
Trade receivables and advances to suppliers	580,629	519,194	456,095	468,619
Current taxes receivables	28,922	23,430	3,500	387
Other current assets	30,632	31,138	25,932	29,210
Total current financial assets	3,501	5,257	2,387	2,051
Cash and cash equivalents	113,382	114,391	174,992	176,231
Total current assets	**762,181**	**698,173**	**667,288**	**681,077**
Assets classified as held for sale	5,003	—	—	—
Total assets	**1,312,790**	**1,227,873**	**1.199.415**	**1,217,545**
Liabilities				
Employee termination indemnity	21,207	18,424	17,043	16,459
Provisions for risks and charges, non-current	12,373	58,738	44,522	29,933
Total long-term financial liabilities	379,001	311,686	305,482	308,831
Deferred tax liabilities	11,755	11,167	11,812	11,853
Other non-current liabilities	28	28	50	71
Total non-current liabilities	**424,364**	**400,043**	**378,909**	**367,147**
Provisions for risks and charges, current	20,559	14,515	10,715	10,346
Trade payables and advance from customers	380,821	380,215	346,308	348,484
Current tax payables	4	—	1,363	6,188
Other current liabilities	123,624	94,572	85,909	97,173
Bank borrowings including current portion of long-term debt, and other financial liabilities	28,512	48,563	52,839	52,079
Total current liabilities	**553,520**	**537,865**	**497,134**	**514,270**
Liabilities directly associated with assets classified as held for sale	—	—	—	—
Total liabilities	**977,884**	**937,908**	**876,043**	**881,417**
Total shareholders' equity	334,906	289,965	323,372	336,128
Total equity and liabilities	**1,312,790**	**1,227,873**	**1,199,415**	**1,217,545**

(i) "Total Property, plant and equipment" as presented herein refers to the sum of "property, plant and equipment" and "property, plant and equipment under lease."

(ii) "Total investment and other non-current financial assets" as presented herein refers to the sum of "investment accounted for under the equity method, other investments and non-current financial assets."

Selected consolidated statement of cash flow:

(thousands of €)	For the year ended December 31, 2014	2015	2016	For the three months ended March 31, 2016	2017
Cash flow from operating activities	18,582	67,699	86,441	(20,875)	2,211
Cash flow from/(used) in investing activities	40,395	(18,659)	(21,421)	(4,118)	(9,883)
Cash flow used in financing activities	(130,133)	(48,031)	(4,419)	14,452	8,911
Change in cash and cash equivalents	(71,156)	1,009	60,601	(10,541)	1,239
Cash and cash equivalents at the end of the period	113,382	114,391	174,992	103,850	176,231

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

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

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

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

Overview

We are the leading provider of facility management services and a leading provider of laundering and sterilization services in Italy, with a track record of success through continuous development and focus on mission critical services. We are an integrated services and solutions provider with strong coverage and positioning in each market segment we cover. We serve a diverse range of over 1,500 customers, including public sector entities (including healthcare providers) and private sector companies in Italy. Our success draws on our long history; our predecessor company began providing services to the Italian state-run railway network in 1938. In 2003, we were spun off from MSC, our controlling shareholder to consolidate as an independent Group. Since then, we have emerged as a multi-disciplinary provider of facility management services. MSC, our controlling shareholder, will hold 100% of our share capital following the Transactions. Our comprehensive multi-service and multi-technical offering covers most of the areas of the facility management and laundering and sterilization markets. For example, among others: (i) in the public sector, we provide daily cleaning, heating and plumbing systems and landscaping for public schools, state buildings and museums that allow them to receive visitors and patrons, (ii) in the healthcare sector, we provide laundering of linens, sterilization of surgical instruments and management of pharmaceutical logistics, all of which are vital services for the continued adequate care of patients and (iii) in the private sector, we maintain diverse retail and office spaces and telecommunications towers for our customers which keep their operations running smoothly.

We position ourselves as a solution provider rather than a service provider since we are able to offer all our services on a fully integrated basis and we leverage our deep understanding of our customers' businesses and industries and the regions in Italy where they do business to formulate cost-saving strategies. Unlike many of our competitors, we deliver solutions by relying significantly on in-house expertise and resources. We refer to this self-contained ability to implement our business plan in support of our customers' objectives as a "make" rather than a "buy" approach which we believe constitutes a key competitive advantage for us. With a headcount of more than 16,000 people, we believe we are currently the undisputed leader in the Italian facility management market.

For the twelve months ended March 31, 2017, we generated total revenue of €926.0 million and Normalized EBITDA of €108.4 million, corresponding to an 11.7% Normalized EBITDA margin as percentage of total revenue.

Service offering
We believe we distinguish ourselves through the quality and breadth of the services we regularly provide to our customers and the custom solutions we can devise both for their facility management and laundering and sterilization needs. Facility management services can be classified among three broad areas: technical, infrastructural and entrepreneurial. We operate across all these three areas. As attested by our market shares and revenues, we possess particular strength in technical services as demonstrated by our suite of offering, namely: technical maintenance, control engineering, energy management, HVAC, fire prevention and safety. In addition, we have strong capabilities in infrastructural services as demonstrated by our cleaning unit and also provide certain support services for enterprises. Recently, we also established two start-ups, Manutencoop International and YouGenio, with the objective of growing our business in the international "business to business" and Italian "business to consumer" services markets.

On an organizational level, we classify our services to our customers through two reporting segments: Facility Management Segment which generated 85.5% of total revenues (gross of intra-group eliminations) and 64.5% of EBITDA in the twelve months ended March 31, 2017 Laundering and Sterilization Segment which generated 14.5% of total revenues (gross of intra-group eliminations) and 35.5% of EBITDA in the twelve months ended March 31, 2017.

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

Principal factors affecting our results of operations

Macroeconomic factors
Fluctuations in macroeconomic conditions affect the demand for our services and pricing in our industry. Since 2014, we have generated essentially all of our revenue in Italy. In the year ended December 31, 2016, the activities we conducted outside of Italy were marginal and represented 0.2% of our total revenue, as our international business is still in start-up phase. According to ISTAT, Italy's GDP at constant prices contracted by 0.4% in 2014 and grew at 0.8% and 0.9% in 2015 and 2016, respectively. According to Eurostat, unemployment in Italy decreased from approximately 12.7% in 2014 to approximately 11.8% by the end of 2016. Despite the challenging macroeconomic conditions, the trend of customers outsourcing their facility management activities (discussed below) to minimize their fixed cost base has helped to mitigate the difficult macroeconomic environment. The following presents a brief discussion of the macroeconomic factors and trends relevant to our business:

- a moderately growing facility management market for the past three years, also attributable to the growth in the outsourced services segment, according to Interconnection Consulting (See "*Industry*");

- trend of increasing size for each single contract tendered by PSEs, coupled with a lower absolute number of tenders. These new, larger tenders require larger size, capabilities and geographical coverage by tenders' participants. With a team of 29 public tender specialists across facility management and laundering and sterilization tenders, the considerable resources invested in technical evaluation and preparation of bids, the depth of our service offering and unique geographic coverage we believe we are well-positioned to defend and/or gain market share. In addition, the increased use of framework agreements in tenders has allowed facility management operators access to a larger share of the market through the convergence of fragmented tenders;

- increased public administration's attention to quality, rather than price only. Following the Italian government's public spending review process which led to significant price pressure in the market, we have experienced for the past three years a different trend of increased attention by tendering public administrations to the quality level of the tendered services, and less on their cost impact. We believe this trend benefits large multi-service providers like us, which tend not to participate, or prefer to limit their participation in, tenders whose awarding criteria are exclusively based on the economic terms of the offers;
- decreased revenue contribution of private customers. Over the past three years, the private sector, and in particular large enterprises, have continued to be adversely affected by the difficult macroeconomic conditions, with a negative effect on private companies' willingness to outsource non-core services. In addition, we believe a basic cost cutting trend in the criteria for the selection of suppliers is becoming more pronounced, even to the detriment of quality and innovation;
- an overall decreasing trend of delays in payments from our customers, particularly from our PSE and healthcare customers for years 2014 to 2016; the DSOs of our trade receivables decreased from 189 days as of December 31, 2014, to 170 days as of December 31, 2016, although DSOs have increased again to 177 days as of March 31, 2017 (the increase of DSOs in the first quarter of 2017 is partially a seasonal affect, as payment times are historically longer in the first quarter of the year, but tend to fall each quarter, reaching their lowest point in the fourth quarter of each year);
- for certain periods under review, the spending review conducted by the Italian government from 2013 led to tighter control of the economic terms in the awarding of public tenders which reduced the revenue impact of certain tenders, notably in the cleaning and laundering segments, which affected our profitability. However, the effect of the spending review helped inform our strategy to concentrate on certain services while deemphasizing others, and the diversity of services we provide was a natural hedge in our exposure; and
- increasing scale and complexity of public sector tenders using centralized procurement centers. This has the effect of concentrating demand among PSEs and healthcare customers which leads to discounting in the marketplace, but can also allow larger players such as the Group to exploit economies of scale and better absorb fixed costs.

Increased outsourcing of facility management and growing backlog

In response to the difficult economy and in connection with a general trend toward outsourcing, increasing numbers of private companies, PSEs and healthcare customers have sought to outsource facility management activities in an effort to manage costs. According to data compiled by Interconnection Consulting, outsourcing in the facility management market grew at rates of 0.8%, 1.8% and 1.9% for the years ended December 31, 2014, 2015 and 2016, respectively. Notwithstanding the increasing trend of outsourcing, for the periods ended December 31, 2014, 2015 and 2016 and March 31, 2017, our backlog has marginally decreased from €2,887 million, to €2,847 million, €2,845 million and €2,766 million, respectively, primarily due to the sale of certain of our non-core businesses, as well as the macroeconomic factors described above under "*—Principal factors affecting our results of operations—Macroeconomic factors*," including the decreased revenue contribution of private customers due to difficult economic conditions and the spending review conducted by the Italian government, which has led to pricing pressure and, ultimately, volume decrease.

Many of the service contracts we have in place with customers include service delivery and other interventions that span several financial years. We therefore use the measurement of backlog as a significant performance indicator for our business. Backlog serves to measure the total euro value of work to be performed in connection with services and projects for which we have signed contracts or in respect of which we have received binding commitments from customers, or other operations within our subsidiaries on a consolidated basis. Backlog is associated with service contracts in both our Facility Management Segment and Laundering and Sterilization Segment, however, it does not include fire prevention and safety (part of our Facility Management Segment). We have adopted the following criteria for including contracts in our backlog: (i) we include the value to the reference date of the assumed revenues that are expected to be received during the life of the contract; (ii) in the case of project companies, we include the relative percentage of revenues payable to the Group under the contract, but we do not include revenue of contracts entered into by non-consolidated entities that are not attributable to the Group (for example, contracts entered into by special purpose vehicles in which we hold non-controlling interests as well as contracts entered into by Roma Multiservizi are not included in the backlog, as the related revenue is not directly attributable to the Group); and (iii) we include only revenue for services or projects that is non-discretionary (*i.e.*, we do not include any additional potential revenue that may accrue to us during the life of the contract) by the applicable contract, such as extraordinary services which typically represent a portion of our services. See "*Business—Backlog.*"

The healthcare and PSE sectors remain our primary sources of new contracts (representing more than half of all new contracts in each of 2014, 2015 and 2016), but we have also been successful in obtaining new contracts from private customers during this difficult economic period. Private customers accounted for 8.6% of new contracts in 2016, compared to 4.7% in 2015 and 8.5% in 2014. Healthcare customer contracts represent more than two thirds of our backlog and as such contracts are, in our experience, the longest in terms of average duration, our backlog affords us important medium-term and high-quality revenue visibility.

Fewer but larger public tenders

In the past few years, we have discerned a general trend tending towards a lower number of public tenders by PSEs and healthcare customers, with each such public tender having, however, a higher value and requiring an increased geographical coverage.

We believe that this trend is due to efforts by the Italian government, Italian PSEs and healthcare entities to rationalize and centralize procurement practices, in many cases channeling such public tenders through certain public administration purchasing clearinghouses, including CONSIP and other regional procurement committees such as Intercenter, which has supported the increase in demand for services assigned through framework agreements (as opposed to more traditional tenders launched by local public administrations), thus favoring large multi-service providers like us. On the other hand, centralized tenders have allowed access to a larger number of smaller clients, potentially increasing the size of our addressable market. We believe that our technical abilities and our size will allow us to potentially take advantage of this trend. Given the greater relevance of each single tender we have observed a marked increase in litigation by bidding parties that have challenged the validity of public tender processes in which the Group has prevailed. When competitors raise claims before local administrative courts ("**TAR**") to challenge the award to us of a contract pursuant to a public tender, it delays the Group's ability to begin works and lengthens the time in which our backlog can be converted into actual revenue. However, we believe TAR litigation of this type generally proceeds faster than complex commercial litigation in front of civil courts. The focus on costs by many customers and their increased bargaining power, given the larger size of many tenders, have required us to accept discounts in order to be awarded certain contracts.

Stable and diversified customer base

Our business is characterized by stable relationships with our customers, some of which have been doing business with us since our establishment. As discussed below, we bid for contracts and manage our customer relationships differently depending on the category and size of the customer. The following table shows our total revenue by customer type for the years ended December 31, 2014, 2015 and 2016 and for the three months ended March 31, 2016 and 2017.

	For the year ended December 31,						**For the three months ended March 31,**			
	2014		**2015**		**2016**		**2016**		**2017**	
Total revenue by customer type (thousands of €, except percentages)		**% of revenue**		**% of revenue**		**% of revenue**		**% of revenue**		**% of revenue**
PSEs (excluding healthcare)	232,505	23.8%	242,867	25.4%	253,744	27.3%	71,503	29.6%	66,234	27.8%
Healthcare customers(1)	472,188	48.5%	466,344	48.8%	441,499	47.5%	110,920	45.9%	116,492	48.8%
Private sector customers	269,597	27.7%	246,518	25.8%	233,855	25.2%	59,273	24.5%	55,873	23.4%
Total revenue	**974,290**	**100.0%**	**955,729**	**100.0%**	**929,098**	**100.0%**	**241,696**	**100.0%**	**238,599**	**100.0%**

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

The private sector, which was our most significant revenue contributor in the period 2011-2013, has declined significantly in the past three years, primarily due to the renegotiation of the contract with Telecom Italia in 2014 which has led to a decrease in volume of our services for this customer and strong pricing pressure which has led to other contract renewals or renegotiations with lower contribution margins (a trend which has continued in the first quarter of 2017). We have been able to partly offset the decline in private sector revenue through the focus on our core and higher-end value added services, especially for the healthcare market, and our cost optimization initiatives.

PSEs (excluding healthcare). PSE customers include regional, provincial and municipal governments as well as other public institutions. For PSE contracts, our specialized department reviews, analyzes and prepares the public tender bids in which we choose to participate with a focus on determining how we can competitively structure and price our offer. We focus on providing an integrated approach to facility management and laundering and, in particular, among other things, we leverage our expertise in the area of energy efficiency to extract cost savings for our customers and improve our operating margins. We concentrate on bidding for the most complex projects for which there are fewer competitors and the relevant public tender is assigned on the basis of a combination of cost and quality. See "*Business—Customers and contracts—PSE contracts.*" Due to regulatory reasons discussed under "*Business—Regulation*," most PSE contracts cannot be automatically renewed; we must therefore compete in new public tenders upon the expiration of the relevant contract (which lasts approximately three years on average for integrated facility management services). For the years ended December 31, 2014, 2015 and 2016, the average duration of our PSE contracts was 4.1 years, 6.4 years and 3.3 years, respectively. We expect fewer but larger public tenders to be a likely development of austerity measures and ongoing public procurement reforms. We currently have a team of 29 public tender specialists for our Facility Management Segment and our Laundering and Sterilization Segment. See also "*Risk factors—Risks related to our business—Our business could be adversely affected by the central role of CONSIP in public procurement with regards to setting economic terms for our services or by ongoing initiatives to reform decentralization in Italy.*"

Healthcare. Our healthcare customers are public healthcare providers (*i.e.*, hospitals), nursing or retirement homes or university hospitals. We focus on providing multiple services to our healthcare customers and we believe we have distinguished ourselves from our competitors also through our expertise in the area of healthcare logistics. Our healthcare contracts generally include multiple services (both in the facility management and in the laundering and sterilization area) and are typically awarded through public tenders, either administered bilaterally or increasingly by government procurement clearinghouses, such as CONSIP. The efforts of the Italian government to rationalize and centralize procurement practices have supported the increase in demand for services assigned through framework agreements, which has led to fewer but sizeable tenders. We believe large multi-service providers like us have benefitted the most from this trend. Moreover, centralized tenders have allowed access to a larger number of smaller clients, increasing the size of the addressable market. For the years ended December 31, 2014, 2015 and 2016, the average duration of our healthcare contracts was 4.2 years, 6.1 years and 5.6 years, respectively. Healthcare customer contracts, although they typically have the longest payment periods among our contracts, are generally the longest in duration, providing us with good revenue visibility, and typically generate the highest margins.

Private sector. Our private sector customers include large groups such as telecommunications service providers, private hospitals or healthcare facilities, banks or retailers. For large private sector customers, we focus on monitoring service delivery, achieving operational efficiencies and reducing costs per employee. Private sector contracts are generally shorter in length and can often contain automatic renewal clauses, which are typically utilized. For the years ended December 31, 2014, 2015 and 2016, the average duration of our private sector contracts was 1.5 years, 2.5 years and 2.3 years, respectively. Because of their shorter duration, private sector contracts do not provide the same revenue visibility as healthcare or PSE contracts, but our private sector customers typically have shorter average payment periods and automatic or short-form renewals.

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

Pricing pressures from customers; cost saving efforts

Pricing pressure has increased in recent years from all customers, particularly in the private sector, which has contributed to the decrease in our total revenue. However, since 2014, we have re-defined our strategy to consolidate and further develop our historical core activities, with a particular focus on healthcare facility management, and have exited sectors which we have deemed not strategic for the Group, such as the photovoltaic plants, building activities, public lighting and lifting equipment maintenance sectors. In addition, at the end of 2014 we implemented cost saving actions mainly related to the renegotiation of contracts with our service suppliers (including our shareholder, MSC) and the reduction of labor costs. We believe these reorganizational efforts, together with our size, leading market position and technical expertise (in terms of organization, training and IT systems, among other things) have increased our operational efficiency and have allowed us to contain our costs, thus giving us the economies of scale necessary to provide our services to customers at attractive prices, without significantly compromising our revenue generation and Normalized EBITDA margins, which have recovered during the periods under review. For the years ended December 31, 2014, 2015 and 2016, respectively, total revenue was equal to €974.3 million, €955.7 million and €929.1 million and our Normalized EBITDA margin was equal to 9.9%, 10.6% and 11.3%. For the three months ended March 31, 2016 and 2017, respectively, total revenue fell slightly from €241.7 million to €238.6 million, although our cost savings efforts lead to increasing Normalized EBITDA margins, which went from 12.2% to 13.7%, respectively.

Costs structure

Personnel costs

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

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

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

For the years ended December 31, 2014, 2015 and 2016, our total labor costs were €374.2 million, €380.8 million and €376.3 million, respectively. As a percentage of total revenue, our labor costs increased from 38.4% for the year ended December 31, 2014, to 39.8% for the year ended December 31, 2015, to 40.5% for the year ended December 31, 2016. For the three months ended March 31, 2016 and 2017, respectively, our labor costs remained stable, passing from €95.2 million to €95.3 million, or 39.4% and 39.9% as a percentage of total revenue.

CCNL Multiservizi. When we win public or private tenders to provide services to certain buildings or assets, pursuant to applicable law, the existing employees that service such assets (previously employed by the outgoing services provider) may be transferred to us. For example, if we win a contract to provide facility management services for a customer's buildings, the cleaning, maintenance and grounds keeping staff may be transferred to us pursuant to Article 4 of CCNL Multiservizi. The price of the contract will include the necessary wages and social charges for such workers. As a result, we believe our startup costs are reduced by acquiring the employees knowledgeable about the particular buildings or assets. Conversely, if we lose a contract up for renewal or a contract expires, the workers servicing such building and assets are then shifted to the next service provider without further cost to us in most cases. For the years ended December 31, 2014, 2015 and 2016, we spent approximately €238 million, €241 million and €243 million, respectively, in costs for workers employed with these arrangements, equal to 63.6%, 63.4% and 64.6% of total labor costs of the Company for such periods, respectively. See also "*Business—Employees and labor arrangements—Transfer of employees.*"

Employee leasing. Employee leasing is a method of contracting workers on a permanent or temporary basis in accordance with Italian Legislative Decree No. 276/2003. Generally our leased employees are employees of MSC, our controlling shareholder, which has as its principal business the undertaking of employee lease arrangements. Approximately 70% of our temporary workforce is permanent employees of MSC and members of the cooperative. These employees are leased to us for fixed periods of time, during which they work full-time for our group. These employees typically consist of our middle and top management. The remaining 30% of our temporary employees are directly employed by the Company and typically work on a part time basis during times of peak activity, including due to seasonal variations. These temporary employees are generally laborers.

The wage costs to the Company for leasing MSC employees is comparable to the wage costs of hiring temporary employees directly, except that the Company pays an additional service fee and training contribution for leased employees, which management estimates increases the costs of leased employees by approximately 4% compared to temporary employees hired directly. However, we believe the additional flexibility provided by the employee leasing arrangement more than offsets the additional cost. For the years ended December 31, 2014, 2015 and 2016, we spent €37.5 million, €33.6 million and €31.9 million, respectively, on employee leasing (of which €29.1 million, €24.1 million and €22.8 million, respectively, related to employees leased from MSC) representing 3.9%, 3.5% and 3.4% of our respective revenues for the same periods. See also "*Business—Employees and labor arrangements—Employee leasing.*"

Costs for services and use of third party assets. For many of our contracts, we agree to provide services for which it is preferable (for reasons of cost, convenience and/or expertise) for us to hire a subcontractor to provide such services. In this case, these costs are recorded as "costs for services and use of third party assets." For the years ended December 31, 2014, 2015 and 2016, costs for services and use of third party assets were €364.0 million, €336.1 million and €331.4 million, respectively.

Productivity ratio. On a consolidated basis we calculate the "productivity ratio" of our Group, which is the ratio (expressed as a percentage) between total revenue and the sum of costs relating to internal and external personnel used in production activities (*i.e.*, total personnel costs, cost of services rendered by third parties, cost of services rendered by consortia and professional services). We believe this ratio is an important guide to our profitability. For the years ended December 31, 2014, 2015 and 2016, our productivity ratios were 144%, 146% and 144%, respectively, which we believe demonstrates over the periods presented consistent results in the productivity of our employees, driven primarily by the reorganization and restructuring of our Facility Management Segment begun in 2009.

Seasonality and working capital fluctuations

Our net working capital requirements generally peak in the first and third quarters. Since PSEs and healthcare customers typically pay us at the end of the second quarter and at year end, our net working capital requirements are lowest in the second and fourth quarters, when public and private sector customer accounts are settled for services rendered since the beginning of the calendar year, and in December, when we focus on cash collection for the year end. In order to manage net working capital seasonality, we utilize factoring facilities to transfer trade receivables for cash. See "*Risk factors—Risks related to our business—Following the Transactions, our cash on balance sheet will decrease significantly, and this could, together with other factors, adversely affect our liquidity position. Moreover, an increase in DSOs and other factors may negatively affect our working capital and lead us to experience liquidity constraints*." As discussed further below (see "*—Trade receivables*"), DSOs also increased in the first quarter for the reasons described above, which lead to payment times that are historically longer in the first quarter of the year, but tend to fall each quarter, reaching their lowest point in the fourth quarter of each year.

Trade receivables

The challenging economic and political conditions in Italy following the global crisis of 2008, combined with the general slowdown in bank lending and difficulties in collecting taxes, among other factors, led to a marked deterioration in prompt payment of trade receivables from our PSE, healthcare and private sector customers up to 2011, followed by a slight improvement in 2012 and 2013 due to greater attention on collections and streamlining of internal procedures within the Group. In the period from 2014 to 2016 we experienced an overall improvement of our trade receivables, with DSOs decreasing from 189 days in 2014, to 185 days in 2015, and to 170 days as of December 31, 2016, although DSOs have increased again to 177 days as of March 31, 2017 due to seasonal factors. In addition, notwithstanding the general decreasing trend, DSOs were significantly compromised in 2015 by the introduction of a new VAT law, characterized by so called "Split Payments" and "Reverse Charge" features. The Split Payment rules require Public Administrations to pay the VAT charged by their suppliers directly to the tax office (instead of the suppliers settling the VAT they have charged their customers); whereas the "Reverse Charge" rules allow the final purchaser to declare the tax owed as a debtor and simultaneously deduct it, provided such purchaser meets certain requirements and it has reduced VAT on procurement and, to a lesser extent, on sales invoices. Given their complexity, the new VAT rules delayed invoicing processes (both active and passive) at the beginning of 2015, causing a temporary delay in the issuing of invoices and collection times, which compromised the 2015 DSO reduction target trend. In 2016, the resolution of the delays in the invoicing process combined with an efficient working capital management led to an improvement in DSO if compared to 2015 and 2014 figures. Moreover, as indicated above, the increase of DSOs in the first quarter of 2017 is partially a seasonal effect, as payment times are historically longer in the first quarter of the year, but tend to fall each quarter, reaching their lowest point in the fourth quarter of each year. Pursuant to our procedures, we do not consider as "impaired" trade receivables from our customers which are not paid within the contractual term, unless we have other evidence that the receivable is doubtful.

We estimate that in 2016 the average payment period for our private customers, PSE customers and healthcare customers was approximately 133 days, 166 days and 192 days, respectively. We experienced a 16.2% decrease in the amount of trade receivables that were overdue by 91 days from 2015 to 2016 and a 15% decrease in the amount of trade receivables that were overdue by 91 days from 2014 to 2015. Our allowance for doubtful accounts was €33.4 million as of

December 31, 2016, representing 7.3% of our total trade receivables (this amount fell to €32.1 million as of March 31, 2017, representing 6.8% of our total trade receivables).

In connection with our contractual obligations to our PSEs, healthcare customers and other clients, we must make payments to our employees, sub-contractors and suppliers for labor, supplies and equipment; typically we must make such payments even if our PSEs or healthcare customers have not yet paid us for services already rendered, which adversely affects our working capital. Because of difficulties in promptly collecting payments contractually due to us, we have historically financed part of our working capital through bank loans and, in 2016, by selling trade receivables on a non-recourse basis through factoring transactions. Non-recourse factoring allows us to reduce the trade receivables balance: as of December 31, 2014, 2015 and 2016, total trade receivables outstanding in our factoring facilities (without recourse to the Group) were equal to €1.5 million, €1.4 million and €12.9 million, respectively. In addition, in 2015 we entered into a recourse factoring arrangement which allows us to sell our trade receivables up to €40.0 million. These factoring facilities effectively support our working capital. They do not however lower our DSOs, given that for the calculation of DSOs we add to the trade receivables the amount referred to trade receivables sold pursuant our non-recourse factoring programs and recourse sales of receivables do not lower our trade receivables. Net of trade receivables sold pursuant to our factoring programs, our DSOs as of December 31, 2014, 2015 and 2016 stood at 185 days, 182 days and 165 days, respectively. In the three months ended March 31, 2017, we sold without recourse €11.3 million in receivables, while the amount of outstanding trade receivables sold under factoring non-recourse facilities but not yet collected by the factor was equal to €13.9 million (plus €1.2 million in non-recourse factoring from prior periods relating to programs that have been terminated).

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

Factors affecting the comparability of our results of operations

Disposal of non-strategic businesses and focus on core business

Over the period 2014-2016, we refined our business model to consolidate and further focus on our historic core activities, in particular the provision of facility management and laundering and sterilization services for PSE and healthcare customers. We exited certain segments of the market which we deemed not strategic for the Group, such as the photovoltaic plants, building activities, public lighting and lifting equipment maintenance segments. In particular:

(i) in February 2014, we sold our subsidiaries Energyproject S.p.A. and Mowbray S.r.l., both active in the photovoltaic plant management business, completing the Group's exit from this sector and registering a net capital loss of €0.4 million;

(ii) in December 2014, we sold the total stake in MIA S.p.A., our subsidiary active in the maintenance and installation of lifting equipment, registering a net capital gain of €13.4 million;

(iii) at the end of 2015, we completed our exit from the public lighting sector through the sale of a business unit of SMAIL S.p.A., which was then merged by incorporation into MFM S.p.A., registering a net capital loss of €3.6 million (related to the write off of assets occurred in 2014 for €2.7 million and in 2015 for €0.9 million); and

(iv) in January 2016, MACO S.p.A., our subsidiary active in the sector of building management, was merged by incorporation into MFM S.p.A., although none of the building construction activities which MACO S.p.A. provided are currently provided by MFM.

The impact of these divestments should be considered when evaluating our results of operations for the years ended December 31, 2014, 2015 and 2016 and for the three months ended March 31, 2016 and 2017.

The CONSIP School Tender Litigation

For the year ended December 31, 2015, our results of operations were adversely affected by the €48.5 million sanction issued against us by the ICA in December 2015 in connection with the CONSIP School Tender Proceeding. In 2015, given the uncertainty regarding the possible outcome of the proceeding, we made a provision in our financial statements for legal risks equal to the amount of the sanction issued by the ICA, which led to a net loss for the year of €45.4 million (compared to a net profit of €12.6 million for 2014).

Following a series of administrative and legal decisions, the Company's fine was reduced to €14.7 million (due to the lesser degree of the infringement than originally assumed). Accordingly, for the year ended December 31, 2016, we reversed the provision accrued in 2015 by €33.8 million. In addition, in November 2016, CONSIP initiated a procedure to terminate the agreements entered into with us in connection with the CONSIP School Tender and informed us that it reserved the right to enforce the performance bonds we provided at the time of the tender. Having considered the enforcement of the performance bonds by CONSIP as a probable event, we set aside €17.5 million in our financial statements for the year ended December 31, 2016, while the fine of €14.7 million described above, which was classified as a reserve in 2016, is now classified as debt of the Company.

The issuance of the original €48.5 million sanction against us in 2015 and the corresponding provision we made in our financial statements for the year ended December 31, 2015, as well as the €33.8 million reversal of such provision in 2016 following the reduction of the sanction (and the classification of the fine of €14.7 million as debt in 2017) and the further €17.5 million provision we made in 2016 in connection with the potential enforcement of the performance bond, have affected the comparability of our results of operations for the years ended December 31, 2015 and 2016 in this "*Management's discussion and analysis of financial condition and results of operations*." See also "*Business—Legal proceedings—CONSIP School Tender Litigation.*"

Explanation of income statement items

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

Total revenue

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

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

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

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

Revenues recognized in excess of the amount billed in accordance with the percentage of completion method are recognized in our income statement and are classified as "Work in progress on order" under trade receivables balance in the statement of financial position. Otherwise, the amount billed in excess of the revenues recognized is classified as "Advance payments from customers" under trade payables balance and the related revenues are not recognized in the income statement.

Building activities. The Group recognizes revenue from construction activities taking into account the stage of completion measured with the percentage of completion method. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses incurred that are recoverable.

Sale of goods. Revenues from the sale of goods are recognized when the significant risks and rewards of ownership are transferred to the buyer, which is usually when such goods are sold.

Costs of raw materials and consumables

Costs of raw materials and consumables corresponds to the costs of procuring raw materials, consumables, supplies and goods related to different types of inputs, net of premiums, discounts and rebates granted by the suppliers, as applicable. Our fuel delivery commitments pursuant to Energy and HVAC management contracts include pass-through mechanisms, and by law our PSE and healthcare customer contracts must include price adjustments to enable us to pass-through increased fuel costs to our customers, either at the end of each quarter and according to reference prices published by ANAC, whereas CONSIP contracts include price adjustments three times a year.

Costs for services and use of third party assets

Costs for services and use of third party assets includes the cost of the activities we subcontract to third parties, consortia services costs related to TJAs, equipment maintenance and repair, professional services, transportation costs, advertising and promotional costs, insurance and sureties expenses, utilities and personnel services.

Personnel costs

Personnel costs includes wages and salaries, social security costs, employee leasing costs, employee benefits (current, post-employment and termination), directors' fees and other personnel expenses. Wage adjustments in connection with contract renewals and those in ordinary course of operations, leading to increased personnel costs, are generally passed through to customers in connection with mandatory price adjustments in our contracts that are indexed to an ISTAT indicator, a component of which includes changes in consumer price index for families of workers and employees.

Amortization/depreciation, write-downs and write-backs of assets

Amortization/depreciation, write-downs and write-backs of assets refers to amortization of intangible assets (excluding goodwill), depreciation of property, plant and equipment, write-downs of trade receivables, investments and intangible assets (including impairment of goodwill), as well as any write-back of assets.

Accrual to provisions for risks and charges

Accruals to provisions for risks and charges are made when the Group has to fulfill a current obligation (legal or constructive) resulting from a past event, when it is likely that an outflow of resources will be required to settle an obligation and the amount can be reliably estimated. These obligations can arise from, among others things, litigation, restructuring of businesses and other contingent liabilities. When the Group believes an allocation to the provision for risks and charges will be partially or fully reimbursed by a third party (*e.g.*, in the event of risks covered by insurance policies) the compensation is recorded separately as an asset only if it is virtually certain. In such case, the cost of the relevant allocation net of the amount recorded for the compensation is recorded in the income statement. If the effect of discounting the value of money is significant, provisions are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When discounting is carried out, the increase in the provision due to the passing of time is recorded as a financial expense.

Financial expenses

Financial expenses includes payments of interest under outstanding indebtedness (bank and other loans) as well as interest discounts on transfers of trade receivables.

Income taxes

Income tax is composed of current income tax expenses and deferred tax benefits or expenses (including tax losses carry forward).

Italian corporations are subject to two different income taxes, the "**IRES**" and "**IRAP**."

As of January 1, 2017, IRES (corporate income tax) is levied at a theoretical rate of 24.0% (before such date, the applicable rate was 27.5%). The IRES taxable income is determined by adjusting the profit before taxes by adding any un-deductible costs and subtracting any tax reduction and/ or tax credit according to Italian tax law. Pursuant to Article 96, paragraph 2, of Presidential Decree No. 917 of December 22, 1986, interest expenses and assimilated costs are tax deductible up to the amount of the interest income of the same fiscal year and, for the exceeding amount, up to the 30% of the gross operating margin ("*risultato operativo lordo della gestione caratteristica*"—"**ROL**") as recorded in such company's profit and loss account. The law defines ROL as earnings before interest, taxes, depreciation, amortization and finance leasing fees. The amount of ROL not used for the deduction of the amount of interest expense that exceeds interest income can be carried forward, increasing the amount of ROL for the following fiscal years. Interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years and deducted, *provided that* and to the extent that, in such fiscal years, the amount of interest expense that exceeds interest income is lower than 30% of ROL. In the case of a tax group, interest expense not deducted by an entity within the tax group due to lack of ROL can be deducted at the tax unity level, within the limit of the excess of ROL of the other companies within the tax group. This 30% threshold applies only to the Italian resident subsidiaries of the Issuer. Under certain conditions, dividend received by Italian resident companies from non-resident controlled companies shall be taken into account for ROL calculation purposes.

IRAP (regional business tax) is a local tax levied on the value of production generated in each Italian region. Currently, IRAP is levied at a theoretical rate of 3.9% (which can be increased at a regional level). Taxable income for IRAP purposes is the net value of production that is approximately equal to operating income plus personnel cost, less the deduction of the permanent employee and the total amount of social security contribution costs. Up to the fiscal year ended December 31, 2014, company were allowed to partially deduct from the IRAP taxable base the costs related to (a) permanent female employees, and (b) the permanent male employees under 35 years old. Starting from the fiscal year ended December 31, 2015, the deduction of labor costs for IRAP purposes depends on the type of hiring contract. In particular, the costs related to employees hired with an open-ended contract are full deductible. Such deductions for companies conducting a labor-intensive business, with permanently employed staff, significantly reduced the IRAP.

Results of operation

The following table sets forth the Group's consolidated statement of income for the periods indicated. The financial information has been derived from the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Consolidated statement of income

	For the year ended December 31,						For the three months ended			
	2014		2015		2016		2016		2017	
(thousands of €, except percentages)		% of revenue		% of revenue		% of revenue		% of revenue		% of revenue
Total revenue	**974,290**	**100%**	**955,729**	**100%**	**929,098**	**100%**	**241,696**	**100%**	**238,599**	**100%**
Costs of raw materials and consumables	(135,524)	(13.9)%	(133,155)	(13.9)%	(117,615)	(12.7)%	(41,694)	(17.3)%	(38,004)	(15.9)%
Change in inventories of finished and semi-finished products	—	—	—	—	(55)	—	20	—	—	—
Costs for services and use of third party assets	(364,040)	(37.4)%	(336,114)	(35.2)%	(331,365)	(35.7)%	(75,782)	(31.4)%	(75,169)	(31.5)%
Personnel costs	(374,210)	(38.4)%	(380,793)	(39.8)%	(376,266)	(40.5)%	(95,188)	(39.4)%	(95,255)	(39.9)%
Other operating costs	(7,645)	(0.8)%	(12,602)	(1.3)%	(7,900)	(0.9)%	(1,804)	(0.7)%	5,203	2.2%
Minor costs related to labor capitalized internally	—	—	—	—	—	—	—	—	65	—
Amortization/depreciation, write-downs and write-backs of assets	(38,635)	(4.0)%	(32,493)	(3.4)%	(32,714)	(3.5)%	(7,150)	(3.0)%	(7,572)	(3.2)%
(Accrual)/reversal to provisions for risks and charges	(7,238)	(0.7)%	(51,561)	(5.4)%	10,107	1.1%	(208)	0.1%	(553)	(0.2)%
Total operating costs	**(927,292)**	**(95.2)%**	**(946,718)**	**(99.1)%**	**(855,808)**	**(92.1)%**	**(221,806)**	**(91.8)%**	**(211,285)**	**(88.6)%**
Operating income	**46,998**	**4.8%**	**9,011**	**0.9%**	**73,290**	**7.9%**	**19,890**	**8.2%**	**27,314**	**11.4%**
Share of net profit of associates	1,198	0.1%	90	—	1,688	0.2%	871	0.4%	1,227	0.5%
Dividends, net income/(loss) from sale of investments	427	—	(459)	—	498	0.1%	—	—	—	—
Financial income	5,679	0.6%	984	0.1%	1,964	0.2%	777	0.3%	219	0.1%
Financial expenses	(42,313)	(4.3)%	(34,066)	(3.6)%	(30,183)	(3.2)%	(7,853)	(3.2)%	(7,344)	(3.1)%
Gains/(losses) on exchange rate	3	—	(10)	—	(38)	—	—	—	—	—
Profit/(losses) before taxes from continuing operations	**11,992**	**1.2%**	**(24,450)**	**(2.6)%**	**47,219**	**5.1%**	**13,685**	**5.7%**	**21,416**	**9.0%**
Income taxes	(11,414)	1.2%	**(18,032)**	(1.9)%	**(14,738)**	(1.6)%	(5,782)	2.4%	(8,046)	3.4%
Profit/(losses) after taxes from continuing operations	**578**	**0.1%**	**(42,482)**	**(4.4)%**	**32,481**	**3.5%**	**7,903**	**3.3%**	**13,370**	**5.6%**
Profit/(losses) after tax from discontinued operations	12,049	1.2%	(2,887)	(0.3)%	1,052	0.1%	—	—	—	—
Net profit/(loss) for the period:	**12,627**	**1.3%**	**(45,369)**	**(4.7)%**	**33,533**	**3.6%**	**7,903**	**3.3%**	**13,370**	**5.6%**
Attributable to:										
Equity holders of the parent	12,354	1.3%	(45,412)	(4.8)%	33,649	3.6%	8,073	3.3%	13,348	5.6%
Non-controlling interests	273	—	43	—	(116)	—	(170)	—	22	—

Segment reporting

We organize, manage and report the following two segments under IFRS 8:

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

Until December 31, 2015, certain non-core services of the Group, such as building construction, project management and energy activities, were included under a third segment (the "Other Segment"). We do not provide those services any longer and, starting from the 2016 financial year, our Other Segment no longer exists.

Our Facility Management Segment, as further described under "*Business*," includes the following activities: Cleaning, Technical services, Landscaping and Other facility management services. In the year ended December 31, 2016 and for the twelve months ended March 31, 2017, our Facility Management Segment generated €797.2 million and €794.3 million in revenue, respectively, or 85.5% and 85.5%, respectively, of our total revenue (gross of intra-group eliminations).

Our Laundering and Sterilization Segment, as further described under "*Business*," includes only such eponymous activities. In the year ended December 31, 2016 and for the twelve months ended March 31, 2017, our Laundering and Sterilization Segment generated €134.8 million and €134.6 million, respectively, or 14.5% and 14.5%, respectively, of our total revenue (gross of intra-group eliminations).

Our consolidated financial statements also present a geographical breakdown of our total revenue, although revenue generated outside of Italy is not, and has not been material for the periods under review. Our total revenue generated outside of Italy increased from €1.4 million for the year ended December 31, 2014 to €2.4 million for the year ended December 31, 2015, primarily due to an increase of the revenue from our sterilization operations in Turkey, mainly related to Servizi Ospedalieri's Turkish branch and some activity carried out in such country by our newly incorporated e-Digital Services, specialized in IT services. Revenue generated outside of Italy decreased from €2.4 million for the year ended December 31, 2015 to €1.8 million for the year ended December 31, 2016, mainly due to the reduction of activities of Servizi Ospedalieri's Turkish branch.

The following table shows our total revenue by sector for the years ended December 31, 2014, 2015 and 2016 and for the three months ended March 31, 2016 and 2017.

	For the year ended December 31,						For the three months ended			
	2014		2015		2016		2016		2017	
Total Revenue by Segment (thousands of €, except percentages)		**% of revenue**		**% of revenue**		**% of revenue**		**% of revenue**		**% of revenue**
Facility Management Segment	824,370	84.6%	819,153	85.7%	797,237	85.5%	209,051	86.5%	206,074	86.4%
Laundering and Sterilization Segment	144,856	14.9%	138,568	14.5%	134,788	14.5%	33,352	13.8%	33,175	13.9%
Other Segment[(1)]	8,654	0.9%	2,205	0.2%	—	—	—	—	—	—
Intra-group eliminations	(3,590)	(0.4)%	(4,197)	(0.4)%	(2,927)	(0.3)%	(707)	(0.3)%	(650)	(0.3)%
Total revenue	**974,290**	**100.0%**	955,729	100.0%	929,098	100.0%	241,696	100.0%	238,599	100.0%

(1) The Other Segment ceased to exist as of January 1, 2016 following the disposal of non-core activities of the Group.

Three months ended March 31, 2017 compared to the three months ended March 31, 2016

Total revenue

Our total revenue decreased from €241.7 million for the three months ended March 31, 2016 to €238.6 million for the three months ended March 31, 2017. This was mainly due to the reduced volumes achieved from PSEs and from private sector customers, as a consequence of the continuing effects of the price pressure in the Italian market, the completion of several important contracts and the renewal of existing contracts at decreased volumes or less favorable conditions for the Group, the effect of which was partially offset by increased volumes from healthcare customers, where several important new clients were obtained between the first quarter of 2016 and the first quarter of 2017.

Total revenue for our Facility Management Segment decreased by €3.0 million, or 1.4%. from €209.1 million for the three months ended March 31, 2016 to €206.1 million for the three months ended March 31, 2017. The slight decrease was attributable primarily to the conclusion of several important contracts that have not yet been replaced with new contracts.

Total revenue for our Laundering and Sterilization Segment remained essentially unchanged, passing from €33.4 million the three months ended March 31, 2016 to €33.2 million for the three months ended March 31, 2017.

Costs of raw materials and consumables

Costs of raw materials and consumables decreased by €3.7 million, or 8.9%, from €41.7 million for the three months ended March 31, 2016 to €38.0 million for the three months ended March 31, 2017. This was primarily due to a decrease in fuel costs over the period, combined with decreases in energy and heating costs due to the Group's cost reduction efforts.

Costs for services and use of third party assets

Costs for services and use of third party assets decreased only slightly by €0.6 million, or 0.8%, from €75.8 million for the three months ended March 31, 2016 to €75.2 million for the three months ended March 31, 2017, primarily due to the consistent use of these services over the periods.

Personnel costs

Personnel costs remained substantially unchanged, increasing by €0.1 million, from €95.2 million for the three months ended March 31, 2016 to €95.3 million for the three months ended March 31, 2017. The average number of employees was also substantially unchanged, moving from 16,197 for the three months ended March 31, 2017 compared to 16,470 for the same period in 2016, reflecting primarily changes in workers servicing clients over the periods.

Financial income

Financial income decreased by €0.6 million, from €0.8 million for the three months ended March 31, 2016 to €0.2 million for the three months ended March 31, 2017. This was mainly due to late interest income we received from a specific healthcare customer in the first quarter of 2016 equal to €0.6 million in connection with the renegotiation of a contract with such customer, which did not recur in 2017.

Financial expenses

Financial expenses decreased by €0.5 million, or 6.5%, from charges of €7.9 million for the three months ended March 31, 2016 to charges of €7.3 million for the three months ended March 31, 2017. This was mainly due to greater interest discount charges incurred in the first quarter of 2016 related to certain *pro soluto* factoring transactions in that period.

Profit before taxes from continuing operations

Profit before taxes from continuing operations increased by €7.7 million, or 56.5%, from €13.7 million for the three months ended March 31, 2016 to €21.4 million for the three months ended March 31, 2017, primarily due to a decrease in total operating costs and an increase in our share of net profit from associates. As a percentage of revenue, our profit before taxes from continuing operations increased by 3.3 percentage points from 5.7% for the three months ended March 31, 2016 to 9.0% for the three months ended March 31, 2017.

Income taxes

Income taxes increased by €2.3 million, or 39.2%, from €5.8 million for the three months ended March 31, 2016 to €8.0 million for the three months ended March 31, 2017. This increase was mainly due to the significant increase in our profit before taxes from continuing operations.

Net profit for the period

Net profit for the period increased by €5.5 million, or 69.2%, from €7.9 million for the three months ended March 31, 2016 to €13.4 million for the three months ended March 31, 2017, due to the reasons described above.

Year ended December 31, 2016 compared to the year ended December 31, 2015

Total revenue

Our total revenue decreased by €26.6 million, or 2.8%, from €955.7 million for the year ended December 31, 2015 to €929.1 million for the year ended December 31, 2016. This decrease was mainly due to the reduced volumes achieved from private sector customers, as a consequence of the continuing effects of the price pressure in the Italian market, already noted in previous years, the renewal of existing contracts at decreased volumes or less favorable conditions for the Group, as well as the completion of several large healthcare-related contracts during the course of 2016 which represented mature revenue streams during 2015, whereas new tenders won in 2016 did not compensate or certain public contracts in early 2016 were affected by delays in the start of performance.

Total revenue for our Facility Management Segment decreased by €21.9 million, or 2.7%, from €819.2 million for the year ended December 31, 2015 to €797.2 million for the year ended December 31, 2016. This decrease was mainly due to completion of several large contracts without replacement by equally large and complex contracts. For example, in 2015, we completed work on a CONSIP agreement (for integrated facility management at certain public hospitals), whereas our public tenders won in 2016 were comparatively smaller.

Total revenue for our Laundering and Sterilization Segment decreased by €3.8 million, or 2.7%, from €138.6 million for the year ended December 31, 2015 to €134.8 million for the year ended December 31, 2016. This decrease was mainly due to the combined effect of the renewal in 2016 of certain Laundering and Sterilization contracts at reduced volumes and the termination of certain sterilization contracts, in each case as a consequence of the public spending review that negatively affected certain healthcare customers in 2016.

Following our focus on our core business and the disposal of certain non-core operations, total revenue for our Other Segment was nil in the year ended December 31, 2016, as MACO S.p.A., our subsidiary active in the building management sector, terminated its activities and was merged by incorporation into the Company as of January 1, 2016.

Costs of raw materials and consumables

Costs of raw materials and consumables decreased by €15.5 million or 11.7%, from €133.2 million for the year ended December 31, 2015 to €117.6 million for the year ended December 31, 2016. This decrease was primarily attributable to decreased costs for consumption of fuels and raw materials, which decreased by €12.4 million and €3.1 million, respectively, for the year ended December 31, 2016, as compared to the previous year, due to decreased volumes and a change in our service mix. Additionally, as we completed several healthcare center renovations in 2015 (as part of our project finance activities), we had fewer raw materials needs in 2016 as compared to the prior year. As a percentage of revenue, our costs of raw materials and consumables slightly decreased from 13.9% in the year ended December 31, 2015 to 12.7% in the year ended December 31, 2016.

Costs for services and use of third party assets

Costs for services and use of third party assets decreased by €4.7 million, or 1.4%, from €336.1 million for the year ended December 31, 2015 to €331.4 million for the year ended December 31, 2016. Such decrease was mainly due to lower costs for third party services (€219.4 million for the year ended December 31, 2016 compared to €228.1 million for the previous year), as part of our cost reduction efforts, which resulted in a change in the mix of production factors in favor of labor cost. This decrease was slightly offset by increased advisory costs related to reorganization activities that the Group undertook in 2016 as well as legal fees related to certain litigation matters (including the CONSIP School Tender Litigation) that affected the Group during the year ended December 31, 2016. As a percentage of revenue, our costs for services and use of third party assets increased by 0.5 percentage points from 35.2% for the year ended December 31, 2015 to 35.7% for the year ended December 31, 2016.

Personnel costs

Personnel costs decreased by €4.5 million, or 1.2%, from €380.8 million for the year ended December 31, 2015 to €376.3 million for the year ended December 31, 2016. This decrease was primarily the result of lower fiscal obligations for the Group on its workforce for the year ended December 31, 2016, notwithstanding the increase in the average number of our employees from 16,179 for the year ended December 31, 2015 to 16,320 for the year ended December 31, 2016 due to the different service mix. Our use of employee leasing decreased by €1.7 million during the year ended December 31, 2016 due to a decrease in the number of Group employees applying for MSC membership and a decrease in the use of interim work to cope with temporary peaks of work while maintaining flexibility.

As a percentage of revenue, our personnel costs increased by 0.7 percentage points, from 39.8% for the year ended December 31, 2015 to 40.5% for the year ended December 31, 2016. This increase was related to the insourcing of certain activities previously provided by third parties.

Amortization/depreciation, write-downs and write-backs of assets

Amortization/depreciation, write-downs and write-backs of assets for the year ended December 31, 2016 were substantially in line with the previous year, registering a €0.2 million, or 0.7%, increase from €32.5 million for the year ended December 31, 2015 to €32.7 million for the year ended December 31, 2016.

Accrual to provisions for risks and charges

Accrual to provisions for risks and charges decreased by €61.7 million, or 119.6%, from accruals to provisions of €51.6 million for the year ended December 31, 2015 to the reversal of accruals for an amount of €10.1 million for the year ended December 31, 2016. This significant decrease was primarily attributable to the reduction of the sanction imposed on the Company by the Italian Competition Authority ("**ICA**") in December 2015 in connection with the proceeding brought against the Company regarding alleged breaches of competition rules in the context of a European Union tender for cleaning services in school buildings called by CONSIP in 2012. Following the partially favorable ruling of the Tar Lazio, before which we appealed the ICA decision, the ICA decided to decrease the sanction from €48.5 million to €14.7 million. See "*Business—Legal Proceedings—CONSIP School Tender Litigation*." Accordingly, we reversed the provision accrued in 2015 by €33.8 million.

In addition, as a consequence of the ruling of the Tar Lazio which was partially favorable to CONSIP, in November 23, 2016, CONSIP initiated a procedure to terminate the agreements entered into in connection with the CONSIP School Tender and informed the Company that it reserved the right to enforce the performance bonds we provided at the time of the tender. Having considered the enforcement of the performance bonds by CONSIP as a probable event, we have set aside €17.5 million in our financial statements. Further accruals for €7.8 million were made primarily in connection with (i) other legal claims for €4.4 million and (ii) restructuring provisions for €1.4 million.

Operating income/(loss)

Operating income increased by €64.3 million, or 713.3%, from €9.0 million for the year ended December 31, 2015 to €73.3 million for the year ended December 31, 2016 for the reasons described above. In particular, operating income in our Facility Management Segment increased by €59.8 million from an operating loss of €4.0 million for the year ended December 31, 2015 to an operating income of €55.7 million for the year ended December 31, 2016. Operating income of our Laundering and Sterilization Segment increased by €3.9 million, or 28.3%, from €13.7 million for the year ended December 31, 2015 to €17.5 million for the year ended December 31, 2016. As part of our reorganizational process, operating income for our Other Segment was nil in the year ended December 31, 2016, as MACO S.p.A., our subsidiary active in the building management sector, terminated its activities and was merged by incorporation into the Company as of January 1, 2016.

Financial expenses

Financial expenses decreased by €3.9 million, or 11.4%, from €34.1 million for the year ended December 31, 2015 to €30.2 million for the year ended December 31, 2016. Such decrease was primarily due to lower coupon payments on, and decreased amortized costs in connection with, the Existing Senior Secured Notes in the year ended December 31, 2016, as a consequence of the tender offer we launched on such bonds in June 2015, through which we repurchased €80 million aggregate principal amount, which were partly offset by a €1.4 million increase in interest discount in connection with *pro-soluto* factoring transactions. Interest expense on our other bank facilities decreased in the year ended December 31, 2016, as a consequence of the reduction in our overall indebtedness after the tender offer, providing us with comparatively cheaper access to financing.

Profit / (losses) before taxes from continuing operations

Profit/(loss) before taxes from continuing operations increased by €71.7 million, or 293.1%, from a loss of €24.5 million for the year ended December 31, 2015 to a profit of €47.2 million for the year ended December 31, 2016. As a percentage of revenue, our profit/(loss) before taxes from continuing operations increased by 7.7 percentage points from negative 2.6% for the year ended December 31, 2015 to positive 5.1% for the year ended December 31, 2016.

Income taxes

Income taxes decreased by €3.3 million, or 18.3%, from €18.0 million for the year ended December 31, 2015 to €14.7 million for the year ended December 31, 2016. This decrease was primarily due to a valuation allowance of deferred tax assets of €3.4 million occurred in 2015 in connection with deferred tax assets on non-deductible financial interests and €0.7 million related to the effect connected to the change of IRES nominal tax rate (from 27.5% to 24%).

Net profit / (loss) for the year

Net profit / (loss) for the year increased by €78.9 million from a net loss of €45.4 million in the year ended December 31, 2015 to a net profit of €33.5 million for the year ended December 31, 2016. This decrease was primarily attributable to the factors discussed above.

Year ended December 31, 2015 compared to the year ended December 31, 2014

Total revenue

Our total revenue decreased by €18.6 million, or 1.9%, from €974.3 million for the year ended December 31, 2014 to €955.7 million for the year ended December 31, 2015. This decrease was mainly due to the reduced volumes achieved towards certain significant private accounts, the continuing effects of the price pressure in the Italian market, already noted in previous years, and the decrease in other revenues, primarily related to the photovoltaic and building sectors, as a consequence of the difficult macroeconomic environment (which led to increased price pressure) and our withdrawal from certain activities previously reported in the Other segment, mainly related to project finance and construction management.

Total revenue for our Facility Management Segment decreased by €5.2 million, or 0.6%, from €824.4 million for the year ended December 31, 2014 to €819.2 million for the year ended December 31, 2015. This decrease was mainly due to the smaller volumes in the Private segment (mainly related to the re-negotiation of the agreement with Telecom Italia in 2013), which presents the most significant accounts in this sector.

Total revenue for our Laundering and Sterilization Segment decreased by €6.3 million, or 4.3%, from €144.9 million for the year ended December 31, 2014 to €138.6 million for the year ended December 31, 2015. This decrease was mainly due to the lower volumes in the linen rental and industrial laundering activities as well as a decrease in revenue generated from the sterilization of surgical instruments (involving the preparation of sterile instrument sets for use in surgery rooms), which decreased their relative contribution to total revenue in 2014 for this segment, as slightly offset by €1.0 million in revenue generated from a sterilization contract gained in Turkey.

Total revenue for our Other Segment decreased by €6.4 million, or 74.5%, from €8.7 million for the year ended December 31, 2014 to €2.2 million for the year ended December 31, 2015. This decrease was mainly due to the decision to gradually wind down the Group's non-core Other Segment, including our project management and photovoltaic energy business. Accordingly, completed contracts were not replaced, which accounted for much of the decrease in revenue.

Costs of raw materials and consumables

Costs of raw materials and consumables decreased by €2.4 million or 1.7%, from €135.5 million for the year ended December 31, 2014 to €133.2 million for the year ended December 31, 2015. This decrease was primarily due to decreased costs for consumption of fuels, which decreased by €4.8 million or 7.3%, from €66.0 million for the year ended December 31, 2014 to €61.1 million for the year ended December 31, 2015 due to a lower average cost of fuel, whereas volumes of energy supply and heat management services did not change significantly. Furthermore, consumption of materials increased by €2.5 million in 2015 compared to the previous year, as a result of a different mix of services provided. Consumption of fuel and other raw materials are the main components of this line item. As a percentage of revenue, our costs of raw materials and consumables remained stable at 13.9% in the years ended December 31, 2014 and 2015.

Costs for services and use of third party assets

Costs for services and use of third party assets decreased by €27.9 million, or 7.7%, from €364.0 million for the year ended December 31, 2014 to €336.1 million for the year ended December 31, 2015. Such decrease was mainly due to lower costs for third party services (€228.1 million for the year ended December 31, 2015 compared to €245.1 million for the previous year), as part of our process to increase insourcing of certain activities (such as hygiene services) which resulted in a change in the mix of production factors in favor of labor cost. As a percentage of revenue, our costs for services and use of third party assets decreased by 2.2 percentage points from 37.4% for the year ended December 31, 2014 to 35.2% for the year ended December 31, 2015.

Personnel costs

Personnel costs increased by €6.6 million, or 1.8%, from €374.2 million for the year ended December 31, 2014 to €380.8 million for the year ended December 31, 2015. This increase was primarily the result of our process to foster insourcing of certain activities which resulted in an increase of labor costs, as well as additional reorganization efforts for certain Group companies, which entailed, for the year ended December 31, 2015, increased costs for mobility, extraordinary redundancy schemes and early retirement incentives. Additionally, part of our response to the spending review was to compete for and win certain large public tenders that required significant labor, as our economies of scale allowed us to absorb the reduced contribution margin resulting from such contracts. Employee headcount increased from 15,922 as of December 31, 2014 to 16,179 as of December 31, 2015. Our use of employee leasing decreased by €3.9 million during the year ended December 31, 2015 due to a decrease in the number of Group employees applying for MSC membership and a decrease in the use of interim work to cope with temporary peaks of work while maintaining flexibility.

As a percentage of revenue, our personnel costs increased by 1.4 percentage points, from 38.4% for the year ended December 31, 2014 to 39.8% for the year ended December 31, 2015. This increase was related to the fact that, although our contracts allow some pass through of employment costs with price increases permitted by law as calculated by ISTAT (of which labor is a component), certain other labor costs must be absorbed by the Group, particularly with respect to restructuring.

Amortization/depreciation, write-downs and write-backs of assets

Amortization/depreciation, write-downs and write-backs of assets decreased by €6.1 million, or 15.9%, from €38.6 million for the year ended December 31, 2014 to €32.5 million for the year ended December 31, 2015. This decrease was primarily related to a €4.1 million decrease in amortization/depreciation, as a result of a lower net book value of both tangible and intangible assets, which was partly offset by an increase in the write downs of trade receivables for €2.3 million, mainly due to a general higher risk of the receivables recognized.

In addition, for the year ended December 31, 2014, the write off of the residual net value of specific software used in our facility management operations generated impairment losses of tangible and intangible assets for €4.4 million, compared to negligible impairment losses for the year ended December 31, 2015. Such software proved to be no longer suitable and strategic and was no longer in use as of 2015.

Accrual to provisions for risks and charges

Accrual to provisions for risks and charges increased by €44.3 million, or 612.4%, from €7.2 million for the year ended December 31, 2014 to €51.6 million for the year ended December 31, 2015. This significant increase was almost entirely attributable to accruals we made in connection with the proceeding brought against the Company by the ICA in 2015 for €48.5 million. See "*Business—Legal Proceedings—CONSIP School Tender Litigation*."

Operating income/(loss)

Operating income decreased by €38.0 million, or 80.8%, from €47.0 million for the year ended December 31, 2014 to €9.0 million for the year ended December 31, 2015 for the reasons described above. In particular, operating income in our Facility Management Segment decreased by €37.2 million, or 112.1%, from an operating income of €33.2 million for the year ended December 31, 2014 to an operating loss of €4.0 million for the year ended December 31, 2015. Operating income of our Laundering and Sterilization Segment decreased by €1.1 million, or 7.3%, from €14.8 million for the year ended December 31, 2014 to €13.8 million for the year ended December 31, 2015. The investments in our operating efficiency, the full-year effects of which were recorded in the year ended December 31, 2015 helped us absorb the volume decreases in the Laundering and Sterilization Segment, resulting in a relatively stable operating income. Operating loss of our Other Segment decreased by €0.3 million, or 30.7%, from €0.9 million for the year ended December 31, 2014 to €0.6 million for the year ended December 31, 2015; these activities represented non-core services for the Group and were no longer offered as of January 1, 2016.

Financial expenses

Financial expenses decreased by €8.2 million, or 19.5%, from €42.3 million for the year ended December 31, 2014 to €34.1 million for the year ended December 31, 2015. Such decrease was primarily due to lower coupon payments on the Existing Senior Secured Notes in the year ended December 31, 2015 for €7.3 million, as a consequence of repurchase transactions on the Existing Senior Secured Notes carried out by the Group on the market in 2014 and 2015 where we reduced the aggregate principal amount outstanding by €125 million.

Profit / (loss) before taxes from continuing operations

Profit before taxes from continuing operations decreased by €36.4 million, or 303.9%, from a profit of €12.0 million for the year ended December 31, 2014 to a loss of €24.5 million for the year ended December 31, 2015. As a percentage of revenue, our profit before taxes from continuing operations decreased by 3.8 percentage points from 1.2% for the year ended December 31, 2014 to negative 2.6% for the year ended December 31, 2015.

Income taxes

Income taxes increased by €6.6 million, or 58.0%, from €11.4 million for the year ended December 31, 2014 to €18.0 million for the year ended December 31, 2015. This increase was primarily due to the recognition in the year ended December 31, 2015, of a net charge amounting to €7.3 million, relating to the total balance of prepaid and deferred taxes against the recognition of a net income of €3.2 million in year ended December 31, 2014.

Net profit / (loss) for the year

Net profit for the year decreased by €58.0 million from a net profit €12.6 million in the year ended December 31, 2014 to a net loss of €45.4 million for the year ended December 31, 2015; this decrease was primarily attributable to the factors discussed above.

Liquidity and capital resources

Liquidity before the Transactions

Our cash requirements consist mainly of the following:

- operating activities, including our net working capital requirements;
- servicing our indebtedness and the indebtedness of our subsidiaries;
- liability management transactions in respect of the Existing Senior Secured Notes;

- funding acquisitions;
- funding capital expenditures; and
- paying taxes.

Our sources of liquidity have historically consisted mainly of the following:

- cash generated from our operating activities;
- the Existing Senior Secured Notes, which will be entirely redeemed with the proceeds of the Offering;
- borrowings under our existing credit facilities; and
- the sale of trade receivables on a recourse and non-recourse basis under our factoring facilities.

As of March 31, 2017, our Net Debt amounted to €173.8 million compared to €166.2 million as of December 31, 2016. We define Net Debt as measurements of our indebtedness as described in Footnote 3 under "*Summary historical consolidated financial information and other data—Other financial information*." As of March 31, 2017, we had cash and cash equivalents of €176.2 million compared to €175.0 million as of December 31, 2016, and current financial assets of €2.1 million compared to €2.4 million as of December 31, 2016.

In February 2016, with the aim of being able to meet potential non-recurring cash outflow requirements, we entered into a non-recourse factoring agreement with Banca Farmafactoring S.p.A. concerning the assignment without recourse of receivables from entities in the National Health System, for an annual amount of up to €100 million. The committed credit line will expire in 2019. For the year ended December 31, 2016, assignments of receivables without recourse amounted to €50.0 million. See "*Description of Certain Financing Arrangements—Factoring facilities—Banca Farmafactoring Facility*." In addition, in March 2016, we sold without recourse €12.4 million of tax receivables to Banca Farmafactoring S.p.A., linked to the application of Law Decree No. 201 of December 6, 2011, as amended and converted by Law No. 214 of December 22, 2011, which allowed various Group companies to submit to the Italian tax authority, in 2012, a request for an IRES (corporate income) tax refund as a result of the non-deduction of IRAP (local production activity) tax. Such sale represented a one-off transaction and was not executed under the Banca Farmafactoring Facility. In the three months ended March 31, 2017, we sold without recourse €11.3 million in receivables, while the amount of outstanding trade receivables sold under non-recourse factoring facilities but not yet collected by the factor was equal to €13.9 million (plus €1.2 million in non-recourse factoring from prior periods related to programs that have terminated). In addition, since March 31, 2017, we made a sale of tax receivables without recourse to Banca Farmafactoring S.p.A. of tax receivables belonging to the Company, Servizi Ospedalieri and YouGenio in the amount of €9.8 million which closed on May 31, 2017. We also intend to make a sale of receivables for cash proceeds of €2.1 million to Banca Farmafactoring expected to occur by the end of June. In addition, by the end of June 2017, if we have not collected under a portfolio of receivables from certain healthcare PSEs we have identified we intend to assign to Banca Farmafactoring such receivables belonging to the Company for total cash proceeds of €20 million pursuant to the new €100.0 million committed factoring facility. As of March 31, 2017, on a *pro forma* basis for the Receivables Sales and the Transaction, the availability under the Banca Farmafactoring committed line for receivables from healthcare PSEs was €73.0 million. See footnote 2 under "*Capitalization*" for more information.

The Transactions

For a description of the Transactions, see "*Summary—The Transactions.*"

Liquidity following the Transactions

Following the completion of the Transactions, our primary sources of liquidity will consist of the following:

- cash generated from our operating activities;
- available drawings under the Revolving Credit Facility; and
- sale of trade receivables on a non-recourse basis through the Banca Farmafactoring Facility and on a recourse basis through the UniCredit Factoring Facility or other future factoring facilities, if any.

We expect that, following the Transactions, the Banca Farmafactoring Facility and the UniCredit Factoring Facility will remain outstanding. We expect that recourse and non-recourse factoring will continue to be an option available to us to manage our liquidity if the need arises. In addition, we expect that further reductions in DSOs through our attention to working capital management and continuing efforts to manage collections and payments under our trade receivables will improve our liquidity.

For more information regarding our indebtedness and cash service requirements on our indebtedness following the Offering, see "*Capitalization*" and "*Description of Certain Financing Arrangements.*"

Net working capital

Our net working capital, as defined by the Group, is the sum of our trade receivables, inventories, trade payables and other elements of working capital. The table below sets forth our net working capital as of December 31, 2014, 2015 and 2016 and as of March 31, 2017.

	As of December 31,			As of March 31.
(thousands of €)	**2014**	**2015**	**2016**	**2017**
Trade receivables and advances to suppliers	580,629	519,194	456,095	468,619
Inventories	5,115	4,763	4,382	4,579
Trade payables and advances from customers	(380,821)	(380,215)	(346,308)	(348,484)
Other elements of working capital(1)	(79,630)	(54,519)	(68,555)	(84,110)
Net working capital(2)	**125,293**	**89,223**	**45,614**	**40,604**
Outstanding trade receivables sold under factoring facilities but not yet collected by the factor	1,469	1,400	12,883	15,069
Net working capital adjusted for trade receivables off-balance sheet ("Adjusted net working capital")(3)	**126,762**	**90,623**	**58,497**	**55,673**

(1) "Other elements of working capital" represents the sum of current tax receivables, current tax payables, other current assets, other current liabilities, assets classified as held for sale, liabilities directly associated with assets classified as held for sale, and provisions for risks and charges (current). The below table provides the breakdown of the other elements of working capital as of December 31, 2014, 2015 and 2016 and as of March 31, 2017.

	As of December 31,			As of March 31,
(thousands of €)	**2014**	**2015**	**2016**	**2017**
Current tax receivables	28,922	23,430	3,500	387
Current tax payables	(4)	—	(1,363)	(6,188)
Other current assets	30,632	31,138	25,932	29,210
Other current liabilities	(123,624)	(94,572)	(85,909)	(97,173)
Assets classified as held for sale	5,003	—	—	—
Provisions for risks and charges, current	(20,559)	(14,515)	(10,715)	(10,346)
Other elements of working capital	**(79,630)**	**(54,519)**	**(68,555)**	**(84,110)**

(2) "Net working capital" is not a recognized measure of financial performance or liquidity under IFRS and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of financial information—Non-IFRS financial measures.*"

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

Adjusted Net working capital decreased by €2.8 million, or 4.8%, from €58.5 million as of December 31, 2016 to €55.7 million as of March 31, 2017. This decrease was primarily due to a decrease of €15.6 million in the "other elements of working capital," partially offset by an increase of €12.5 million in trade receivables and advances to suppliers.

Adjusted Net working capital decreased by €32.1 million, or 35.5%, from €90.6 million as of December 31, 2015 to €58.5 million as of December 31, 2016. This decrease was due to the combination of several different effects, in particular: (i) a €63.1 million decrease in trade receivables and advances to suppliers, mainly attributable to improved receivable collection, as well as a €11.5 million increase in the utilization of factoring; (ii) a €33.9 million decrease in trade payables and advances from customers, mainly attributable to the decrease of our costs for 2016; and (iii) a €19.9 million decrease in current tax receivables, mainly due to the sale of (i) tax receivables under non-recourse factoring to Banca Farmafactoring S.p.A. in 2016 for €10.0 million and (ii) other current assets for €5.2 million.

Adjusted net working capital decreased by €36.1 million, or 28.5%, from €126.8 million as of December 31, 2014 to €90.6 million as of December 31, 2015. This decrease was primarily due to a decrease of €25.1 million in the "other elements of working capital," partially offset by a decrease of €61.4 million in trade receivables and advances to suppliers. In addition, total trade receivables decreased by €61.4 million primarily due to an improvement in DSOs (189 days in 2014 compared to 185 days in 2015). The "other elements of working capital" decreased by €25.1 million, mainly due to: (i) a decrease of €5.5 million in current tax receivables related to a decrease in IRAP receivables; (ii) a decrease of €29.1 million in other current liabilities, mainly related to the new fiscal rules occurred in 2015 as a consequence of the introduction of the "Split Payment" and "Reverse Charge" new fiscal rules; and (iii) a decrease of €6.0 million in current provisions for risks and charges, as a consequence of accruals made in 2015 in connection with mobility plans for €1.6 million, reversal of provision made in 2014 in connection with our restructuring plan for €6.8 million and releases of accruals made in 2015 for €2.3 million.

Cash flow

The table below summarizes the cash flow of the Group for the years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2016 and 2017.

	For the year ended December 31,			For the three months ended March 31,	
(thousands of €)	**2014**	**2015**	**2016**	**2016**	**2017**
Cash flow from/(used in) operating activities	18,582	67,699	86,441	(20,875)	2,211
Cash flow from/(used in) investing activities	40,395	(18,659)	(21,421)	(4,118)	(9,883)
Cash flow from/(used in) financing activities	(130,133)	(48,031)	(4,419)	14,452	8,911
Change in cash and cash equivalents	(71,156)	1,009	60,601	(10,541)	1,239
Cash and cash equivalents at the end of the period	113,382	114,391	174,992	103,850	176,231

Cash flow from/(used in) operating activities

For the three months ended March 31, 2017, cash flow from operating activities was equal to €2.2 million, compared to cash flow used in operating activities equal to €20.9 million for the three months ended March 31, 2016. Such change is due to the combined effect of (i) cash from operating activities of €34.0 million for the three months ended March 31, 2017 compared to €25.2 million for the three months ended March 31, 2016 and (ii) a decrease in working capital of €18.6 million for the three months ended March 31, 2017, compared to a decrease in working capital of €43.4 million for the three months ended March 31, 2016 (driven primarily by changes in trade payables and trade receivables).

For the year ended December 31, 2016, cash flow from operating activities increased to €86.4 million from €67.7 million for the year ended December 31, 2015. The increase in cash flow from operating activities was mainly due to the combined effect of the following: (i) cash from operating activities of €86.8 million for the year ended December 31, 2016 compared to €79.6 million for the year ended December 31, 2015), (ii) cash from net working capital management for €20.9 million for the year ended December 31, 2016 compared to €25.8 million for the year ended December 31, 2015; (iii) interests paid for €26.5 million for the year ended December 31, 2016 compared to €32.6 million for the year ended December 31, 2015); and (iv) cash flow from taxes for €5.3 million for the year ended December 31, 2016 compared to €5.1 million of taxes paid for the year ended December 31, 2015.

For the year ended December 31, 2015 cash flow from operating activities increased to €67.7 million from €18.6 million for the year ended December 31, 2014. This increase was mainly due to (i) cash from operating activities of €79.6 million as of December 31, 2015 compared to €81.5 million for the year ended December 31, 2014, (ii) cash from net working capital management for €25.8 million for the year ended December 31, 2015 compared to cash from net working capital management of €0.1 million for the year ended December 31, 2014; (iii) interests paid for €32.6 million for the year ended December 31, 2015 compared to €34.0 million for the year ended December 31, 2014; and (iv) taxes paid for €5.1 million for the year ended December 31, 2015 compared to €29.0 million for the year ended December 31, 2014.

Cash flow (from)/used in investing activities

For the three months ended March 31, 2017, cash flow used in investing activities increased to €9.9 million from €4.1 million for the three months ended March 31, 2016. The increase was primarily due to a significant increase in cash used to purchase property, plant and equipment, which increased to €8.9 million in the three months ended March 31, 2017 from €2.9 million for the three months ended March 31, 2016.

For the year ended December 31, 2016, cash flow from investing activities increased to €21.4 million from €18.7 million for the year ended December 31, 2015. The effect was primarily due to (i) cash used for capital expenditures for €30.5 million for the year ended December 31, 2016 compared to €24.0 million for the year ended December 31, 2015, gross of disinvestment amounting to €0.8 million for both the years ended December 31, 2016 and 2015; (ii) cash from earn out deriving from discontinued operations for €9.3 million for the year ended December 31, 2016 compared to €4.9 million for the year ended December 31, 2015.

For the year ended December 31, 2015, cash flow from investing activities increased to €18.7 million from cash flow used in investing activities of €40.4 million for the year ended December 31, 2014. The variation was primarily due to (i) cash used for capital expenditures for €24.0 million for the year ended December 31, 2015 compared to €26.8 million for the year ended December 31, 2014, gross of disinvestment amounting to €0.8 million for the year ended December 31, 2015 compared to €1.8 million for the year ended December 31, 2014; (ii) cash from earn out deriving from discontinued operations for €4.9 million for the year ended December 31, 2015 compared to €58.8 million for the year ended December 31, 2014.

For a reconciliation of total capital expenditures to cash flow used in or from investment activities for the years ended December 31, 2014, 2015 and 2016, see footnote 2 to the table presented under "—*Capital Expenditures*."

Cash flow (from)/used in financing activities

For the three months ended March 31, 2017, cash flow from financing activities decreased to €8.9 million from €14.5 million for the three months ended March 31, 2016. The reduction was primarily due to a decrease in proceeds from financial debt, which decreased to €1.6 million in the three months ended March 31, 2017 from €15.5 million for the three months ended March 31, 2016.

For the year ended December 31, 2016, financing activities absorbed cash flow for €4.4 million, whereas for the year ended December 31, 2015 financing activities absorbed cash flow of €48.0 million. The variation was mainly due to lower amounts of bank facilities and Existing Senior Secured Notes repaid or repurchased in the year ended December 31, 2016, compared to the previous year.

For the year ended December 31, 2015, financing activities absorbed cash flow for €48.0 million whereas financing activities absorbed cash flow of €130.1 million for the year ended December 31, 2014. This change was mainly due to the greater amounts of bank facilities and Existing Senior Secured Notes repaid or repurchased in the year ended December 31, 2014 compared to the following year.

Net Debt

The table below sets forth our Net Debt as of December 31, 2014, 2015 and 2016 and as of March 31, 2017.

	As of December 31,			As of March 31,
(thousands of €)	**2014**	**2015**	**2016**	**2017**
Long-term financial debt adjusted	381,514	310,921	310,419	313,447
Bank borrowings, including current portion of long-term debt and other financial liabilities adjusted	13,643	37,171	33,157	38,591
Gross Debt	**395,157**	**348,092**	**343,576**	**352,038**
Cash and cash equivalents	(113,382)	(114,391)	(174,992)	(176,231)
Current financial assets	(3,501)	(5,257)	(2,387)	(2,051)
Net Debt	**278,274**	**228,444**	**166,197**	**173,756**

The following table sets forth a reconciliation of Long term financial debt and Bank borrowings, including current portion of long-term debt and other financial liabilities, to Long term financial debt adjusted and Bank borrowings, including current portion of long-term debt and other financial liabilities adjusted, respectively:

	As of December 31,			As of March 31,
(Thousands of €)	**2014**	**2015**	**2016**	**2017**
Long-term financial debt	**379,001**	**311,686**	**305,482**	**308,831**
Unamortized portion of transaction costs	9,720	6,565	5,352	5,031
Capital contribution to be paid (non-current)	—	—	(415)	(415)
Debt for the acquisition of non-controlling interests (non-current)[(a)]	(7,207)	(7,330)	—	—
Long-term financial debt adjusted	**381,514**	**310,921**	**310,419**	**313,447**
Bank borrowing including current portion of long-term debt, and other financial liabilities	**28,512**	**48,562**	**52,839**	**52,079**
Interest accrued	(13,410)	(10,599)	(10,633)	(4,259)
Collections on behalf of factoring counterparties[(b)]	(53)	—	(2,744)	(2,920)
Debt for the acquisition of non-controlling interests (current)[(a)]	(66)	(146)	(5,664)	(5,664)
Capital contribution to be paid (current)	(5)	(277)	(277)	(277)
Loans from non-controlling shareholders	(376)	(351)	(357)	(360)
Other	(959)	(18)	(7)	(8)
Bank borrowing including current portion of long-term debt, and other financial liabilities adjusted	**13,643**	**37,171**	**33,157**	**38,591**

(a) Debt for the acquisition of non-controlling interests (non-current) refer to the recognition, under IFRS 3, of the fair value of the contingent consideration granted to certain non-controlling interests. See "*Management's discussion and analysis of financial condition and results of operations—Arrangements with non-controlling shareholders in our subsidiaries.*"

(b) Collections on behalf of factoring counterparties refers to the balances of bank accounts into which customers make payments on the trade receivables that have been sold to factoring counterparties as further discussed under "*Description of certain financing arrangements—Factoring facilities—Banca Farmafactoring Facility.*"

As of March 31, 2017, after adjustments to give effect to the Transactions, our Net Debt would have been €343.9 million, compared to €166.2 million as of December 31, 2016.

Net Debt increased by €7.6 million, or 4.5%, from €166.2 million as of December 31, 2016 to €173.8 million as of March 31, 2017. This was primarily due to a slight increase of €3.0 million in long-term financial debt adjusted and of €5.4 million in Bank borrowings, including current portion of long-term debt and other financial liabilities adjusted, which was only partially offset by an increase of €1.2 million in cash and cash equivalents.

Net Debt decreased by €62.2 million, or 27.2%, from €228.4 million as of December 31, 2015 to €166.2 million as of December 31, 2016. This was primarily due to an increase of €60.6 million in cash and cash equivalents.

Net Debt decreased by €49.8 million, or 17.9%, from €278.3 million as of December 31, 2014 to €228.4 million as of December 31, 2015. This was primarily attributable to a decrease in long-term debt of €70.6 million due to the repurchase by the Group of €80.0 million in principal amount of the Existing Senior Secured Notes on the market for the year ended December 31, 2015 (following a repurchase of €45.0 million of principal amount of Existing Senior Secured Notes during the year ended December 31, 2014), partly offset by an increase in bank borrowings, current portion of long-term debt and other financial liabilities adjusted of €23.5 million.

Contractual obligations and commitments

As of March 31, 2017, our Total financial liabilities (excluding the impact of any debt of a parent of the Issuer such as the Shareholder Financing) adjusted to give *pro forma* effect to the Transactions would have amounted to €422.9 million and would have consisted mainly of the Notes. The following table summarizes our total contractual obligations and commitments as of March 31, 2017, giving effect to the Transactions, sorted by the year in which they are due to mature. It does not include the non-recourse project financing debt incurred by various special purpose vehicles in which we have non-controlling interests.

(millions of €)	Less than 1 year	1-3 years	3-5 years	more than 5 years	Total
Notes offered hereby	—	—	360.0	—	360.0
Revolving Credit Facility	—	—	—	—	—
Financial leasing	0.8	1.3	1.0	2.0	5.1
Put options granted in connection with business combinations(1)	5.4	—	—	—	5.4
Share capital payable for associates	0.3	0.4	—	—	0.7
Operating leases(2)	18.8	24.4	8.5	—	51.7
Total	**25.3**	**26.1**	**369.5**	**2.0**	**422.9**

(1) Described below in *"—Arrangements with non-controlling shareholders in our subsidiaries."*

(2) Amounts paid for leased property, rental and service agreements related to cars and other vehicles used in the normal course of business, which we expect will recur in coming years.

As of March 31, 2017, the Group's total obligations in respect of employee termination indemnity amounted to €16.5 million. Obligations related to employee termination indemnity as of December 31, 2016 are described in Note 12 to the audited consolidated financial statements as of and for the year ended December 31, 2016 appearing elsewhere in this Offering Memorandum.

Financial leasing

The Group signed financial leases primarily for plant and equipment used by our Laundering and Sterilization Segment and for motor vehicles. Our financial leases generally contain termination clauses with associated penalties. The table below details the amount of liabilities related to future rental fees deriving from such financial leases as of March 31, 2017.

(thousands of €)	within 1 year	from 1 to 5 years	after five years	Total
Servizi Ospedalieri	0.7	1.5	2.0	4.1

Capital Expenditures

We define capital expenditure as the amount of cash or other liquid assets invested by the Group to acquire or upgrade property, plant and equipment, property, plant and equipment under financial lease and other intangible assets. The Group's capital expenditure for the years ended December 31, 2014, 2015 and 2016 relate primarily to our Laundering and Sterilization Segment's purchase of linen, laundering machinery and sterilization equipment and surgical instruments. The table below sets forth our capital expenditure for the years ended December 31, 2014, 2015 and 2016.

(thousands of €)	For the year ended December 31,			For the three months ended March 31,	
	2014	**2015**	**2016**	**2016**	**2017**
Purchase of properties	(8)	—	(7,674)	—	—
Purchase of plant and equipment(1)	(17,512)	(17,389)	(16,003)	(2,928)	8,946
Other intangible assets	(9,276)	(6,614)	(6,858)	(1,042)	(1,077)
Total capital expenditures(2)	**(26,796)**	**(24,003)**	**(30,535)**	**(3,970)**	**(10,023)**

(1) For the years ended December 31, 2014, 2015 and 2016, €11.7 million, €10.7 million and €11.3 million (or €2.3 million and €3.4 million for the three months ended March 31, 2016 and 2017) related to linen purchased by our Laundering and Sterilization Segment.

(2) The following table presents a reconciliation between total capital expenditures and cash used in investing activities for the years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2016 and 2017:

(thousands of €)	For the year ended December 31,			For the three months ended March 31,	
	2014	**2015**	**2016**	**2016**	**2017**
Total capital expenditures	**(26,796)**	**(24,003)**	**(30,535)**	**(3,970)**	**(10,023)**
Disposals of property, plant and equipment, other intangible assets and assets classified as held for sale	1,821	904	835	157	108
Additions from business combinations	—	(408)	—	—	—
Acquisition of investments	692	848	(505)	(197)	—
Decrease/(increase) of financial assets	5,836	(932)	(490)	(108)	(68)
Discontinuing activities	58,842	4,932	9,274	—	100
Cash from/(used) in investing activities	**40,395**	**(18,659)**	**(21,421)**	**(4,118)**	**(9,883)**

Capital expenditures differ from Cash used in investing activities mainly due to the net effect of the following: (i) the additions from business combinations; (ii) the investments in affiliates accounted for under the equity method and other investments; (iii) the investments (or divestments) in non-current financial assets; and (iv) the cash flow related to discontinued operations (such as the disposal of MIA S.p.A., Energyproject S.p.A and the business unit of SMAIL S.p.A.).

Capital expenditures relate mostly to purchases of linen and maintenance and replacement of equipment, in each case related to our Laundering and Sterilization Segment which comprised €16.0 million, €16.3 million and €21.7 million of capital expenditures for the years ended December 31, 2014, 2015 and 2016, respectively. Other capital expenditures during the periods under review consisted of (i) costs related to upgrading the Group's information and technology system (for the year ended December 31, 2016 and the three months ended March 31, 2017, these included a €0.6 million and €0.3 million investments, respectively, in connection with the start-up YouGenio for the development of its web platform); and (ii) for the year ended December 31, 2016, the purchase by Servizi Ospedalieri S.p.A. of real estate property in Ferrara and Teramo that it previously leased from the related party Manutencoop Immobiliare S.p.A., for an amount of €7.7 million (in addition, on March 3, 2017, Servizi Ospedalieri S.p.A. signed a 12-year financial lease with UniCredit Leasing S.p.A. to acquire a property in Lucca previously leased from Manutencoop Immobiliare S.p.A.).

We expect our capital expenditures for the year ending December 31, 2017 to be consistent with historic trends and the majority of such expenditures will relate to fabrics and linens purchased for our Laundering and Sterilization Segment. See "*Forward-looking statements*."

Off-balance sheet arrangements

Guarantees and performance bonds

For most of our PSE and healthcare customer contracts and certain of our private sector contracts, we are often required to post performance bonds, primarily to guarantee our performance thereunder. These are off-balance sheet items. As of March 31, 2017, the Group (excluding associates and investments in project companies) had performance bonds outstanding in the aggregate amount of €226.2 million (excluding bid bonds). While we have not in the past been subject to claims under performance bonds or bid bonds, these bonds and penalties present an on-going potential for substantial cash out-flows (see in particular "*Business—Legal Proceedings—CONSIP School Tender Litigation*"). See Note 31 of the audited consolidated financial statements as of and for the year ended December 31, 2016 for a more detailed description of these arrangements. See also "*Risk factors—We may be unable to obtain the performance bonds, securities or guarantees we need to compete in certain public tenders or to enter into certain contracts with our private customers, and due to our failure to perform our obligations, counterparties may enforce performance bonds we have posted.*"

We use various off-balance sheet arrangements to provide security or liquidity to minority-owned companies and third parties (performance bonds) and for security deposits related to utilities and lease contracts as well as tax refunds. Guarantees are granted to factoring counterparties in connection with non-recourse factoring facilities to cover financial risk; such liability is recorded as a financial liability on our consolidated statement of financial position as of December 31, 2014, 2015 and 2016 and March 31, 2017 in the amount of €2.1 million, €2.1 million, €2.1 million and €2.1 million, respectively.

Arrangements with non-controlling shareholders in our subsidiaries

The Group holds majority interests in certain subsidiaries and granted the non-controlling shareholders of such subsidiaries put options (and the Group holds a related call option) which can be exercised until June 30, 2017 at prices determined on the basis of, and that can vary depending on, certain parameters that require estimates from management for the purposes of a valuation. As of March 31, 2016, these arrangements only related to a put option in connection with Sicura. See Note 15 of the audited consolidated financial statements as of and for the year ended December 31, 2016 for a more detailed description of such arrangement. As of March 31, 2017, management estimated that the potential liability with respect to the Sicura put option amounted to €5.4 million (all of which payable in 2017), unchanged from the amount as of December 31, 2016.

The table below sets forth certain information regarding our arrangements with non-controlling shareholders in our subsidiaries.

Subsidiary	% of non-controlling interest	Type(s) of arrangement	Fair value as of March 31, 2017
Sicura	15%	Put and call	€5.4 million

Qualitative and quantitative disclosure of market risk

Interest rate risk

The Revolving Credit Facility will bear floating interest rates indexed to EURIBOR. As of March 31, 2017, a vast majority of the Group's indebtedness, almost entirely represented by the Existing Senior Secured Notes, bore fixed interest rates. In addition, the Notes offered hereby will bear a fixed interest rate. We do not intend to enter into any hedging arrangement in connection with the Revolving Credit Facility.

Credit risk

The majority of our customers are Italian PSEs and healthcare customers which either belong to the public sector themselves or largely dependent upon receipt of public funds and/or subsidies. As a result, we are directly exposed to the credit risk of Italian PSEs and healthcare customers (which according to our internal classification are public sector), especially regional, provincial and municipal entities. Though we believe that the insolvency risk of such customers is low, historically such customers have shown difficulties in promptly paying their trade receivables. To protect ourselves from credit risk, we make provisions for bad trade receivables, although, we believe due to the high quality of our trade receivables portfolio, such provisions were 3.8%, 3.1% and 3.6%, respectively, of total revenue for the years ended December 31, 2014, 2015 and 2016. In addition, our historical default rate (defined as write-downs over total revenue) has been practically nihil, for the years ended December 31, 2014, 2015 and 2016. Pursuant to our procedures, we do not consider as "impaired" trade receivables from our customers which are not paid within the contractual term unless we have other evidence that the receivable is impaired.

We are also exposed to credit risk from our subcontractors, suppliers, TJA partners and project financing co-sponsors and the risk that they experience financial distress or become insolvent or otherwise unable to fulfill their contractual obligations to us or to our customers. We strictly monitor the creditworthiness of our counterparties to the extent such information is available and we make adjustments to our list of preferred suppliers based on feedback from our local representatives and procurement officers. In addition, our TJA activities are generally limited to other large private operators or cooperatives which management believes have a lower credit risk profile than SME partners. In order to mitigate credit risk, we also provide frequent written invoices to our customers and evidence our TJA commitments with written contracts.

Liquidity risk

The Group might not be able to generate sufficient cash flows from its operations to operate its business, cover investments, third party debt, the ongoing non-deferrable payroll and employee leasing obligations. Our approach to liquidity management is to put into place adequate funds to cover our obligations when they are due, both during normal conditions and at times of financial difficulty. We manage our cash through various means, including by making use of current account overdrafts, short-term bank loans (*e.g.*, hot money and advances), finance leases and medium/long-term loans. Our business does not have extensive capital expenditure requirements and therefore our principal spending requirements relate to our labor costs which are non-discretionary. In order to promote flexibility within our cost structure, we utilize employee leasing as discussed under "*Business—Employee Leasing*." We have historically met our liquidity requirements through a combination of cash generated by our business, finance agreements as well as factoring facilities. On or prior to the Issue Date, we will enter into the Revolving Credit Facility which will provide up to €50.0 million of revolving credit. See "*Description of Certain Financing Arrangements—Revolving Credit Facility*."

We expect that following the Transactions, the Banca Farmafactoring Facility and the UniCredit Factoring Facility will remain outstanding and that, more generally, recourse and non-recourse factoring will continue to be an option available to us to manage our liquidity. In addition, we expect that further reductions in DSOs through our attention to working capital management and continuing efforts to manage collections and payments under our trade receivables will improve our liquidity, if the need arises.

Capital risk

The key objective of the Group's capital risk management is to maintain a solid credit rating as well as adequate capital ratios to support operations and to maximize value for shareholders. We manage our capital structure and amend it on the basis of changes in economic conditions. In order to maintain or adjust the capital structure, we can adjust dividends paid to shareholders (which have historically been minimal) or issue new shares (which historically we have undertaken in connection with financing certain extraordinary transactions). We also monitor our debt ratio, by assessing the ratio of net debt to the total of equity. See "—*Net Debt*" for a definition of net debt. To reduce capital risk in the expansion of our business activities, we regularly engage in minority investments with partners in special purpose vehicles to carry out project financing activities with the use of non-recourse project financing loans and project bonds. In addition, we have historically made regular use of factoring programs as discussed under "—*Liquidity Risk*."

Commodity risk

The Group is exposed to commodity risks related to fluctuations in the price of fuels, electricity and the cost of certain materials, such as cotton linens. As discussed under "—*Principal Factors Affecting our Results of Operations—Consumption of raw materials and consumables,*" our primary commodity expenses are related to purchases of heating oil for our Energy and HVAC management business. Such contractual arrangements include a pass-through mechanism by contract and by law (Italian Legislative Decree No. 163 of April 12, 2006). See "*Business—Regulation—Public Tenders—Cost overruns and adjustments*." Therefore, commodity risks are largely mitigated. However, we are still exposed to increases in prices of fuel insofar as they are inputs for services in other businesses (*i.e.*, transportation and electricity). In order to monitor and respond to such fluctuations, we purchase our fuels in bulk at the Group level for 12 months at a time and we also strive to utilize fuel-efficient equipment and vehicles. Our Laundering and Sterilization Segment is exposed to fluctuations in the price of cotton linens since it makes significant purchases of linen each year.

Critical accounting policies

Our consolidated financial statements have been prepared in accordance with IFRS. The preparation of our consolidated financial statements in accordance with IFRS requires us to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. We reevaluate our estimate on an ongoing basis and base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the value of such assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions. In particular, items where we have applied significant judgment and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within our next financial year are discussed below.

The foregoing assumptions and estimates are based on facts, circumstances and trends at the end of each of the reporting period. As of the date of this Offering Memorandum, we do not expect any material change in the underlying assumptions and estimates.

Impairment of goodwill and other assets

Goodwill is subject to impairment testing at least annually, or more frequently if there is an indication of potential impairment in the carrying amounts. This requires an estimate of the value in use of the cash-generating unit ("**CGU**") to which the goodwill is allocated, in turn based on an estimate of expected cash flows from the CGU and their discounting on the basis of a suitable discount rate. For the years ended December 31, 2014, 2015 and 2016, the carrying amount of the Group's goodwill was equal to €369.9 million, €370.5 million and €370.5 million, respectively (this amount was unchanged as of March 31, 2017).

With respect to assets other than goodwill, at the close of each financial year, the Group assesses whether there are any indicators of impairment of assets. In this case, or in the event an annual impairment test is required, the Group prepares an estimate of the recoverable value. The recoverable value is the higher of the asset's fair value less costs to sell and its value in use is determined per individual asset, except when such asset does not generate cash flows that are fully independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable value, such asset has been impaired and is subsequently written down to its recoverable value. In calculating the value in use, the Group discounts estimated future cash flows at the current value by using a pre-tax discount rate which reflects the market valuations on the time value of money and the specific risks of the asset. Impairment losses of operating assets are recorded in the income statement under the category "amortization, write-downs and write-backs of assets."

Trade receivables and other receivables

Trade receivables, which generally have contractual maturities between 30-90 days, are recorded at nominal value, stated in the invoice net of the bad debt provision. This allocation is made in the presence of objective evidence that the Group will not be able to collect the receivable. Uncollectible receivables are written down when they are identified.

The Group's customers are largely made up of public authorities and health care facilities, whose payment times greatly exceed the contractual maturities. For this reason, trade receivables due from third parties are discounted at a risk-free discount rate (given that the risks of non-collectability are already considered in the determination of the bad debt provision), for the period running between the presumed collection date (calculated on the basis of the average weighted payment delay of the Group's customers taken from historical data) and the average payment extension granted to customers by similar companies that operate in the same market as the Group.

Recognition of the present value of liabilities for put options and for earn-outs

The Group holds majority interests in subsidiaries in relation to which the non-controlling shareholders hold put options which can be exercised in the future at prices determined on the basis of certain parameters that require estimates from management for the purposes of a reliable valuation. Similarly, the contract for the purchase of certain majority interests of subsidiaries included an earn-out provision granted to the sellers (currently non-controlling shareholders) upon certain conditions being met on a certain future date. In this case, the correct recognition in the statement of financial position of the associated liability requires management to determine parameters that call for estimates.

Recognition of revenues and costs relating to contract work in progress

The Group uses the percentage of completion method to account for the portion of long-term contracts for the building and improvement of properties or technological plants for which it does construction work. The margins recognized in profit and loss depend both on the progress of the works and the margins on the entire work when completed; therefore, directors must make estimates of the costs of completion, possible increases in cost, delays, extra costs and penalties which could reduce the expected margin. The use of the percentage of completion method requires the Group to estimate the costs of completion, which entails the adoption of assumptions depending on factors which could change in time and could therefore have a substantial impact on current estimates. Should actual costs be different from estimated costs, such difference would impact the results for future periods.

Treatment of intangible assets

Intangible assets acquired separately are initially capitalized at cost, while those acquired through business combinations of companies not subject to common control are capitalized at fair value on the date of acquisition. After initial recognition, intangible assets are recorded at cost net of amortization and accumulated impairment losses. The useful life of the intangible assets is definite or indefinite. Intangible assets with a definite useful life are amortized over their useful life and subject to consistency tests when there is an indication of potential impairment. The amortization period and method applied are reviewed at the end of each financial year or more frequently if necessary. Changes in the expected useful life or the methods with which the future economic benefits of the intangible asset are achieved by the Group are recorded by modifying the amortization period or method, as necessary, and treated as changes in the accounting estimates. The amortization charges of intangible assets with a definite useful life are recorded in the income statement under the cost category "amortization, write-downs and write-backs of assets." The Group did not record any intangible assets with an indefinite useful life, with the exception of goodwill. The principles the Group applied for intangible assets are summarized in the financial statements attached to this Offering Memorandum.

Provisions for risks and charges

Provisions for risks and charges are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. In this case the expense relating to any provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

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

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

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

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

Industry

The market data included in this section represents estimates taken from external sources (including commercial providers and government statistical agencies) as well as management's estimates and extrapolations from third party and publicly-available data. While we have compiled, extracted and reproduced market or other industry data from external sources, including third party or industry or general publications, none of the Group, any Initial Purchaser, or the Trustee has independently verified such data. There can be no assurance as to the accuracy and completeness of, and the Group, its subsidiaries and the directors and management of the Group take no responsibility for, such data. In addition, when considering the industry and market data included in this Offering Memorandum, prospective investors should note that this information may be subject to uncertainty due to differing definitions of the relevant markets and market segments described. See "Industry and market data."

Overview of the European facility management and laundering and sterilization industries

Facility management

Facility management involves the provision of a variety of services such as mechanical, electrical and plumbing services, energy management and heating, ventilation and air conditioning ("**HVAC**") systems management, elevator maintenance, cleaning and landscaping for the management of buildings, assets and grounds. Through outsourcing, customers transfer the management of what they consider to be non-core activities to an outsourced provider such as the Group which can then optimize maintenance and facility management functions, exploit economies of scale and apply state-of-the-art technical knowledge to both improve the functioning of the facilities and extract cost savings. Outsourced providers allow their customers to focus on their core business, providing them with mission critical services that support and enhance the customer's core operations.

Historically, customers developed in-house capabilities to manage their buildings, assets and grounds in tandem with their growth. However, a movement towards outsourcing of such services began to take root in the United States in the 1960s, spreading to Europe in the first half of the 1980s, beginning with the United Kingdom and subsequently Germany, France and the Netherlands. Since the beginning of the 1990s, outsourced providers have also emerged as sizeable players in the facility management market in Italy. According to Interconnection Consulting, Western European countries (excluding the United Kingdom) are still relatively underpenetrated and in the growth stage of the lifecycle model of facility management which is categorized by the following economic conditions for outsourced operators: reduced costs due to economies of scale, increased sales volume due to more customers opting to outsource facility management functions and relatively high levels of profitability for the services provided. The strategies typically employed by providers during the growth stage include integrated service offerings, product quality improvement and price reduction and increased distribution coverage in the relevant markets. In contrast, the United States and United Kingdom have reached a more advanced maturity stage of the lifecycle model of facility management which is categorized by the following economic conditions for outsourced providers: reduced costs due to economies of scale, strong competition on pricing and a peak in sales volume. The strategies typically employed by providers during the maturity stage include expansion beyond core markets, further product quality improvement and new marketing efforts.

Initially, facility management services were provided by a number of different suppliers who specialized in individual services. Since the beginning of the 1990s in more advanced markets and only more recently in Italy, certain operators in the market began offering a broad and coordinated range of services, acting as the sole counterparty with the end customer. The provision of more than one type of facility management service is known as "**integrated facility management**."

We believe that this trend will continue to increase in the coming years, since, on the demand side of the market there is a growing tendency for customers to appoint a single entity to deal with complex facility management activities to save costs and simplify operations. On the supply side of the market, an integrated operator can benefit from economies of scale, a competitive advantage by offering new services to its existing customer base (cross-selling) and by leveraging the structure's existing fixed costs (operating leverage).

Laundering and sterilization

Laundering services, which in this Offering Memorandum refers the subsector of industrial laundering, refers to the coordinated logistics of collecting, cleaning and/or processing (*i.e.*, bleaching or dry-cleaning), drying and delivering large volumes of linen, other fabrics, such as uniforms and patient gowns, and mattresses. Laundering is by definition a mission critical service for, among others, healthcare institutions, hotels and penitentiaries that presents favorable characteristics for outsourcing due to the capital intensive nature of the equipment.

Sterilization services refer to the provision of industrial-strength cleaning of multiuse medical fabrics (such as those utilized in emergency rooms) and surgical instruments to government-approved hygiene and sanitary standards. Sterilization is a high-value activity that focuses on the healthcare sector and is fundamental to such customers' ability to safely treat their patients. Similar to laundering, sterilization involves a product cycle of collection, sterilization, quality assurance and delivery.

Drivers of demand for facility management and laundering and sterilization

We believe that the outsourced segment of the facility management and laundering and sterilization markets will continue to grow and that key demand drivers for such services include the following:

Focus on core business. The good functioning of the facilities where customers operate or receive their patrons is necessary for their success, and for healthcare customers this also includes the safe conditions of linens and surgical instruments. The related activities may require frequent work interventions and coordination among many complex procedures, and while these tasks are mission critical to sustaining our customers' activities, they are not core tasks for such customers. Outsourcing, therefore, allows customers to completely focus on their core business while benefitting from the support of properly functioning facilities and equipment.

Overhead costs control. As customers begin to see facility management (and the related personnel) as part of overhead costs, and as such overhead costs increase in certain sectors due to regional and national consolidation requiring more and dispersed offices, facilities and assets, such customers seek cost savings associated with outsourcing such non-core activities to providers such as the Group. Similarly, healthcare customers see laundering and sterilization, given its capital intensive nature, as a component of their operations that can be outsourced to specialized providers which can provide cost savings leveraging scale and know-how while maintaining quality assurance.

Integrated facility management offering. For facility management and laundering and sterilization tasks, customers need to coordinate multiple activities. We believe that the multiple services and integrated offer that certain providers such as the Group can deliver may increase customers' propensity to outsource such activities, benefitting from the cost and time-savings of interfacing with a single provider capable of coordinating all the required tasks across multiple locations.

Public spending rationalization. PSEs and healthcare customers seek new ways to save costs and increase efficiency due to, among other factors, renewed attention on containing public spending. Regional procurement centers have emerged as significant players aggregating demand to seek better commercial terms; however, this also makes for larger public tenders that can be attractive to operators with technical know-how and economies of scale. We believe this is generating a positive trend for outsourcing their facility management and laundering and sterilization activities to large, professional operators that can respond to the technical requirements of public tenders and have already made investments in their plants and processes to service larger volumes without sacrificing quality control.

Operational efficiency and quality of services. Certain activities of facility management and laundering and sterilization require technical knowledge and/or specialized equipment, whereas many customers do not experience sufficient demand for such specialized interventions on their own buildings, assets and grounds to maintain internal, specialized staff and/or equipment at optimal capacity and/or to justify the required costs. In order to have these activities performed at state-of-the-art level, such customers may seek to outsource to specialized operators. Therefore, we believe that certain such activities have a wide customers' base and can be profitable targeting not only large accounts but also SME and smaller customers.

Healthcare spending. According to ISTAT, Italy's ageing ratio, defined as the ratio of the population aged 65 and over to the population aged 0-14 (per 100 inhabitants), has increased from 127.1 in 2001 to 154.1 in 2014 and is further projected to increase to 207.1 in 2030. We believe that more healthcare spending and a larger percentage of aged citizens will increase hospital and care home stays, indirectly spurring demand for services such as cleaning and hygiene and laundering and sterilization services.

Automation and technological progress. Technological improvements ranging from more efficient laundering and sterilization machines that can handle higher volumes more quickly to more diffuse use of geographic information systems to optimize logistics related to multi-site facility management are transforming, and will continue to transform, the ways in which facility management is delivered. Capital expenditure requirements to invest in new technology and equipment and train personnel will favor larger operators who have deployed new technology to reduce their cost base through automation of certain processes such as scheduling and transportation planning.

Environmental awareness. New forms of regulation with the aim of improving energy efficiency, minimizing waste or otherwise responding to climate change mandated by governments have increased or are further expected to increase the cost and complexity of performing certain facility management or laundering and sterilization tasks, especially for multi-site businesses. Moreover, increased awareness among customers and other stakeholders regarding environmental issues lead many customers to examine the environmental efficiency of their buildings, assets and grounds or laundering and sterilization operations. Both these factors may lead to an increase of demand for outsourcing providers since they are specialized and professional operators.

Return-on-investment. PSEs, healthcare customers and private sector customers with income-generating real estate assets consider the refurbishment and sound management of their real estate portfolio as a driver of revenue generation. Similarly, retailers and other businesses that accommodate the public on their premises (*i.e.*, banks and hotels) must pay attention to the user experience, and therefore, we believe facility management has an important role to play in supporting revenue generation of such businesses. Therefore, we believe that such customers may consider using professional facility management providers as an optimal solution to assure proper management of their facilities.

Certifications. New forms of regulation and certification requirements in areas such as employees safety may require additional cost and effort for customers to meet defined minimum standard requirements in the management of their facilities or in the laundering and sterilization services for their activities. We believe this trend may increase customers' interest in outsourcing the relevant activities to specialized operators.

The Italian facility management and laundering and sterilization markets

Overview of facility management

The Group provides facility management services in Italy, extending across a variety of sectors, but most notably for PSE, healthcare and large retailers and commercial private sector customers. Interconnection Consulting estimates the total market value of the already outsourced portion of the Italian facility management sector was €25.6 billion, €26.0 billion and €26.5 billion in 2014, 2015, 2016E, respectively, whereas the entire Italian facility management sector was estimated at

€65.9 billion, €66.5 billion and €67.2 billion in 2014, 2015 and 2016E, respectively. The already outsourced portion of the Italian facility management sector, therefore, grew at a CAGR of 0.8% between 2010 and 2015 despite negative or slight GDP growth over such period because, we believe, many customers perceive outsourcing of facility management functions, which are non-core to such customers, to be cost effective and this, we believe, further testifies to the resiliency and the mission critical nature of the services provided.

Interconnection Consulting categorizes the facility management market by type of service offered, namely technical (hard), infrastructural (soft) and entrepreneurial.

- *Technical services* include technical maintenance, control engineering services and energy management including HVAC services.
- *Infrastructural services* include cleaning and janitorial services, security services, catering services, reception and porter services.
- *Entrepreneurial services* include accounting and control, property management, space planning and purchasing.

The Group operates across all three areas, with particular strength in technical services (as demonstrated by our Technical maintenance services, Energy and HVAC management and Elevator systems businesses) and infrastructural services (as demonstrated by our Cleaning and hygiene business). See "*—Competition and Market Position*" for more information regarding the Group's market share in specific areas of facility management.

The table below sets forth the customers segments of the Italian facility management sector according to Interconnection Consulting and their respective rates of growth and market share for the periods indicated.

(millions of €, except percentages)	For the year ended December 31, 2014	% growth	2015	share of 2015 market
Total facility management sector	**65,866**	**0.9%**	**66,487**	**100%**
Still insourced	40,298	0.4%	40,459	60.9%
Already outsourced	25,568	1.8%	26,028	39.1%
Industry	*2,500*	*2.8%*	*2,571*	*9.9%*
Commercial	*4,014*	*2.4%*	*4,112*	*15.8%*
Government and Education	*3,301*	*2.2%*	*3,374*	*13.0%*
Healthcare	*3,673*	*2.2%*	*3,753*	*14.4%*
Retail	*2,258*	*2.4%*	*2,311*	*8.9%*
Transport	*1,265*	*2.0%*	*1,291*	*5.0%*
Sports and Entertainment	*1,263*	*0.8%*	*1,273*	*4.9%*
Business	*3,457*	*0.3%*	*3,467*	*13.3%*
Food and Beverages	*699*	*(1.9)%*	*687*	*2.6%*
Energy and Resources	*986*	*1.5%*	*1,000.7*	*3.8%*
Pharmaceutical	*316*	*2.6%*	*325*	*1.2%*
Other	*1,836*	*1.6%*	*1,866*	*7.2%*

The fastest growing segments within the market in 2015 were industry, commercial, retail, pharmaceutical, government and education and healthcare, all of which were more than double the rate of growth of the already outsourced facility management sector at large; however, government and education and healthcare in particular (in addition to industry and commercial) had a large enough base that the growth was significant in aggregate amount and growth rate.

Following a period of relatively-low growth from 2011 to 2013 due to the macro-economic factors and the government spending review, the trend has been of continued growth of both technical and infrastructure services in particular as they are the core functions for outsourced providers in Italy.

The following discusses the main drivers of growth for facility management.

Projected growth of the already outsourced facility management sector in Italy

Interconnection Consulting projects that the already outsourced facility management sector in Italy will reach €28.3 billion in 2019, with a CAGR of 2.1% from 2015 to 2019, almost double the expected CAGR of 1.0% for the entire facility management sector over the same period. Compared to other more mature facility management markets in the EU, such as the United Kingdom, France and Germany, Italy is characterized by a significantly lower market penetration and, accordingly, has a higher growth potential. Among the segments which are expected to grow the most in terms of value from 2015 and 2019 are: healthcare with a CAGR of 2.8% and government and education with a CAGR of 2.7%; by 2019 each sector is expected to amount to approximately €4 billion in market value. Outsourcing of non-core activities is expected to increase as these operators seek cost savings that come with the economies of scale that outsourcing providers such the Group can harness.

With respect to the types of services, Interconnection Consulting estimates that technical services will grow with a CAGR of 2.3% from 2015 to 2019, whereas infrastructure services will grow with a CAGR of 1.9% and entrepreneurial services will grow with a CAGR of 2.9%. See "*Forward-looking statements*."

Overview of laundering and sterilization

The Group provides laundering and sterilization services in Italy with a focus on the healthcare segment. These services are mission critical for healthcare providers and require specialized plants, equipment and trained personnel. We believe changes in health and demographic indicators mean that such services cannot be easily curtailed and indeed may need continue to grow due to organic demand or due to further outsourcing.

General industry characteristics and trends

Automation and increased technological prowess

New generations of laundering and sterilization-related machinery have become more widely used in the marketplace and have increased the technology level of the market. Though the initial investment may be significant, the efficiency and quality control gains can potentially amortize the costs, especially if the volumes are sufficient to maintain the machines running at a consistently high utilization. We believe this trend will privilege larger operators such as the Group who can coordinate the logistics of multi-location intervention and exploit economies of scale with respect to their plant, property and equipment.

Marketplace with consistent growth and established market leaders

The Italian facility management marketplace, according to Interconnection Consulting, is categorized both by consistent growth and fragmentation. Growth in the already outsourced portion of the facility management sector has been consistent over the recent years with a CAGR of 1.3% from 2013 to 2015 notwithstanding the difficult economic environment in Italy and, as Interconnection Consulting estimates, this trend will continue in the foreseeable future with an expected CAGR of 2.1% from 2015 to 2019. We believe this is also due to the fact that the market in Italy is still underpenetrated as compared to more mature markets such as United Kingdom, allowing the outsourcing trend to counter-balance the wider economic stagnation effect. According to Interconnection Consulting, the top 10 facility management companies in Italy have a combined market share of 13.3%, with the Group as the market leader with a 3.4% market share for the year ended December 31, 2015. Interconnection Consulting reports rising market concentration for such larger operators and conversely a trend towards strategic partnerships and niche concentration for smaller firms. Foreign operators have a limited presence in the Italian facility management marketplace. Certain European or multinational groups such as Engie, Veolia Environnement, Sodexo and Johnson Controls have subsidiaries present in the Italian market but they are mostly focused on providing specific single services. ISS, the large Danish facility management provider has recently arrived in Italy and is making inroads; however, it still remains a very small player. No international players have a significant presence in the integrated facility management offering in Italy that rival the scale of the Group.

High barriers to entry

Many companies offer basic infrastructural and entrepreneurial services, such as cleaning and property management. However, Interconnection Consulting maintains that trends in the already outsourced facility management have increased barriers to entry as scale and multi-service capabilities have become more important to key customers, and the trend toward more complex and centralized tenders increasingly requires a broad geographical coverage, a high level of organization with specific technical competence in many different areas, as well as a substantial, highly skilled and dedicated work force. We believe that the requirements to organize and manage multi-site logistics and business operations chains to meet the scale needed to serve multiple locations across Italy with an integrated offer of several different services function as key barriers to entry. We believe there are high barriers to enter the laundering and sterilization market because providers of services such as sterilization are required to manage complex logistical chains supported by state-of-the-art information technology systems, as regulatory and quality control requirements mandate the ability to track the status and provenience of singular specific items, such as surgical instruments, as they undergo collection, sterilization and delivery. Finally, we believe that stringent public tender requirements are another barrier to entry due to the complex technical requirements of the proposal and related documents that operators must prepare to participate in public tenders.

Importance of public sector contracting in the Italian marketplace

The Italian marketplace is characterized by a very high demand from the public sector, which comprised 13% of total demand for already outsourced facility management services in 2015 according to Interconnection Consulting and 68% of total hospital beds in Italy in 2014 according to the Eurostat (which we believe is an indication of the importance of public sector demand for laundering and sterilization) in the healthcare segment where the Group operates. The Italian government has recently started a public spending review process in order to increase efficiency and obtain savings from the public administration functioning and we have discerned a general trend tending towards a lower number of public tenders by PSEs and healthcare customers, with each such public tender having, however, a higher value and requiring an increased geographical coverage. In order to remain competitive, we believe that facility management and laundering and sterilization players will need to have adequate size and internal know-how, which as of today we believe only the few leading players such as the Group can guarantee in the Italian market. See "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting our results of operations—Fewer but larger public tenders*."

Mission critical services

We believe facility management and laundering and sterilization activities are necessary to support customers to successfully operate their businesses. Sterilization, in particular, is a key factor for the healthcare sector. The outsourcing of such activities, which are non-core tasks for customers, allows them to focus on core business matters while designating a professional operator to efficiently provide facility management and laundering and sterilization services which cannot be interrupted or postponed given their relevance for such customers.

National networks and proximity to customers is key to service providers

Close proximity of service providers to customers is key in the facility management and laundering and sterilization markets. A strong national and regional network facilitates relationships with customers in several ways. It allows service providers to being able to promptly respond to customer needs, provide services through their own personnel and acquire in-depth knowledge of their customers. Through the application of such know-how, outsourced providers can deliver faster services tailored to customers' situations. We believe that providing the majority of services directly through the outsourced provider's own personnel rather than through subcontracting fosters information sharing with customers and the ability to cross-sell other services. In addition, geographical proximity reinforces the interactions with customers and allows the development of stronger and long-standing loyalty relationship of such clients with the service provider, thus becoming a key factor for the success and future of the provider's business.

Specialization and professionalization of service providers is on-going

Interconnection Consulting estimates that while the level of outsourcing of facility management services in Italy is lower than the United Kingdom, Germany, France and the Nordic countries, the growth of outsourcing is expected to continue and that service providers in the Italian market will be increasingly seeking to distinguish themselves through the level of specialization and professionalization of their services. We believe that demand for highly-technical sterilization services will drive growth in the healthcare segment of the Italian laundering and sterilization market. We believe that the underlying trend is the demand for industry-relevant experience and specialized services, such as operators with in-depth knowledge of PSEs or healthcare customers and public sector contracting, operators able to provide specialized services to healthcare customers and operators with the technical competencies to achieve costs savings from increased energy efficiency. We further believe that the market will continue to be fragmented but increasingly bifurcated between small-scale operators focused on infrastructural and entrepreneurial services and larger-scale operators with multi-service offerings and with national presence, such as the Group.

Single contracts predominate but pricing pressures spur trend towards multi-service and integrated

Interconnection Consulting estimates that Italy is still a growth market for outsourced services and single service contracts still predominate as compared to more-developed facility management markets such as the United Kingdom, Germany and France. However, Interconnection Consulting estimates that growth in the demand for multi-service providers will outpace the demand for single-service providers. We believe customers perceive that they can obtain better pricing by working with one single provider of multiple services. Price competition amid uncertain economic competition reinforces this trend as providers seek to offer more than one service in order to differentiate themselves from the competition and obtain new business and/or retain existing customers. Furthermore, we believe customers perceive as easier, more efficient and less time consuming having one single interface for the whole of their facility management and laundering and sterilization activities.

Competition and Market Position

General

As an outsourced service provider, we face competition from both other outsourcing operators and in-house operations of many customers and potential customers. We believe that outsourcing of facility management is a trend that we expect to intensify due to a variety of factors, including exploiting economies of scale in purchasing of materials and efficiencies related to full utilization of highly technical staff and capital-intensive equipment. We believe laundering and sterilization activities in the healthcare sector will generally remain stable as much of the market has already been outsourced, and the trend of outsourcing sterilization activities will continue. The decision to opt for an outsourced provider of facility management is often based on the circumstances and strategic plans of that particular customer/potential customer which we cannot necessarily influence with our value propositions.

Facility Management Segment

According to Interconnection Consulting, we are the largest operator in Italy in the already outsourced facility management market with a market share of 3.4% in the year ended December 31, 2015. The top ten players account for 13.3% of the total market, indicating that a large degree of fragmentation still prevails.

We believe that the market for facility management services is bifurcated. The market for the provision of basic facility services to SMEs and certain large public and private sector customers with few sites is highly fragmented. General cleaning and hygiene and energy and HVAC management to relatively few locations in Italy can be provided with very limited resources and, as a result of these low barriers to entry, it is likely that the market for such services to such customers will continue to include a large number of smaller operators. However, in recent years we have discerned, and to an extent, participated in, a trend towards consolidation in the market for providers of multiservice offering with geographic scale.

The following table sets forth our main competitors that are able to provide integrated facility management and service multi-location customers.

Facility Management

- Coopservice Soc. Coop.p.A.
- Engie
- Siram S.p.A. (Veolia Environnement)
- Olicar Manital

According to Interconnection Consulting, we are the leader or among the leaders in several subsector services, some of which are set out below.

Cleaning and hygiene. According to Interconnection Consulting, we are the second largest operator in the cleaning segment with a market share of 5.9% in the year ended December 31, 2015.

Technical maintenance services. According to Interconnection Consulting, we are the largest operator in total technical services with a market share of 3.5% in the year ended December 31, 2015. In addition, we are the largest operator in the sub-area of technical maintenance with a market share of 3.8% in the year ended December 31, 2015. Our closest competitor is this area is Cofely Engie with market shares of 2.7% and 2.0%, respectively.

Energy and HVAC management. According to Interconnection Consulting, we are the largest and second largest operator in the energy and HVAC management segment with a market share of 4.2% in the year ended December 31, 2015 and the energy management segment with 2.6% market share in the year ended December 31, 2015 (behind Siram with a 4.1% market share).

Security. According to Interconnection Consulting, we are the third largest operator in the security segment with a market share of 2.0% in the year ended December 31, 2015 (behind IVRI and Coopservice with market shares of 4.0% and 3.9%, respectively).

Auxiliary services. According to Interconnection Consulting, we are the largest operator in the reception/porter services segment with a market share of 4.2% in the year ended December 31, 2015 (our nearest competitor, Dussmann, has a market share of 3.0%).

Laundering and Sterilization Segment

We believe the Italian laundering and sterilization market is characterized by high dynamism with a mix of small, medium and large-sized operators. As we focus on larger contracts of a certain scale (multi-site or encompassing a large volume of articles to launder), we compete mostly with medium- to large-sized operators.

The following table sets forth our main medium- to large-sized competitors in the laundering and sterilization segment.

Laundering and Sterilization

- Servizi Italia S.p.A.
- So.Ge.Si. S.p.A.
- Adapta S.p.A. (Gruppo Innova)
- American Laundry Ospedaliera S.p.A.

Business

Overview

We are the leading provider of facility management services and a leading provider of laundering and sterilization services in Italy, with a track record of success through continuous development and focus on mission critical services. We are an integrated services and solutions provider with strong coverage and positioning in each market segment we cover. We serve a diverse range of over 1,500 customers, including public sector entities (including healthcare providers) and private sector companies in Italy. Our success draws on our long history; our predecessor company began providing services to the Italian state-run railway network in 1938. In 2003, we were spun off from MSC, our controlling shareholder to consolidate as an independent Group. Since then, we have emerged as a multi-disciplinary provider of facility management services. MSC, our controlling shareholder, will hold 100% of our share capital following the Transactions. Our comprehensive multi-service and multi-technical offering covers most of the areas of the facility management and laundering and sterilization markets. For example, among others: (i) in the public sector, we provide daily cleaning, heating and plumbing systems and landscaping for public schools, state buildings and museums that allow them to receive visitors and patrons, (ii) in the healthcare sector, we provide laundering of linens, sterilization of surgical instruments and management of pharmaceutical logistics, all of which are vital services for the continued adequate care of patients and (iii) in the private sector, we maintain diverse retail and office spaces and telecommunications towers for our customers which keep their operations running smoothly.

We position ourselves as a solution provider rather than a service provider since we are able to offer all our services on a fully integrated basis and we leverage our deep understanding of our customers' businesses and industries and the regions in Italy where they do business to formulate cost-saving strategies. Unlike many of our competitors, we deliver solutions by relying significantly on in-house expertise and resources. We refer to this self-contained ability to implement our business plan in support of our customers' objectives as a "make" rather than a "buy" approach which we believe constitutes a key competitive advantage for us. With a headcount of more than 16,000 people, we believe we are currently the undisputed leader in the Italian facility management market.

For the twelve months ended March 31, 2017, we generated total revenue of €926.0 million and Normalized EBITDA of €108.4 million, corresponding to an 11.7% Normalized EBITDA margin as percentage of total revenue.

Service offering

We believe we distinguish ourselves through the quality and breadth of the services we regularly provide to our customers and the custom solutions we can devise both for their facility management and laundering and sterilization needs. Facility management services can be classified among three broad areas: technical, infrastructural and entrepreneurial. We operate across all these three areas. As attested by our market shares and revenues, we possess particular strength in technical services as demonstrated by our suite of offering, namely: technical maintenance, control engineering, energy management, HVAC, fire prevention and safety. In addition, we have strong capabilities in infrastructural services as demonstrated by our cleaning unit and also provide certain support services for enterprises. Recently, we also established two start-ups, Manutencoop International and YouGenio, with the objective of growing our business in the international "business to business" and Italian "business to consumer" services markets.

On an organizational level, we classify our services to our customers through two reporting segments: Facility Management Segment which generated 85.5% of total revenues (gross of intra-group eliminations) and 64.5% of EBITDA in the twelve months ended March 31, 2017 Laundering and Sterilization Segment which generated 14.5% of total revenues (gross of intra-group eliminations) and 35.5% of EBITDA in the twelve months ended March 31, 2017.

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

Our strengths

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

Resilient and steady growth in the Italian facility management and healthcare sectors. The Italian facility management and laundering and sterilization markets have historically outpaced GDP growth. According to Interconnection Consulting, the Italian facility management outsourced market reported a CAGR of 0.8% over the period 2010-2015 compared to Italy's real GDP CAGR of 0.4% over the same period. We believe this represents evidence of the non-discretionary nature of the solutions we provide and of the resiliency of our business model. We also believe that in a challenging economic period our customers recognize that to outsource their non-core functions to us may promote their own operational efficiency while generating cost savings. Interconnection Consulting estimates that external facility management services markets will grow steadily as more and more companies and PSEs are looking to outsource large part of their operations; the portion of the Italian facility management market that is already outsourced is expected to grow and reach €28.3 billion in 2019, with a CAGR of 2.1% from 2015 to 2019, almost double the expected CAGR of 1.0% for the entire facility management sector over the same period. The already outsourced portion of the Italian facility management market has a significant untapped potential, as demonstrated by the increase of 1.8% between 2014 and 2015, from €25.6 billion to €26.0 billion, and the fact that, in 2015, the outsourced services segment represented only approximately 39% of the Italian facility management market, whereas in more mature European markets, such as the United Kingdom, the outsourced services market represents more than 70% of the overall facility management market (source: Interconnection Consulting). Therefore, we believe that outsourcing trends will continue and the size of our reference markets will expand. We believe the facility management and laundering and sterilization markets in Italy will continue to benefit from a number of structural trends such as: increased customer preference for integrated one-stop-shop solution providers which can offer a full range of services according to customer needs, increased attention to quality as consequence of more robust certification requirements and growing awareness of energy efficiency and an outsourcing trend in both the public and private sectors driven by efficiencies and cost savings, as further encouraged as a result of budget constraints. For example, according to Interconnection Consulting, the Italian healthcare facility services are expected to grow at a CAGR of 2.8% from 2015 to 2019. In addition, on the one hand, we believe the ageing population will lead to increased healthcare spending which is likely to have a positive effect on the demand for our services and, on the other, the new and increased focus on cost savings as a consequence of budget constraints has led the public sector to consolidate its purchases of outsourced services. We expect fewer but larger public tenders organized by PSEs and healthcare customers that may also involve larger geographical areas and increased quality requirements. As leaders in the Italian market, we believe we are well-positioned to seize opportunities generated by these trends and further strengthen our leadership position.

Unique positioning and leadership in the fragmented Italian facility management market. We are the leading player in the highly fragmented Italian facility management market. According to Interconnection Consulting, in the already outsourced facility management sector, our market share was 3.4% in 2015. Moreover, in the healthcare segment of the Italian laundering and sterilization market, we are one of the only two players with national scale and we were the second largest player in 2015 with a market share of 18.0%. In both markets, we have historically been able to gain market share from a variety of competitors and defend our market position from foreign entrants. We maintain long-term relationships with many of our customers that allow us to have access to additional revenues deriving from discretionary and non-discretionary spending. Additionally, we possess in-depth knowledge of the complex Italian public tender requirements. The Group has a dedicated engineering function with 29 specialists focused on preparing public and private tender bids across our Facility Management Segment and Laundering and Sterilization Segment. Over the period 2010-2015, our Facility Management Segment participated in approximately 600 public and healthcare tenders. Our long-standing relationships with PSEs, healthcare and private customers have fostered a trust-based relationship correlated with the proven reliability we have demonstrated, which is further exemplified by our high customer retention rate.

Unparalleled services offering with strong presence in highly remunerative market segments. We provide a comprehensive integrated portfolio of mission critical facility management and laundering and sterilization services, which we believe are indispensable to our customers, are deeply embedded in their operations, and therefore cannot be discontinued or postponed. Our business model seeks to position us as a partner for our customers possessing the know-how to analyze the technical requirements of their operations and, using our advanced information technology system and industry experience, develop solutions tailored for their specific needs. The large scale and breadth of our services make us a one-stop-shop for a broad array of customers, whereas many of our competitors do not have such capabilities and focus on niche markets or individual services. We leverage our diversified offering portfolio to seek out potential cross-selling opportunities within our customer base. For instance, we have been able to add services to existing contracts or to extend our services to additional regions of Italy. We believe our integrated services tend to produce increased customer loyalty, which provides us with an important competitive advantage. Our service proposition targets markets whose real estate facilities are a critical part of the value chain and where Facility Management services are highly strategic and mission critical. We believe our capacity to offer a wide range of integrated services represents a significant opportunity for our customers, who can rely on a single supplier that can efficiently satisfy many of their needs, without compromising the quality of the services rendered. In order to sustain the complex organization of our integrated offer, our operational efficiency and quality assurance capabilities have been improved through our investments in advanced information technology systems.

Unique features creating significant barriers to entry. We believe that the facility management and laundering and sterilization markets are characterized by significant barriers to entry, in particular for integrated service providers, because multi-service offerings with a broad geographical coverage require a high level of organization with specific technical competence in many different areas, as well as a substantial, highly skilled and dedicated work force, which we believe is not easy to replicate. Our advanced information technology systems provide us with data sets for formulating sound bids to tenders and once we have commenced a contract, we utilize our information technology systems to monitor the buildings we manage and quickly perform interventions in case of service interruption. In addition, we are qualified vendor to entities in the Italian public administration which acts as a further barrier to entry. Furthermore, complex public tender rules and local competitive dynamics have kept most of the largest international facility management operators out of the Italian market or with a very limited presence. We believe that the combination of our technical abilities and strong customer relationships bolster our leading position. In particular, close geographic proximity to customers is essential in the markets we serve, as our customers' purchasing decisions are often driven by the responsiveness and efficiency of their service providers. We strive to achieve this close proximity in our Facility Management Segment through a dense network of 47 offices throughout Italy and in our Laundering and Sterilization Segment through a network of 30 facilities (among which 4 dedicated plants and 22 on-site facilities in hospitals). Utilizing the resources of our network, we believe we are well positioned to provide services to our customers quickly, to develop close, long-standing relationships directly with our customers, and to provide services to large private sector customers with national operations (such as Auchan, NTV-Nuovo Trasporto Viaggiatori, Unipol, Carrefour, TIM and Wind) as well as to continue to serve the needs of SMEs providing, in particular, services with attractive margins, such as energy and HVAC management and sterilization services. Our geographic proximity to our customers also allows us to anticipate changes in our customers' specific needs, as well as to identify potential local market opportunities. Furthermore, the extensiveness of our network permits us to serve many of our customers directly with our own personnel ("self-delivery") rather than using subcontractors, allowing us to carefully manage customer care and gain further knowledge of our customers' operations in order to potentially cross-sell other Group services or extend the perimeter of our contracts. We believe that our dense regional network is also crucial to our ability to sell multiple services to our customers, in particular our integrated facility management services, which also enhances our visibility on the market and allows us to seize new commercial opportunities.

Highly visible, recurring and diversified revenue base. We believe that our customers consider resorting to our services to be essential in conducting their core businesses and supporting their operations, and generally more efficient than performing such services internally. According to Interconnection Consulting, the outsourced portion of the Italian facility management sector is anticipated to grow at a CAGR of 2.1% from 2015 to 2019, whereas the entire facility management sector over the same period is forecasted to grow at a CAGR of 1.0%. We believe the higher growth expected in our reference market indicates the value proposition offered by outsourced services providers or providers of outsourced services such as the Group. We also benefit from long-term contracts in our Facility Management Segment ranging from one to three years for private sector customers, three to four years for PSEs and four to five years for healthcare customers. Our backlog of €2,766 million as of March 31, 2017 gives us revenue visibility, as its absolute value represents the equivalent of almost three years of revenues, at current yearly revenues rates. The backlog is mainly related to contracts with PSEs and healthcare customers, which typically have long duration and represent contractually-committed future earnings. Approximately two-thirds of our yearly revenues have been derived from contracts already in place at the end of the prior year. We have a well-diversified customer base with over 1,500 customers and our top 10 customers accounted for only 20.1% of our revenues in 2016. Our high quality customer base includes large PSEs (such as central government ministries, local governments and universities), major public healthcare institutions and leading private companies with presence across Italy (such as Auchan, NTV-Nuovo Trasporto Viaggiatori, Unipol, Carrefour, TIM and Wind).

Attractive asset-light financial profile. Our business is highly cash-generative, with low capital expenditure requirements. We believe we produce one of the best-in-class margins in both our Facility Management Segment and Laundering and Sterilization Segment as compared to our local and international peers. For the 2014 to 2016 period, we achieved an average Normalized EBITDA margin of 10.6% and, according to management estimates, average cash maintenancecapital expenditures of 2.6% as percentage of revenues for the 2014 to 2016 period. At the segment level, our Facility Management Segment had an EBITDA margin (gross of intra-group eliminations) of 7.4% in 2016, which we believe to be one of the highest among both Italian and international key peers, while our Laundering and Sterilization Segment had an EBITDA margin of 27.1%, which we believe to be among the highest in the Italian market due to our ability to harness economies of scale and deploy best-in-class technology. Our Facility Management Segment (which represented 85.5% of total revenue for the year ended December 31, 2016, gross of intra-group eliminations), according to management estimates, has low cash maintenance capital expenditures requirements (in average, 1.1% of revenues of the segment for the 2014 to 2016 period), which are mainly absorbed by our information technology systems. Our Laundering and Sterilization Segment (which represented 14.5% of total revenue in 2016, gross of intra-group eliminations), according to management estimates, had cash maintenance capital expenditures requirements of 11.1% of revenues in the period from 2014 to 2016, mainly absorbed by purchases of linen for hospitals and technical investments such as machineries for our sterilization centers or surgical instruments. According to management estimates, we achieved a cash flow conversion, defined as the ratio of ((Normalized EBITDA-Cash maintenance capital expenditures)/Normalized EBITDA), of 76.3% and 78.3%, in the years ended December 31, 2015 and 2016, respectively. In addition, we have an asset-light financial profile in that our cost structure is mainly composed of direct costs that are largely variable as linked to specific contracts; we have also implemented a costs reduction and optimization policy which helps us maintain our profitability, together with a tight working capital management and low capital expenditure requirements. Of our over 16,000 employees as of March 31, 2017, 12,772 were employed in accordance with Article 4 of CCNL Multiservizi, pursuant to which if we lose a tender for a contract we are now performing, the incoming provider is, in cases where the new contract is on the same or better terms and level of service, obliged to accept the transfer of the employees we were using to service such contract. According to management estimates, our cost structure is highly flexible. We define as flexible those costs that are directly linked to a specific contract and we believe we would not have to sustain in the event that the relevant contract were discontinued. Flexible costs refer to raw materials, outsourced services and personnel costs under the framework of Article 4 of CCNL Multiservizi. Considering our total cost base, our flexible costs were 63.6%, 63.4% and 64.6% in the years ended December 31, 2014, 2015 and 2016, respectively.

Our strategies

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

Focus on highly profitable segments. We intend to concentrate our efforts on competing in the most profitable segments by providing unparalleled service offerings with complete national reach throughout Italy and a highly diversified customer base. We intend to consolidate our leading position in high-margin/less price sensitive services, such as technical maintenance, energy and HVAC management and sterilization of surgical instruments, with a fully integrated platform. Within our Facility Management Segment, we intend to focus on (i) competing for complex public tenders which are awarded on the basis of technical quality of the service offered rather than solely on a cost basis, and (ii) accessing a larger share of the market through executing framework agreements with the public administration. We target markets where real estate facilities are a critical part of the value chain and where our services are highly strategic and mission critical for customers, in that it enables the latter to reduce complexity of non-core services. We intend to fully leverage our positioning in the fastest and largest customer segments, such as healthcare and government; Interconnection Consulting reports that such segments are expected to grow at a CAGR of 2.8% and 2.7%, respectively, over the period from 2015 to 2019.

Continue to consolidate market presence through bolt-on acquisitions. The Italian facility management services industry remains highly fragmented, presenting us with a significant potential for growth, favorable dynamics and attractive acquisition opportunities. We intend to evaluate opportunities to acquire and integrate other services providers in order to strengthen our competitive position, broaden the range of our offering and increase our presence in regions in Italy where we operate, only pursuing those opportunities that are EBITDA accretive according to return-on-investment criteria. The ability to offer a large and diversified range of integrated services is a key competitive advantage for us and the increased complexity of facility management fosters market concentration, favoring integrated operators. We intend to continue to grow through strategic bolt-on acquisitions by focusing on targets that provide access to technical capabilities or geographic coverage that complements our existing capabilities. We intend to grow selectively within complementary geographic markets, where we believe we will be able to efficiently replicate our core business model.

Selective further expansion of our business in EBITDA accretive areas. We intend to pursue our strategic objective of growth through the planning and development of new business initiatives and we are exploring new areas of intervention in and outside Europe to the extent the expected return justifies the investments. For example, we plan to develop the "Far Fare" project, consisting in an increase in our offering through subcontracting certain minor services to local and smaller service providers, and the "ESCo" project, relating to energy efficiency services for small and medium-sized enterprises, which should provide revenue visibility in light of the contracted long-term nature of these services. Moreover, in 2016, we expanded to the "business to consumer" services market with our start-up YouGenio*.* We intend to further grow our business in both the "business to business" services market and in the recently joined "business to consumer" services market. With respect to the latter, we have developed software application for home delivery of cleaning, electricity, air conditioning systems, security systems and other services. We believe this to be an attractive consumer-based business model with high growth potential where we can offer a very competitive set of services to households by leveraging on our integrated services expertise and local presence.

Consolidation of our leadership in the public administration segment. We intend to consolidate our leading position among Italian PSEs and healthcare customers and increase our market share by acquiring new contracts with large purchasing centers of Italian PSEs and healthcare customers to achieve high working volumes allowing us to leverage our economies of scale. We intend to use our in-depth knowledge of the requirements and tendering process in the Italian market and our ability to meet regulatory requirements and offer the full range of services required. In particular, the aggregation of PSE contracts through CONSIP's framework agreements that often comprise a larger range of services and/or geographic areas is particularly attractive because such contracts focus on a combination of cost and quality and award, subject to certain conditions, nearly exclusive rights to provide services for up to a specified amount in a specified region for a certain period. With respect to such framework agreements, we intend to actively promote our services to the PSEs in our assigned geographical areas, using our know-how to propose both routine and non-routine services to potential customers, thereby realizing the maximum revenues potential under CONSIP framework agreements. Our size, technical offering and operational expertise provide us with a compelling advantage to seize such opportunities.

Drive cash flow generation and deleveraging. We intend to exploit the potential of our business to generate strong cash flows from operations through preserving our high profitability, improving working capital management, maintaining capital expenditures low and continuing to decrease our financial indebtedness. As of December 31, 2014, 2015 and 2016 and March 31, 2017, our Net Debt followed a decreasing trend from €278.3 million, to €228.4 million, to €166.2 million and to €173.8 million, mostly achieved through cash from operations, reducing our net leverage (defined as Net Debt/Normalized EBITDA) from 2.9x as of December 31, 2014 to 1.6x as of March 31, 2017. This was mainly the result of (i) the positive trend in cash flow from operating activities (€18.6 million in 2014, €67.7 million in 2015, €86.4 million in 2016 and €109.5 million in the twelve months ended March 31, 2017), (ii) the collection of overdue receivables from the Public Administration (for a sum exceeding approximately €60 million in 2014 and 2015) and the sale of certain corporate tax receivables, and (iii) cash inflow deriving from the sale of some non-core subsidiaries (*i.e.*, approximately €60 million from the sale of MIA S.p.A., Energyproject S.p.A. and SMAIL S.p.A.). In addition, in 2014 and 2015, we purchased on the market €45 million and €80 million, respectively, of outstanding Existing Senior Secured Notes, reducing our interest expenses. Following the Transactions, we intend to further deleverage our business. In order to maintain our strong profitability, we intend to continue to focus on efficiency improvements leading to reduction and optimization of (i) fixed costs, by way of real estate investments to limit rental costs, (ii) variable costs, by way of renegotiation of agreements with suppliers, and (iii) capital expenditures, by way of rationalization of our major investments (information technology and linen). Over the period from 2013 to 2015, we experienced a progressive decrease of such expenditures due to investments made to improve our IT software and surgical instruments and which have been particularly beneficial to our internal processes and for the management of tenders. We also plan to continue to improve our working capital management by increasing our focus on customer interaction and strengthening billing and collection procedures through coordinated and organized series of data collection initiatives (*i.e.*, periodic visits to customers).

Our history

Our controlling shareholder, MSC is a cooperative organization formed in Bologna in 1938 by 16 workers to encourage good working conditions, create employment and advance workplace safety that has grown into a large service provider and mutual assistance organization. We were formed in December 2003 through the spin-off of MSC's long-standing facility management business unit and other investments in the same sector. In 2004, a consortium of financial investors acquired an equity interest in us. Subsequently, in 2005, we expanded our operations through the acquisition of MSC's cleaning division, its landscaping division and a 45.5% interest in Roma Multiservizi, a facility management company that uses our same organization model and operates in the City of Rome and environs with a focus on PSEs. In 2007, we expanded our service offering through the acquisition of industrial laundering and cleaning companies and other facility management related technical services companies.

In 2008, we successfully completed an equity capital raising from financial investors, and thereby financed the acquisition of Pirelli RE Integrated Facility Management B.V., a group of facility and project management companies from Pirelli & C. Real Estate S.p.A. (now Prelios S.p.A.) with particular strength in the private sector. The same year, we also began offering fire prevention systems and services after acquiring an interest in Sicura. In recent years, we have restructured our Group to, on one hand, dispose of non-core assets through the transfer of our interests in EnergyProject (project management and photovoltaic energy), Mia (lifting equipment installation and maintenance) and Smail (public lighting), and, on the other hand, rationalize and integrate our operating structure to reinforce our leadership in the facility management and laundering and sterilization markets in Italy and among the largest such operators in the European Union.

In 2015, we outlined our strategic objective of growth in the international markets, devoting specialized personnel to exploring new areas of action in and outside Europe, and created a subsidiary, Manutencoop International, for the purpose of creating or acquiring shareholdings in foreign countries for the development of new business undertakings. In the same year, we also established e-Digital Services with the objective of growing our business in the "business to business" services market and, in 2016, we expanded to the "business to consumer" services market with our start-up YouGenio.

In 2016, in order to simplify our corporate governance structure, we approved the transition from a two-tier governance system (*sistema dualistico*), composed of a Management Board and a Supervisory Board, to an ordinary one (*sistema tradizionale*), composed of a Board of Directors and a Board of Statutory Auditors.

Our organizational structure

We are a leading player in the Italian facility management, laundering and sterilization markets providing mission critical and high value added services which are auxiliary to the core business of healthcare facilities, PSEs and large private groups. We aim to consolidate our leadership in the Italian market by being recognized as a leading company providing fully integrated offering of solutions to large and complex healthcare and strategic facilities. The services we provide may be divided into two primary segments of business:

- ***Facility Management Segment.*** It provides cleaning, technical services, landscaping, logistics, fire prevention and safety and auxiliary services. Our Facility Management Segment generated 85.5% of total revenue (gross of intra-group elimination) and 64.5% of EBITDA in the twelve months ended March 31, 2017.

- ***Laundering and Sterilization Segment.*** It provides linen rental, industrial laundering, linen and surgical instrument sterilization services for healthcare customers. Our Laundering and Sterilization Segment generated 14.5% of total revenue (gross of inter-group eliminations) and 35.5% of EBITDA in the twelve months ended March 31, 2017.

Until December 31, 2015, certain non-core services of the Group, such as building construction, project management and energy activities, were included under a third segment (the "**Other**

Segment"). We do not provide those services any longer and, starting from the 2016 financial year, our Other Segment no longer exists.

Our services

Facility Management Segment

Through our Facility Management Segment, we offer a broad range of facility management services to PSEs, private sector customers and healthcare providers. Facility management involves the provision of logistical and organizational support services to our customers' facilities in order to help customers make optimal use of their buildings and outdoor spaces. We refer to the provision of more than one such service as "integrated facility management."

For the twelve months ended March 31, 2017, our Facility Management Segment generated revenue of €794.3 million and EBITDA of €67.1 million.

The following presents a brief description of each service area of our Facility Management Segment.

Cleaning

Cleaning activities include cleaning and hygiene services, sanitation, disinfection, pest control and rat extermination, collection, transport and disposal of hospital waste. We provide such services for customers, encompassing routine daily office and facilities cleaning, the collection, transport and disposal of sanitary waste and well as specialized cleaning services such as sanitization and disinfection for industrial or healthcare customers. Most of our manual workers are employed in this activity and management estimates that labor costs constitute approximately four fifths of our total costs in this activity. We handle a range of facilities that require different types of attention, including schools, cafeterias, factories, hospitals and office parks.

Technical services

Technical services encompass the management, running and maintenance services of property-related systems, including therein:

- *Energy and HVAC management:* We offer complete energy and HVAC management services, from fuel supply procurement, storage and delivery, routine management and maintenance. We also manage the renovation, upgrade and ongoing optimization of HVAC systems. We offer performance-based contracts where we seek to increase our margins based on energy savings and good maintenance of the related infrastructure.
- *Fire prevention and safety:* Sicura and its subsidiaries provide a range of fire prevention, safety and consulting services. We supply, install, manage and maintain fire detection, evacuation and suppression systems, advise on fire prevention and evacuation planning and provide related workplace training and equipment (*i.e.*, safety signage, first aid kits and safety cabinets).

Landscaping

We provide a suite of services for the design, creation and maintenance of outdoor spaces, including gardens, green spaces, riverfronts and beachfronts, street furniture for municipalities, healthcare providers and private sector entities. Within this service area, we also offer to our public sector entity customers a series of interdisciplinary interventions relating to the redevelopment of urban areas (urban renewal). Finally, we provide botanical census-taking and prepare maintenance plans based on geographical information systems.

Other facility management services

Other facility management services include the remaining facility management services we offer.

- *Auxiliary services:* Auxiliary services groups certain outsourced services we provide, including internal mail-room, doorman and reception services. These services are geared towards our private sector clients.

- *Logistical services:* Logistical services handle pharmaceutical logistics, medical/surgical device management, transport and handling of biological/biohazard material and laboratory samples as well as specialized transportation and care of patients.
- *Property management*: We provide process and technology outsourcing IT-services in the "business to business" market through our start-up e-Digital, as well as software applications for home delivery of cleaning, electricity, air conditioning systems, security systems and other services in the related "business to consumer" market through our start-up YouGenio.

Laundering and Sterilization Segment

Our Laundering and Sterilization Segment focuses on the healthcare segment of the Italian laundering and sterilization segment, which is the largest segment within such market. We provided the services through Servizi Ospedalieri (and its subsidiaries), and they mainly involve the following activities: (i) rental and industrial laundering of bed linens, packaged linen and mattress provider (linen rental and industrial laundering); (ii) sterilization of linen; and (iii) sterilization of surgical equipment.

For the twelve months ended March 31, 2017, our Laundering and Sterilization Segment generated revenue of €134.6 million and EBITDA of €37.0 million.

We provide Laundering and Sterilization services under three categories:

- *laundering of linens:* We provide washing of flat linen, ready-made linen, uniforms, patient gowns, mattresses and accessories which we lease to our healthcare customers;
- *sterilization of linens and surgical fabrics:* We provide washing and sterilization of linens used in operating rooms and reusable surgical fabrics which we lease to our healthcare customers; and
- *sterilization of surgical instruments and production and preparation of surgical kits:* We provide washing and sterilization of surgical instruments and we also produce and prepare sealed surgical kits containing tools and other accoutrements for medical professionals.

Our sterilization activities are undertaken at twenty-two sterilization facilities we manage within the premises of our healthcare customers and within four sterilization centers we manage directly.

Our Laundering and Sterilization Segment activities also provides logistical services that are related to laundering and sterilization activities. For example, we manage the collection of used linens and the subsequent distribution of clean linens at our healthcare customers' premises. In cases where we perform laundering and sterilization services at one of our five directly managed sterilization centers, we are responsible for the transport of the clean and used linens from our facilities to customer sites. With respect to sterilization services, we sterilize linens and surgical fabrics and surgical instruments and surgical kits in compliance with industry standards and government hygiene and sanitary regulations.

Our business model

We have structured our operations to create a cross-functional and market-oriented system that we believe achieves the full integration of our departments and the coordination of our business operations division, which is led by our newly established corporate role of Chief Operating Officer. We believe this allows us to deliver integrated services and provide our customers with seamless assistance across our activities, in order to effectively follow through our key objectives of strengthening relationships with customers and enhancing their satisfaction and retention.

Facility Management Segment

Our business operations division incorporates the following principal departments of the Group that manage customer relationships: (i) operative purchasing, which includes the implementation of our “make” approach (“**Operative Purchasing**”), (ii) sales & marketing, which includes monitoring the market, identifying opportunities and tenders’ selection) (“**Sales & Marketing**”), and (iii) planning & continuous improvement, which includes preliminary feasibility analysis, designing of services and operations, technical and financial analysis, planning, control and initial phases of our operations and our ongoing service delivery, quality control and operational management (“**Planning & Continuous Improvement**”).

Our value chain can be broken down into three main phases: (1) implementing our “make” approach by delivering customized solutions, (2) monitoring the market, identifying opportunities and selecting tenders in which to participate, and (3) identifying, organizing and delivering our services while assisting the customer throughout the implementation.

The first and second phases primarily involve the Operative Purchasing and the Sales & Marketing departments. By actively cultivating the synergies between these two departments, which communicate with each other through specific inter-departmental committees that meet weekly or more frequently, as required, we are able to select the tenders in which we wish to participate both in terms of our ability to meet the requirements and the associated economic feasibility and benefits.

The third phase (subsequent to the awarding of a contract) consist of the actual service delivery and is performed by our Planning & Continuous Improvement department. This department coordinates, takes operational control and monitors results throughout the phases of a project’s lifecycle. This process enables us to monitor the quality of services rendered to promote customer satisfaction and then implement any corrective action that is required. The start-up sub-department intervenes as soon as tenders are won by the Group and initiates the operating procedures while the service management sub-department (with personnel spread throughout Italy in different areas with profit and loss responsibilities) is responsible for service delivery, service management, service optimization and account management.

Laundering and Sterilization Segment

Our Laundering and Sterilization Segment value chain differs slightly from the value chain of our Facility Management Segment. Laundering activities do not include a start-up phase, and instead include a production cycle related to the laundering phase. Sterilization activities include all of the phases discussed above for the Facility Management Segment (including a start-up phase that takes place upon our receipt of a public tender to provide such services at a new location) and, in addition, a production phase. The production phase comprises the pick-up of items to be laundered and/or sterilized and the industrial laundering and/or sterilization cycle followed by reconsignment (delivery/distribution and inventory management).

Our departments

The following is a brief description of each of the above departments and how they interact with each other to effectively put in place our cross-functional and market-oriented system.

Operative Purchasing

Our Operative Purchasing department has a key role as it implements and delivers customized solutions to our customers’ facility management or laundering and sterilization needs through becoming a preferred multi-service provider. We benefit from significant in-house expertise and resources and refer to this self-contained ability to implement our business plan in support of our customers’ objectives as a “make” rather than a “buy” approach, which we believe constitutes a key competitive advantage for us.

In particular, this department is responsible for (i) preparing and dealing with purchasing orders to suppliers, (ii) retaining and assigning the right professionals for the provision of services, and (iii) ensuring that the latter perform seamlessly and effectively in order to specifically address the peculiar needs of our customers.

Sales & Marketing

We have created a Sales & Marketing department which concentrates, in a single department and by geographical area, activities regarding new clients and our existing order book. The focus of the Sales & Marketing department is to prepare and execute our participation in tenders by PSEs, healthcare and large- and medium-sized private sector customers. Given the high volume and value amount of business we currently undertake with PSEs and healthcare customers, such customers are currently the predominant focus of this department.

The Sales & Marketing department has developed a network of contacts across the country. It focuses mostly on large entities, such as municipalities of cities with more than 20,000 inhabitants, provinces, regions, healthcare facilities (232 healthcare legal entities with 768 hospitals according to the Health Public Record ("*Annuario della Sanità*")), homes for the elderly, the national, regional and provincial procurement centers (CONSIP, Intercenter, *Soggetti aggregatori Regionali*, *Unioni di Comuni*, *Città Metropolitane* and others), and medium-sized and large private businesses.

Planning & Continuous Improvement

Based on reports from the Sales & Marketing department, the Planning & Continuous Improvement department determines whether it is worthwhile for us to participate in a tender, and if so, it drafts the designs, elaborates the technical proposals and prepares the detailed technical and financial analysis.

We divide our Planning & Continuous Improvement department's activities in the following four phases:

- *Preliminary feasibility analysis.* The department carries out a preliminary economic assessment, based on our reference parameters, to support the Sales & Marketing department in deciding whether to participate in specific tenders.
- *Design, services and works.* The department drafts designs for services relevant to public tenders and formulates the designs to redevelop plant engineering systems and/or buildings.
- *Technical and financial analysis.* The department considers the costs necessary to deliver the services as designed and monitors that these services are consistent with those requested by the client. It includes an analysis of the specific offers of suppliers selected by the purchasing and logistics department.
- *Issue order.* The department, when we are awarded a contract, issues order documentation to the competent company departments, including the design and the establishment of the order's financial objectives.

Further objectives of the Planning & Continuous Improvement department entail the following activities:

- markets monitoring using a commercial data bank which our Sales & Marketing department edits and updates. This data bank is compiled through a coordinated and organized series of data collection initiatives, such as periodic visits to customers and prospective customers. Other teams analyze the activities of competing companies, the technical reports which they submit when bidding and publicly available corporate documents (for example, financial statements) and keep track of new services which they offer;
- identify opportunities through an analysis of the type of service, volumes and territories of the tenders reported by a specific office (the "**Contracting Office**") organized within the department. Our Contracting Office is responsible for managing the information system, administering the purchase process and observing regulations and procedures in public tenders. It promotes the proper flow of information among our operational departments that are involved in the process. Furthermore, the Contracting Office supervises the collection, preparation and updating of administrative documentation needed to participate in the relevant tenders;

- development and implementation of the information system needed to support the company management as regards controlling, planning, optimizing and innovating company processes associated with the delivery of the services; and
- integration of company activities in the start-up phase.

The Planning & Continuous Improvement department is organized to provide (i) procedures and systems necessary to support the creation of final accounting reports and economic objectives, and (ii) operative benchmarks (*indicatori operativi*) to evaluate progress. It also operates a project team to implement (i) organizational and operational projects, which resolve critical issues encountered in the start-up or to intervene directly in specific operational areas whenever the order complexity requires this, and (ii) testing projects related to new products and/or procedures.

We divide order management undertaken by our operational departments into three main phases: (1) start-up, (2) regular management and (3) reconsignment. The phases vary depending on the type of services delivered. With respect to laundering and sterilization services, some activities listed below are performed directly by our individual facilities located around Italy.

- *Start-up.* The start-up phase begins with the award of the tender and the delivery of the service and concludes when the process of producing the computerized registry has been completed. During start-up, the following activities take place: (i) activation of the contact center (as described under "*—Customer Care*"); (ii) receipt of the property to which the job order relates; (iii) instruction of the teams assigned to produce and manage the computerized registry and the procurement of technical and administrative documentation; (iv) verification with the client of the work/maintenance plan proposed; (v) initiation of operating procedures; and (vi) presentation of the final plan for modifications to meet regulations and redevelopment work, if required.
- *Regular management.* The regular management phase begins with the completion of the computerized registry and lasts until the delivery of the relevant service has been terminated or completed. During this phase, the following activities, among others, are carried out: (i) critical analysis and updating of data obtained from the surveys conducted in the preliminary phase; (ii) updating work and maintenance plans based on specific client requests; (iii) continuous monitoring of feedback from users and the job performance control system; (iv) updating managerial strategies; (v) coordinating operations personnel; and (vi) managing the relationship with the customer. It is in this particular phase that we believe we are able to deliver value to our customers providing services that balance both customer satisfaction and profitability. We achieve this by managing our workforce to optimize workload and productivity. A Service Manager is assigned to each order for monitoring service execution in terms of costs and customer needs. A Key Account Manager is assigned to each single customer for building and maintaining a successful customer relationship and, ideally, increasing customer value by originating new service contracts or enlarging the scope of services/buildings to be managed (mainly with private sector customers). The Key Account Manager also evaluates customer feedback to increase the Group's knowledge for driving contract renewal.
- *Reconsignment.* The reconsignment phase begins with the termination of service delivery and ends with the reconsignment of the services that the Group provided to the customer.

Production—Laundering and Sterilization Segment

The Production department is only relevant to our Laundering and Sterilization Segment and includes the production cycle related to the laundering and sterilization phases which occurs in the 30 facilities of the laundering and sterilization network (one of which is located off-site). The production phase includes also ancillary activities to the laundering and sterilization, such as the pick-up and reconsignment of the items to be laundered or sterilized, consisting in managing the pick-up and reconsignment of the items at the various sites of our healthcare customers, transporting them to and from one of the 30 centers operated by our Laundering and Sterilization Segment discussed under "*—Real estate and equipment—Real estate*."

Customers and contracts

We are a service provider for a diverse base of PSEs, healthcare (public and private) and private sector customers. We categorize our customers in this fashion because our experience indicates that each category places different priorities on the services they outsource and we therefore tailor our services, pricing, technical specifications and customer care accordingly.

Our top 10 customers accounted for 20.1% of our total revenue for the year ended December 31, 2016. For the year ended December 31, 2016, PSEs, healthcare customers and private sector customers accounted for approximately 27.3%, 47.5% and 25.2% of our revenue, respectively. Our business relationships with our PSE and healthcare customers are usually formed by participating in public tenders. We possess unique in-depth knowledge of the complex Italian public tender requirements to which we dedicate a team of approximately 29 specialists across our Facility Management Segment and Laundering and Sterilization Segment and in 2016 we bid on 140 PSEs and healthcare tenders, of which 14 refer to framework agreements and 126 refer to traditional tenders. In addition, our win rate among PSE and healthcare customer tenders, was 20.6%, 25.8%, 27.4% and 20.0% for the year ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2017, respectively.

We believe our capacity to offer a wide range of integrated services represents a significant opportunity for our customers, who can rely on a single supplier that can efficiently satisfy many of their needs, without compromising the quality of the services rendered. We believe our proposals for integrated services tend to be more cost-efficient for our customers than using individual services provided by a range of suppliers. In addition, we believe our integrated services tend to produce increased customer loyalty, which provides us with an important competitive advantage.

The following sections briefly describe our customer base by category and the types of contracts we typically conclude with them.

PSEs and healthcare customers

We are an interdisciplinary service provider and partner to a variety of PSEs and healthcare customers. We offer streamlined and customized solutions enabling PSEs and healthcare customers to concentrate more resources and attention on their “core functions”: citizen services, city administration, healthcare activities and furtherance of the general interest. We strive to fully interface with our PSE and healthcare customers’ departments, employees and operations to provide mission critical services and serve as careful custodians of the citizens’ assets entrusted to us. We provide a variety of services to PSEs and healthcare customers in Italy from technical services, cleaning of offices and public buildings and managing on-site sterilization facilities.

The table below sets forth certain examples of PSE and healthcare customers along with the type of service(s) provided.

Selected PSE and Healthcare Customers	Type of service(s) provided
ER.GO (Regional Organization for the Right to Higher Education)	Technical services, Cleaning, Landscaping, Auxiliary services
Municipality of Bologna	Landscaping, Cleaning, Energy and HVAC management
Legnano Community Hospital	Cleaning and Technical services
Azienda Ospedaliera Senese	Laundering and sterilization of surgical instruments and preparation of surgical kits
APSS Trento (Province of Trento Community hospital)	Laundering, Cleaning
A.T.M. Milan Public Transportation	Cleaning, Technical services
University of Rome Tor Vergata	Technical services
University Hospital of Modena	Cleaning

PSE and healthcare customer contracts

According to Italian law, supply, works and services contracts between PSEs and healthcare customers and contractors, suppliers, or service providers such as ourselves, are governed by, *inter alia*, the Italian Public Tender Laws, though PSEs and healthcare customers may, under certain conditions, derogate from certain provisions thereunder. Italian Public Tender Laws generally require that such contracts with PSEs and healthcare customers not be automatically renewable and must be put to public tender through a transparent bidding process. See "*—Regulation*."

In the twelve months ended March 31, 2017, based on our internal records, we participated in 127 public traditional tenders (new tenders and tendering processes initiated for contracts we already held) with an aggregate value of approximately €873 million representing a decrease of 19.5% over the value of tenders in which we participated in the twelve months ended March 31, 2016, when we participated in 131 tenders with an aggregate value of approximately €1,085 million (the amounts refer to the overall base auction price). The variation is largely explained by the number of tenders that PSEs and healthcare customers hold and market conditions thereof which may lead us to decline to participate in tenders that do not fit our return-on-investment or deployment of assets requirements.

In the context of public tenders, contracts are awarded on one of the following bases:

- quality and price; and
- lowest price.

Our contractual and fee arrangements with PSEs and healthcare customers vary according to the terms of the relevant public tender. The Group participates alone in such tenders or we bid in conjunction with partners (either private sector businesses or cooperatives) pursuant to TJAs. TJAs are governed by a framework agreement which regulates the delivery of services by and among the TJA participants. We render services within the context of a TJA on a non-exclusive basis; therefore, the partner organizations can also subcontract service to third parties. In our experience, TJAs allow us to invoice our PSE and/or healthcare customers directly for the services we perform.

In the past few years, the Italian market of tenders for facilities managements services has shifted from a fragmented approach, whereby local public administrations, municipalities and other local healthcare providers launch local tenders to satisfy their individual facilities management requirements, to a more integrated approach, whereby centralized purchasing agencies, such as CONSIP, consolidate the purchasing function of the individual public administrations through the execution of framework agreements. Thus resulting in fewer but much larger public tenders. Our strategy calls for increasing our involvement in such centralized public tenders, especially those that aggregate demand on a multiservice or larger geographic area basis as we benefit the most from them in that they enable us to fully leverage our competitive edge. In such context, the contractor, upon the awarding of the tender, enters into a framework agreement under which to provide the services at the agreed general terms and conditions and based on a set maximum amount (*i.e.*, "plafond"). The contractor then enters into individual contracts with the relevant PSEs for the provision of the services according to the framework agreement. See "*—Regulation*" for more discussion. Pursuant to the spending review, healthcare customer contracts in particular, may be subject to modification. If prices under current contracts for certain products and services are more expensive than reference prices (*prezzi di riferimento*) set by ANAC and utilized by CONSIP, healthcare customers can renegotiate or terminate the relevant contract with no liability for the contractor's damages. See "*Risk factors—Risks related to our business—Our business could be adversely affected by the central role of CONSIP and other centralized purchasing agencies in public procurement with regards to setting economic terms for our services or by ongoing initiatives to reform decentralization in Italy*."

Our contracts with PSEs had an average duration of 3.9 years, whereas for healthcare customers, the average duration was 4.9 years. The contracts' average duration term has been calculated on the weighted average formula (annual value) taking into consideration contracts entered into in the years ended December 31, 2014, 2015, 2016 and the three months ended March 31, 2017 (including both portfolio renewals and new business). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting Our Results of Operations—Trade receivables.*"

Private sector customers

Our activities offer a range of services and solutions to private sector customers. We provide our services also in the recently joined "business to consumer" market, where we have developed software application for home delivery of cleaning, electricity, air conditioning systems, security systems and other services. However, we focus on competing for contracts with large multi-site private sector customers and strive to provide solutions by assuming responsibility of such customers' secondary operational processes. Our value proposition to our large private sector customers encompasses efficient, integrated facility management solutions that are responsive to our customer's needs and attuned with modern sensitivities related to sustainability and energy savings, thereby generating additional value for our customers. We strive to forge long-term relationships with our private sector customers.

In the last twelve months ended March 31, 2017 we recorded a slight decrease in the private sector component of our customer portfolio with 24.9% of our Group's total revenue deriving from private customers (€230.5 million) compared to 25.2% of our total revenue in the year ended December 31, 2016.

The table below sets forth certain examples of private sector customers along with the type of service(s) provided.

Selected private sector customers	Type of service(s) provided
Telecom Italia S.p.A.	Integrated facility management
Wind Telecomunicazioni S.p.A.	Integrated facility management
Auchan S.p.A.	Integrated facility management
Vodafone Omnitel N.V.	Technical services
Nuovo Trasporto Viaggiatori S.p.A.	Cleaning

Private sector contracts

Our contracts with private sector customers are similar to our contracts with PSEs and healthcare customers, however, in general, the terms are more flexible and can be adapted to the specific private customer's needs. Our agreements are generally evidenced by multi-year written contracts to provide a schedule of services related to specified assets. For the years ended December 31, 2014, 2015 and 2016, the average duration of our private sector contracts was 1.2 years, 1.7 years and 1.6 years, respectively. The contracts' average duration term has been calculated on the weighted average formula (annual value) taking into consideration contracts entered into in 2014, 2015 and 2016 (including both portfolio renewals and new customers). Many contracts with private sector customers are renewable, either automatically or upon consent of both parties. We are typically paid a flat annual fee that can be adjusted for extraordinary maintenance or special service intervention requests. In certain cases, we invoice monthly depending on the services we provide. Our contracts typically require us to provide regular written reports to our customers regarding the services and interventions we have delivered. With respect to disputes, our contractual arrangements generally include penalties if we fail to fulfill our obligations, and they require us to indemnify the customer for any damages sustained. We typically post performance bonds or other security with large private sector customers because of the sensitivity of the assets we maintain and manage. Contracts with private sector customers can be terminated under certain circumstances, including at discretion of the customer or upon our default thereunder. In certain instances, we subcontract certain specialized services to third parties.

To foster customer satisfaction, we proactively work closely with customers and involve them in the management of any disputes. For example, the Company, which is responsible for the service delivery of our Telecom Italia S.p.A. account as a result of the transfer by H2H of the business unit related to the provision of facility management services to the Telecom Italia Group occurred in 2014, has established a special management committee formed by three members appointed by Telecom Italia S.p.A. and three members appointed by us that manages the execution and supervision of the contract and intervenes in cases of disagreement to foster customer satisfaction and resolution. In certain other contracts with large private sector customers, we have arbitration provisions to govern the settlement of disputes. See "*Risk factors—Risks related to our business—If major customers terminate their service contracts with us prior to the end of the relevant contractual term, including as a consequence of a change of control of the Group, or select another provider following expiration of such contracts or otherwise renew such contracts on less favorable terms, and/or if we are unable to establish new customer relationships, our business, financial condition and results of operations could be adversely affected*."

Backlog

As of March 31, 2017, our backlog totaled approximately €2,766 million, substantially in line with the value recorded as of March 31, 2016 (€2,800 million). Many of the service contracts we conclude with customers include service delivery and other interventions that span several financial years. We therefore use the measurement of backlog as a significant performance indicator for our business. Backlog serves to measure the total euro value of work to be performed on contracts awarded in progress and signing of new customers.

Our backlog consists principally of services and projects for which we have signed contracts and in respect of which we have received binding commitments from customers or other operations within our subsidiaries on a consolidated basis. Backlog projects are associated with service contracts in both our Facility Management Segment and Laundering and Sterilization Segment, however, they do not include the following service areas: fire prevention and safety (with Facility Management Segment).

We have adopted the following criteria for including contracts in our backlog:

- we include the present value on the reference date of the assumed revenue that is expected to be received during the life of the contract;
- in the case of TJA structures, we include the relative percentage of revenue attributable to the Group; and
- we include only revenue for services or projects that are required by the applicable contract (as a result, we do not consider revenue from services which are additional to those performed under the contract).

Backlog is not an audited measure. Our backlog fluctuates on a quarter-to-quarter basis due to the signing of new contracts, more of which have historically tended to be executed as the year progresses as customers make purchases under their capital budgets, as well as the pace of execution of existing contracts. As a result of the changes in our backlog, whether due to the signing of new contracts or commitments, the pace of execution of our contracts or otherwise, our results of operations for certain of the financial periods discussed in this Offering Memorandum may not be directly comparable with our results of operations for other financial periods discussed herein or future financial periods. See "*Risk factors—Risks related to our business—Our backlog is subject to unexpected adjustments and service contract terminations and is, therefore, an uncertain indicator of future earnings*" and "*Management's Discussion of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Increased outsourcing of facility management and growing backlog.*"

Customer care

Coordination between our various departments depends on an information system that is a key strategic element of the Group's capabilities; the information system enables the different departments within our Group to offer customers integrated and seamless services. The following paragraphs briefly describe the key components of our information system.

Computerized registry

The Group carries out—where required for the type of service and for its delivery—an assessment of the location and condition of properties and facilities. For this reason, we have departments that specialize in detailed appraisal of the assets relating to the order both within the Sales & Marketing department and in the Planning & Continuous Improvement department. Depending on the phase of the value chain, the appraisal may form the basis of the preliminary evaluation conducted by the Sales & Marketing department or it may be conducted by the Planning & Continuous Improvement department when delivering the service. In both cases, the information gathered by one or by both departments will be entered into a computerized registry.

Planning

Once an entry in the registry has been created, we arrange the program of interventions and services which must be performed. Our Planning & Continuous Improvement department uses specific procedures which are updated periodically based on the results of our operational reports. We then program the scheduling of operations and activities.

The contact center

Our Facility Management Segment not only manages and guarantees scheduled services but also performs services "on demand" upon request of the relevant customer. The customer is given a dedicated toll-free number for each specific project and may send messages by telephone, internet, fax or e-mail. The contact center can also receive and manage messages automatically from systems located at facilities.

Purchasing and subcontracting

We purchase the following on behalf of our consumers:

- fuel (for Energy and HVAC management deliveries), with respect to which there are pass-through mechanisms in our contracts; by operation of law our PSE and healthcare customer contracts must include price adjustments to enable us to pass-through increased fuel costs to our customers, either at the end of each quarter or according to reference prices published by ANAC, whereas CONSIP contracts include price adjustments three times a year;
- materials and goods for cleaning services (such as hand soap we furnish to our customers as part of our Cleaning activities); and
- subcontract of third parties to provide certain services for our customers (for example pest control, catering, parking and security services).

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosure of Market Risk—Commodity Risk,*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Costs structure.*"

We typically manage procurement centrally using a supplier selection tool managed directly by the purchasing office. The need for suppliers with strong creditworthiness is balanced against the need for suppliers in proximity to the sites where we are required to deliver our services.

In the light of these requirements, we have implemented a system based on:

- each vendor filling out a card/questionnaire responding to an initial assessment (which takes into account both qualitative and quantitative parameters); and
- following the receipt of the goods/services we have purchased, we assess the supplier based on their performance and their responses to our original questionnaire's findings.

We seek to perform supplier selection consistently with the objectives set out by the Sales & Marketing department and can be carried out in a timely manner due to the information provided and the actual experience recorded by the Planning & Continuous Improvement department through periodic assessments.

We believe we have access to adequate sources of the suppliers necessary to fulfill the services contracts we have concluded with our customers. The success of our business is not dependent upon any one supplier and none of the suppliers individually is material to the ongoing business of the Group.

Real estate and equipment

Real estate

With the exception of three facilities owned by Servizi Ospedalieri and one owned by Sicura, we do not own any real estate. All our other facilities are leased pursuant to leases on customary, arms-length terms; in some cases we have entered into leases with MSC, our controlling shareholder (see "*Certain relationships and related party transactions*"). We believe that our facilities are in excellent condition and suitable for the purposes for which they are being used. We believe we have sufficient capacity to meet our obligations to our customers.

Facility Management Segment

Our Facility Management Segment is headquartered in Zola Predosa (Bologna) and maintains 47 offices and branches throughout Italy to be close to our PSE, private sector and healthcare customers. The map below illustrates our nationwide presence of our Facility Management Segment.

Laundering and Sterilization Segment

Our Laundering and Sterilization Segment is headquartered in Ferrara and maintains a network of 30 centers, among which we manage 22 laundering and/or sterilization centers on site, inside the confines of the premises of certain healthcare customers, and one located off-site and 4 standalone laundering plants (of which 3 also serve as sterilization centers for surgical fabrics). See "*Industry—The Italian facility management and laundering and sterilization segment—Overview of laundering and sterilization.*" The map below illustrates the presence of our Laundering and Sterilization Segment's 22 on-site laundering and/or sterilization centers and 4 standalone laundering plants.

The table below shows the location of our 4 standalone laundry plants and the relevant activities carried out in each of them.

	Laundering	Sterilization of surgical fabrics	Sterilization of surgical instruments and surgical kits
Ferrara	✓	✓	
Lucca	✓	✓	✓
Teramo	✓	✓	✓
Marcellinara (CZ)	✓		

Equipment

Several of our service offerings require specialized equipment and spare parts. In addition, staying abreast of the next generation of technical equipment, for example in advanced microfibers and microchip tracing used for fabrics employed in medical settings, helps us provide value to our customers. For fixtures and equipment that we install or place on our customers' premises, for example traffic signaling devices and fire extinguishers, the customer purchases such equipment from us. In other cases, where we must utilize particular equipment in order to render our services, for example, in connection with HVAC management, we own or lease the relevant equipment. We believe our equipment stock is in excellent condition and suitable for the purposes for which such equipment is being used. In addition, we believe we have sufficient equipment capacity to meet our obligations to our customers.

Environment and sustainability

In keeping with our founding as part of a cooperative society, we are committed to operating our business while respecting social considerations and the environment. When designing and organizing our internal processes and systems, we strive to take into account their impact on the following stakeholders: our shareholders, our workers and employees, the communities in which we operate and the environment.

Facility Management Segment

We believe that facility management is congruent with sustainable development. Our Facility Management Segment has adopted a risk assessment and monitoring organizational model suggested by LD 231 (as defined under "—*Regulation.*") that includes detailed mapping of environmental impacts that such operations produce and we have appointed local area managers empowered to take actions to reduce our environmental impact and promote workplace safety. According to our management, the key environmental impact of our Facility Management Segment is energy consumption. We have taken the following steps to reduce energy consumption and promote energy efficiency (including making such recommendations to our customers for their facilities): installing low-energy lighting, adding more advanced installation and utilizing renewable energy sources. We regularly conduct training sessions for our staff in the areas of carbon and greenhouse gas emissions reduction and green procurement so that we can promote and foster a policy of sustainability.

Because of our yearly energy consumption in excess of certain thresholds set out by law, we must appoint an energy manager (the "**Energy Manager**") who sets defined strategic objectives in the field of energy efficiency and greenhouse gas reductions and monitors our progress, conducts environmental audits and holds our departments accountable for savings energy. Our Energy Manager also liaises with the Electric Gas and Water Authority (*Autorità per l'Energia Elettrica il Gas e il Sistema Idrico*) to demonstrate the results of our voluntary efforts to reduce energy consumption and obtain energy efficiency credits (*titoli di efficienza energetica*). Energy efficiency credits are so-called "white certificates" which we can then sell or trade within the Italian market set up for this purpose (*Gestore Mercati Energetici*).

Laundering and Sterilization

Our Laundering and Sterilization Segment has also adopted the risk assessment and monitoring organizational model suggested by LD 231 (as defined under "—*Regulation.*"). According to our management, the key environmental impact of this segment is determined by water and energy consumption and the use of chemicals. As a result of the foregoing analysis, which is updated three times a year, we have taken steps to reduce our consumption of water and cleaning solutions through use of modern and efficient equipment. We also stock and propose to our customers cleaning products with the lowest environmental impact, for example carrying the "Ecolabel" certification.

Certifications

We maintain a range of certifications because we value reducing our environmental impact. The Company, Telepost and Servizi Ospedalieri have all obtained ISO 14.001 certification for environmental management and the Company further obtained ISO 50.001 and ISO 11.352 for energy management in 2016.

Employees and labor arrangements

As of December 31, 2016 and March 31, 2017, our Group employed 16,197 and 16,197 people, respectively. The following table shows a breakdown of our Group companies' employees by function as of the periods indicated:

	As of December 31,			As of March 31
(numbers of employees)	**2014**	**2015**	**2016**	**2017**
Managers	58	56	60	57
Office employees	1,462	1,251	1,255	1,254
Manual workers	14,402	15,127	14,882	14,886
Total	**15,922**	**16,434**	**16,197**	**16,197**

For a discussion of the impact of labor costs on our results of operations, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Costs structure.*"

In recent years, we have implemented a succession planning initiative to recruit, train and promote younger candidates into management and supervisory roles within our Group.

Transfer of employees

As of March 31, 2017, 12,772 employees (approximately 78.9% of our total employees and 89.2% at the Company's level) were employed pursuant to CCNL Multiservizi, the collective bargaining agreement applicable to cleaning and facility management. In cases where one outsourced provider of cleaning and facility management is replaced by another and the terms, type or level of service of a new contract remain constant or are more intensive than that contemplated by the expiring or terminated contract (the "**parity principle**"), Article 4 of CCNL Multiservizi obliges the transfer of employees from the outgoing to the incoming contractor upon such expiration or termination. The parity principle applies to PSE and healthcare customer as well as private sector customer contracts. In our experience, the majority of contracts that we have won or lost have included the transfer of employees under the parity principle and we estimate that in any given year approximately one thousand employees transfer in and out of our Group due to contracts gained and lost, with our expanding headcount for the years ended December 31, 2014, 2015 and 2016 largely explained by our win rate and a net increase in employees transferred into the Group in connection with contracts won. In our experience, the application of the parity principle does allow us to make certain adjustments to the number of working hours per week for the relevant workforce.

In cases where the terms, type or level of service of a new contract are less intensive than that contemplated by the expiring or terminated contract (*i.e.*, the parity principle does not apply), Article 4 of CCNL Multiservizi requires that the incoming provider engage in consultations with the relevant labor unions with a view to establishing the level of human resources required to fulfill the new contract and maintain the jobs of the existing workforce, and where necessary, making use of redundancy procedures, reduced hours and other flexible arrangements and workplace mobility schemes. In our experience, in the few cases where we have lost an existing contract and the parity principle did not apply, we had attempted to use the affected employees on new contracts or for supplementary works on existing contracts for which we require additional resources, or alternatively, we commenced redundancy proceedings.

As of the date of this Offering Memorandum, we are currently engaged in renegotiating CCNL Multiservizi with the relevant labor unions and other employees in the sector. We believe that the transfer of employees' provision is one that will remain in future iterations of the CCNL Multiservizi.

Employee leasing

Employee leasing (*somministrazione di lavoro*) refers to a method of contracting workers on a permanent or temporary basis in accordance with Italian Legislative Decree No. 276/2003. Our main use of employee leasing is related to employee leasing from our controlling shareholder MSC. The Italian Ministry of Labor granted a temporary authorization to MSC for its employee leasing and recruitment activities on December 22, 2004, followed by a permanent authorization on June 13, 2007.

Personnel "leased" by MSC to the Group perform various functions, from manual workers to top managers. As of December 31, 2016 and March 31, 2017, the Group leased 442 and 422 employees, respectively. Employee leasing arrangements are regulated by a framework agreement between us and MSC dated July 6, 2007, which sets forth the terms and conditions of the leasing of the relevant employees (*soci lavoratori*) by MSC to the Group. The framework agreement has a five-year term and has been tacitly renewed to date. The framework agreement, besides providing for certain disclosure obligations, lays out the essential terms and conditions regarding the individual contracts, and establishes two fundamental principles:

- the market price principle: the costs borne by the Group for leasing MSC employees cannot be higher than the costs that it would incur in the employment market; and
- the preference principle: if MSC receives competing requests from other MSC group companies, the Group takes precedence over MSC's other subsidiaries.

The employees are bound by employment agreements with MSC, and no separate employment agreement is entered into between the leased employee and the Group. As a result, the employee's salary during its lease to the Group will be paid directly by its employer, MSC, in accordance with applicable Italian collective bargaining agreements. However, the Group is jointly liable with MSC in the event of a failure by MSC to pay such leased employee's salary, social security and insurance charges, but such payments can be recovered by the Group against MSC.

The employment relationship is structured as follows:

- the Group notifies MSC of the hours actually worked by the relevant employee, the days of annual holiday and other leave used by the employee, and other events such as illnesses and accidents;
- MSC processes and pays the salary of each such employee. It is also responsible for the payment of social contributions in respect of each employee to the Italian social security fund (INPS), premiums payable to the national insurance company for industrial accidents (INAIL), withholding taxes and any other contributions payable under Italian law; and
- MSC issues an invoice to the Group for the costs incurred for each employee that it leases to the Group.

Leasing an employee from MSC is approximately 4% more costly than the costs of a direct employee of equivalent rank due to services fees and payments into a mandatory fund for training of leased employees.

Intellectual property

We rely on a combination of trademarks, licenses agreements, non-disclosure agreements and proprietary know-how to protect our proprietary rights. We do not believe that any individual item of our intellectual property portfolio is material to our business. We employ various methods, including confidentiality and non-disclosure agreements with third parties, employees and consultants to protect our trade secrets and know-how. As of the date of this Offering Memorandum, we are the holder of various national and European Community trademarks for our various brand names in the markets in which we operate. To date, no third party has brought legal or administrative proceedings challenging the validity of our trademarks.

We currently license national and EU trademarks relating to the name "Manutencoop" from MSC. The agreement came into force on July 1, 2007 and will terminate on June 30, 2027, subject to automatic renewals unless either party gives prior notice of termination. We pay a nominal fee for this license.

Information technology

We have invested in information technology ("**IT**") systems pursuant to licenses from third parties. We believe our IT systems maintain and enhance the quality of services we can provide to our customers in that it allows us to (i) develop projects and proposals with an innovative approach, (ii) develop and implement customized solutions and support systems based on clients' needs and requests (including integration with existing systems), and (iii) design systems and solutions with an end-to-end approach from the study to the delivery phase. We use IT to monitor, manage and prepare responses to private sector and public sector tenders and comply with the numerous regional, municipal and national-level regulations that such tenders entail. Our IT systems also allow us to track logistics and our transactions with customers, suppliers, subcontractors, TJA partners and employees. We have also deployed programs to assist us in tracking and collecting on our trade receivables and historically to assist our treasury department in determining which trade receivables to sell via factoring facilities. Our subsidiary H2H has IT systems that allow customers to monitor the status of their buildings, the status of reported maintenance outage incidence and the timeliness of our responses. We believe such transparency leads to greater operational efficiency and fosters strong customer relationships. As of the date of this Offering Memorandum, we believe that our IT system is robust, adequate to support our activities and insured to standards that are comparable to other operators in our industry.

Research and development

We carry out various research and development activities, with the objective of proactively and continuously improving the quality of the services we offer. In certain instances, we pursue research and development in conjunction with third parties involving industry-standard non-disclosure agreements. Specific research and development activities have included the following: (i) research regarding technical studies related to preparing our bids in response to public tenders and (ii) research regarding advanced new materials and methods in our Laundering and Sterilization Segment.

Project financing

We make investments with various partners to build and operate or otherwise provide integrated services to new facilities for PSEs and healthcare customers pursuant to concessions, such as hospitals pursuant to long-term agreements structured as BOT arrangements. Our non-controlling investments in special purpose vehicles constituted through equity financing from the Group and the other sponsors in turn make use of project financing loans or project bonds on a non-recourse basis to fund the relevant building construction. From time to time we also grant off-balance sheet guarantees of the obligations of such project companies. Our investments partners are typically construction or engineering firms. We manage our investments conservatively and invest only where we identify projects with favorable characteristics such as future service contracts to manage the non-core services of a hospital. Facility management contracts that have been signed between the project companies or the concession-awarding PSE or healthcare customer with Group companies form a key portion of our backlog.

Insurance

We maintain insurance coverage under various liability and property insurance policies for, among other things, damages in the areas of operations, environmental liabilities and business interruption. We also maintain insurance regarding third party claims that may arise out of certain services we provide, third party claims related to damage caused to the properties we manage, civil directors' and officers' liability and information technology system failure. We believe that the level of insurance which we maintain is appropriate for the risks of our business and is comparable, in each case, to that maintained by other companies in our markets operating in the same activities.

We do not have insurance coverage for all interruptions as a result of operational risks because in our view, these risks cannot be insured or can only be insured on unreasonable terms. See "*Risk factors—Risks related to our business—Our insurance is limited and subject to exclusions, and depends on the ongoing viability of our insurers; way may also incur liabilities that are not covered by insurance*" and "*Risk factors—Risks related to our business—The sterilization of laundry and surgical instruments and certain other services we provide carry liability risks.*"

Regulation

The following paragraphs provide a brief description of the main Italian regulations that govern the activities carried out by the Group. References and discussions to laws, regulations and treaties, other administrative and regulatory acts are entirely qualified by the full text of laws, regulations and treaties, other administrative and regulatory acts themselves.

General overview

The areas in which we operate are not generally subject to a specific regulatory regime, however, national and/or local laws and regulations do cover many services we provide. For certain of our activities, we must obtain licenses or permits, make filings of certain notifications/ communications with the relevant authorities or refrain from employing unlicensed professionals. In addition, our fire prevention and safety services must be in compliance with Italian and European laws and regulations with respect to fire prevention procedures and requirements and evacuation best practices and we must only sell and supply firefighting or fire safety products that are approved for such uses. Moreover, our landscaping and Other Segment activities require compliance with local permits that regulate, among other things, the use and operation of heavy machinery and equipment, noise pollution, waste management, conventional and renewable energy installation, erosion and water runoff. To the extent we employ chemicals and other substances in connection with our services (*e.g.*, cleaning solutions), we must handle and dispose of such substances with due care and in compliance with applicable laws and regulations concerning the safeguard of the health of our employees, customers and the general public. Some of the services we provide are subject to Law 10/91 and implementing legislation which prescribe certain energy performances in buildings and/or plants. For a brief description of Law 10/91 and the related energy audit requirements, see *"—Environment and Sustainability."*

The method by which we bid for new business with PSEs and healthcare customers and manage customers relationships requires compliance with Italian Public Tender Laws, discussed below under *"—Public Tenders."*

To foster best practices, we have implemented compliance models in our Facility Management Segment and Laundering and Sterilization Segment based on models prescribed under Legislative Decree No. 231 of June 8, 2001, as amended (**"LD 231"**). LD 231 provides for the administrative liability of a corporate entity for crimes committed in its interest or to its advantage by certain individuals such as its employees, directors and representatives. LD 231 crimes include, among others, crimes committed in the context of dealings with the public administration (including bribery, misappropriation of public contributions, fraud to the detriment of the state), corporate crimes, environmental crimes and crimes of manslaughter or serious injury, in violation of provisions on health and safety at the workplace. LD 231 compliance programs provide a voluntary safe harbor to companies that have implemented such programs, insofar as the individual or agent who committed the offense under LD 231 acted in furtherance of their own interest or in the interest of third parties not related to the company or the relevant company had effectively implemented a LD 231 compliance program and had appointed an independent body or officer to supervise the compliance program. As of the date of this Offering Memorandum, the Company, Servizi Ospedalieri and Sicura have implemented LD 231 compliance programs. However, H2H and certain other companies of the Group have not yet implemented an internal control system pursuant to LD 231.

Our LD 231 compliance programs includes risk identification exercises related to LD 231 crimes, establishing procedures to prevent such acts, creating information reporting channels to the compliance body or officer and establishing a system of disciplinary sanctions for employees or agents found to have violated LD 231. See "*Risk factors—Risks related to our business—We may incur liabilities or be excluded from contracting with public authorities for the actions of our employees*."

Public tenders

General overview

Our public contracts are subject to regulation by applicable Italian law. We are also subject to work safety requirements and labor laws, including specific laws that govern labor relations. See *"—Employees and labor arrangements."*

We generally receive contracts with PSEs and healthcare customers pursuant to public tenders which are regulated by both the Current Code on Public Procurement and the Former Code on Public Procurement (*i.e.*, the Italian Public Tender Laws).

The Current Code on Public Procurement applies to public tender procedures and contracts whose call for tender was published after April 19, 2016 (date of its entry into force). While, the Former Code on Public Procurement still regulates public tender procedures and contracts whose call for tender were published before April 19, 2016.

The Italian Public Tender Laws include the provisions applying to all public works, services and supply contracts, both above and below the following EC thresholds.

	Former Code on Public Procurement	Current Code on Public Procurement[(*)]
Public work contracts and concessions	€5,000,000	€5,225,000
Public supply and service contract for central governmental authorities	€ 130,000	€ 135,000
Public supply and service contract for sub-central entities	€ 200,000	€ 209,000
Public supply and service contracts in special sector (*e.g.*, water, energy, transport and postal services industries)	€ 400,000	€ 418,000

(*) Article 35 of the Current Code on Public Procurement.

The Italian Public Tender Laws provide for five main types of contract award procedures:

(i) the open procedure (any party may submit a tender bid as long as the criteria in the tender procedures are met);

(ii) the restricted procedure (only parties invited by the relevant PSE and healthcare customer may take part in the tendering procedure). Pursuant to the Current Code on Public Procurement, the parties selected by the relevant PSE and healthcare costumer must include at least 5 undertakings;

(iii) the negotiated procedure for contracts with total value of less than €1,000,000, with the exception of urgent works where such limit may be exceeded. Pursuant to the Former Code on Public Procurement the parties selected by the relevant PSE and healthcare customer and invited to submit a tender must include at least 5 bidding parties for contracts with values not exceeding €500,000, and at least 10 undertakings for contracts between €500,000 and €1,000,000. Pursuant to the Current Code on Public Procurement, the parties selected by the relevant PSE must include at least 10 bidding parties for public work contracts exceeding €150,000 and 5 bidding parties for public supply and service contracts exceeding the European threshold set forth by Article 35 of the Current Code on Public Procurement (*i.e.*, €5.2 million). For public work contract above €150,000 and not exceeding €1,000,000 million, the parties selected by the relevant PSE must include at least 15 parties.

(iv) the competitive dialogue (applicable for operations with a significant architectural element). In this procedure, a candidate draws up a project related to the services requested, based on the requirements of the PSE, proposing the conditions and prices he offers). Pursuant to the Current Code on Public Procurement, the competitive dialogue applies also in case of operations without a significant architectural element); and

(v) the project finance.

Under the Current Code on Public Procurement, a specific regulatory framework is dedicated to awarding concessions. For example, in the event that an economic operator has been awarded with a concession contract: (i) with a value exceeding €150,000, (ii) without having participated in public procurement procedures and (iii) still valid at the date of the entry into force of the Current Code on Public Procurement, such economic operator must allow third parties to conduct works, services and supplies under the contract—equaling 80% of the contractual value—by participating in a public tender.

ANAC empowered role

Under the Current Code on Public Procurement, ANAC (*Autorità Nazionale Anticorruzione*) is the Italian Authority with powers to, *inter alia,* oversee public tender procedures. Law No. 114 of August 11, 2014 introduced new and impacting measures in the anticorruption system and settled the suppression of the formerly empowered AVCP (*Autorità per la vigilanza sui lavori pubblici - i.e.*, the Authority for the Supervision of Public Contracts), and provided for AVCP's transfer of functions and resources to the ANAC.

The integration of the functions of the two aforementioned authorities and the consequent extension of the powers granted to ANAC are aimed at setting the conditions to oversee more effectively the scope of corruption prevention in the field of contracts and public procurement.

ANAC operates, essentially, at three different levels: a) constant supervising and prompt reporting to the competent authorities of irregularities or illegal situations, through the inspection function, also eventually sanctioning certain behaviors; b) interpretation of the law, through binding and non-binding guidelines; c) information gathering and continuous monitoring of the awarding and execution of public contracts. The monitoring of public contracts is, *inter alia,* performed by managing all the public procurement databases to support the sharing process among contracting authorities. For example, ANAC maintains a register of qualified contracting authorities, which includes the central contracting authorities (*Centrali di committenza*). The qualification system for determining qualified contracting authorities relates to authorities entering into a specific kind of contract, and depends on the complexity of the contract and the value of the underlying contract (value ranges are set forth in the Current Code on Public Procurement). Authorities constituting qualified contracting authorities are selected based on certain criteria regarding technical and organizational abilities. In addition to this, ANAC manages the national centralized database (*Casellario Informatico*) which contains the information on the economic operators.

Centralized Purchasing Agencies (including CONSIP)—Spending Review and Public Procurement Policies

A centralized purchasing agency (*Centrale di Commitenza*) is a public contracting authority (*Stazione Appaltante*) with the following functions:

(i) buying supplies, services and works;

(ii) awarding of public contracts and concessions; and

(iii) managing and concluding framework contracts (*Convenzioni Quadro*) and framework agreements (*Accordi Quadro)* for supplies, services and works on behalf of many PSEs/ healthcare customers.

CONSIP is a joint stock company fully owned by Italy's Ministry of the Economy and Finance and provides functions as the main Italian centralized purchasing agency.

Pursuant to the Italian Public Tender Laws, PSE and healthcare customer contracts are awarded through public procurement processes. In order to rationalize the purchasing activity of the Public Administration and provide the functions listed above, the centralized purchasing agencies operate, *inter alia*, through the following main instruments:

- *Framework Contracts*: framework contracts are framework agreements on the basis of which economic operators that were awarded with contracts through public tenders called by CONSIP or other centralized purchasing agencies, for several product categories, undertake to accept (with the conditions and prices established in the call for tenders, and based on the quality standards provided for in the terms of contract) supply orders from PSEs/healthcare customers, up to the maximum limit established. Centralized purchasing agencies utilize reference prices established by the ANAC to set the criteria for pricing public tenders for certain goods and services between PSEs/healthcare customers and service providers such as our Group, which most of such customers are required to follow.

Healthcare customers also utilize similar framework contracts entered into by regional procurement committees (*Centrali di Committenza Regionali*) (*e.g.*, Intercenter) which serve as alternatives to CONSIP with respect to healthcare service contracts.

- *Framework Agreements*: framework agreements are purchasing tools that have been introduced by the Former Code of Public Procurement. They are underwritten by CONSIP or other centralized purchasing agencies and more than a single economic operator and set the rules that regulate specific public contracts over a period that cannot exceed four years.

- *The Public Administration Electronic Market* (the "**MePA**"—*Mercato Elettronico*): MePA is a digital marketplace in which registered authorities can make purchases for values below the European threshold of the goods and services offered by suppliers that have been authorized to post their catalogues on the system.

Starting from 2012, due to budgetary constraints, the Italian Legislator enacted several and fragmented spending review measures aimed at cutting the public spending. These measures had a remarkable impact on the contracting authorities' organization and public procurement policies.

In the first place, it was established that CONSIP's prices for particular service offerings (*i.e.*, *inter alia*, frequency of maintenance or intervention) serve as benchmarks which allow PSEs/healthcare customers to terminate such non-CONSIP contracts that may be more expensive. However, in such cases, applicable laws grant the contractor a right to recover 10% of the revenue that would otherwise have been generated by the performance of the remainder of the contract.

In connection with the spending review measures (*i.e.*, article 1 of Law Decree July 6, 2012, no. 95, converted into Law on August 7, 2012, no. 135, "*Urgent rules for the review of public spending with unmodified services to citizens*" as modified by Law no. 228 of December 24, 2012), with respect to the purchases of goods, services and supplies made by the PSEs, any public contract entered into by a PSEs failing to comply with spending review's obligations—*i.e.*, to revert to CONSIP or other centralized purchasing agencies for the purchase of good and services exceeding the EU threshold—is deemed null and void, it involves a disciplinary offence and implies administrative liability. The above mentioned rule is not applied when the price stated in the public contract is lower than the one stated in the CONSIP's framework contract.

Furthermore, under the spending review legal framework, any PSE or healthcare customer has now the right to withdraw, any time, from the ongoing public contract under the following two conditions: (i) in case the terms and the reference prices (*prezzi di riferimento*) set by CONSIP in its framework contract after entering into the public contract, provide better conditions in comparison to the ones stated in the mentioned ongoing public contract; (ii) if the contractor does not agree to adjust the terms and prices (of the ongoing contract) to the ones set by CONSIP. Any agreement in contrast with the above mentioned rule is null and void.

The right to withdraw from the contract is automatically inserted in the ongoing public contracts in accordance to article 1339 of the Italian Civil Code. In case the PSE or healthcare customer does not withdraw from the contract under the above conditions, the PSE or healthcare customer itself must communicate its decision to the central accounting state court (*i.e.*, "*Corte dei Conti*") which will check in the next PSE or healthcare customer balance if the decision not to withdraw from the public contract was taken in compliance with the above mentioned rules.

With respect to the healthcare sector, in case the prices of the existing contracts are 20% higher than the ones set by ANAC, healthcare customers must renegotiate the contract with the contractor in order to adjust the prices below the mentioned threshold; should this renegotiation fail, PSE or healthcare customer must, in fact, withdraw from the contract.

In connection with the spending review effort, the Italian Legislator enacted, on April 24, 2014, Law Decree no. 66 ("**Decree No. 66**") (converted into Law, on June 23, 2014, no. 89) which, *inter alia*, created a new category of centralized purchasing agencies called "Aggregator Bodies"

(*Soggetti Aggregatori*). In particular, article 9 of Decree No. 66 provided for a maximum number (35) of Aggregator Bodies operating in Italy. CONSIP and a centralized purchasing agency for each Italian Region are automatically listed in the register of Aggregator Bodies, which is published and periodically updated by ANAC. Italian centralized purchasing agencies which fulfill the requirements set forth by Decree No. 66 can apply before ANAC to be inserted in the register. Aggregator Bodies can be considered as qualified centralized purchasing agencies. In particular, Aggregator Bodies are the only competent entities that can manage tender procurement procedures related to certain categories of supplies and services above specific threshold set forth in the Decree of the President of the Council of Ministers issued on December 24, 2015.

By way of example, PSE/healthcare customers must resort to Aggregator Bodies for tender procurement procedures in relation to the following categories:

- specific services in the health care sector (*e.g.*, disposal of medical waste, cleaning services, catering services and laundry services for the healthcare customers), if the annual value of the public contract is above the threshold of €40,000; and

- other general services (*e.g.*, facility management services, building cleaning, property and equipment maintenance) if the annual value of the tender contract is above the European threshold of €209,000.

In connection with the spending review measures, Law Decree December 28, 2015 no. 208 ("**Decree No. 208**") further reinforced the centralization of the public administration purchasing activity. In order to rationalize and cut the public spending, Decree No. 208 extended the number of Public Administrations obliged to exclusively resort to the framework contracts issued by CONSIP or by other centralized purchasing agencies. In particular, central and local administrations and any educational establishment shall exclusively resort to CONSIP's framework contracts. Conversely, PSEs based in the Italian Regions and Healthcare costumers are obliged to resort to the framework contracts issued by the regional procurement committees. Contracting Authorities' autonomous purchasing are only possible if PSE can prove that the supplies and services granted through framework contracts do not satisfy their specified needs.

Finally, the Current Code on Public Procurement introduced new rules aimed at rationalizing the contracting authorities' organization by reducing their number. In particular, article 38 of the Current Code on Public Procurement established, at the ANAC, a list of qualified contracting authorities. According to Article 37 of the Current Code on Public Procurement, contracting authorities that are not qualified shall resort to a qualified contracting authority to purchase supplies and services above €40,000 and works above €150,000. Non-qualified contracting authorities can autonomously purchase supplies, services and contracts below the abovementioned thresholds. According to Article 38 of the Current Code on Public Procurement, the following entities shall be automatically registered in the list: (i) the Italian Ministry of Infrastructure and Transport, (ii) the inter-regional education agencies for public works (*Provveditorati Interregionali delle opere pubbliche*); (iii) CONSIP; (iv) Invitalia spa (*i.e.*, the Government agency for inward investment); (v) Aggregator Bodies as defined by Article 9 of Decree No. 66.

As of the date of this Offering Memorandum, the qualifying criteria have not been published. New guidelines issued by ANAC on this topic should be issued in the following months. See "*—Risk factors—Risks related to our business—PSE and healthcare customers may curtail their reliance on our services due to political and administrative decisions or budgetary constraints, or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests.*"

Awarding criteria

According to Italian Public Tender Laws, the winning bid is awarded either to the bid with the lowest price or the economically most advantageous bid in terms of value for money, provided that the criteria are specifically listed in the call for tenders.

The Current Code on Public Procurement provides that the "most economically advantageous bid" criteria (*Criterio dell'offerta economica più vantaggiosa*) shall always apply for social services, hospital, scholastic and welfare catering service, labor-intensive services and engineering and architecture services bid processes with a value over €40,000.

Conversely, the lowest price criterion can be used: a) for public works with an amount up to €2,000,000 b) for services and supplies with standard characteristics or conditions which are defined by the market; c) for services and the supplies with an amount below the threshold provided in article 35 of the Current Code of Public Procurement.

In addition to this, the Contracting Authorities can select the award criteria to be used in the evaluation of tenders, in the call for tender and in the invitations to bidders. The above mentioned criteria must include the "legality" rating (*rating di legalità*) of the bidder (expressing its inclination to law-abiding behaviors), the low environmental impact of works, supplies or services, and low impact on the employees' health and safety.

Following the implementation of the spending review, the access by healthcare customers to the so called "integrative financing of the Italian Healthcare System" (*finanziamento integrativo del Servizio Sanitario Nazionale*) is, among others cost-reduction measures, subject to the following two conditions:

(i) healthcare customers must review the drafting of their public tender for the assignment of the "global service" contracts and of the "facility management" contracts (this in order to give evidence to the central state authority of the exact amount of every single performance, in terms of works, supply, service, purchased, or to be purchased, by the healthcare customers);

(ii) healthcare customers must give evidence of the percentage of the mentioned performance on the aggregate amount of the contract. ANAC is entrusted to control the effective enforcements of the new regulatory provisions by the healthcare customers.

See "*Risk factors—Risks related to our business—PSE and healthcare customers may curtail their reliance on our services due to political and administrative decisions or budgetary constraints, or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests.*"

New regulation on subcontracting

Under the Current Code on Public Procurement, private contractors can enter into subcontractor agreements with third parties for services, supplies or works included in their contracts, provided that: (i) the relevant subcontracted quota does not exceed 30% of the contractual value, (ii) the private contractor received prior authorization from the contracting authority. According to these new rules, any bidder shall explicitly indicate in its offer any share of the contract it intends to subcontract to third parties. If the value of the contract is above the European threshold set forth by Article 35 of Current Code on Public Procurement (*i.e.*, €5.2 million) or the object of the contract falls within one of the activity more exposed to Mafia infiltration pursuant to Law No. 190 of November 6, 2012, the offer shall indicate, the name of three proposed subcontractors and prove that there are no grounds to exclude such subcontractors.

Cost overruns and adjustments

Pursuant to the Former Code on Public Procurement, contracts to the supply PSEs and healthcare customers with services and goods must provide for a periodical price adjustment. The contracting authorities are required to review the prices of the products and materials according to the review issued every year by the competent public authorities, including the Ministry of Facilities and Transport.

Pursuant to the Current Code on Public Procurement contracts to the supply PSEs and healthcare customers can provide for a periodical price adjustment. In order to be valid, the price adjustment must be clearly and unambiguously contained in a contract clause.

During the execution of contracts, PSEs and healthcare customers are entitled to request limited variations to the contract in accordance with various provisions of the Former Code on Public Procurement that prescribe adjustments for services, supply contracts, adjustments requested by the PSE and healthcare customer, adjustments requested by the contractor and adjustments connected to the compensation of employees. In particular:

(a) In the case of adjustments (an increase or decrease of the total price provided in the contract in relation to the performances which the executor must carry out of the agreement) of less than 20%, the PSE or healthcare customer is entitled in certain circumstances set out below to require the contractor to accept such changes at the same conditions set forth in the contract without additional compensation or indemnity other than the consideration originally provided for in the contract. Pursuant to the Current Code on Public Procurement, the PSE or healthcare customer is always entitled to require adjustments of less than 20%.

(b) In case of adjustments (an increase or decrease of the total price provided under the contract) in excess of 20%, the contractor may either accept the PSE's/healthcare customer's request for adjustment or alternatively terminate the agreement;

(c) The contractor may request variations of less than 5% of the original total amount of the agreement.

Pursuant to the Former Code on Public Procurement, adjustments to the works in progress may only be made in the following cases:

(a) Requirements provided by new legislative and/or regulatory rules;

(b) Unforeseen events/circumstances as set forth in Italian Public Tender Laws, or due to new materials, products, technologies becoming available which were not available at the time of the signing of the contract, and which can result in an improvement of the quality of the performances without any increase in costs;

(c) Events related to the kind of goods or locations which constitute the object of the contract;

(d) Geological events; and

(e) Mistakes and/or omissions related to the executive projects which have damaging effects on the entire project.

Pursuant to the Current Code on Public Procurement, adjustments to the works in progress are possible if: (a) the adjustments are deemed necessary by unforeseen events/circumstances (*i.e.*, requirements provided by new legislative and/or regulatory rules); (b) the adjustments do not alter the overall nature of the contract; and (c) the adjustments do not exceed the 50% of the original total amount of the agreement.

In addition to this, adjustments to the works in progress are possible, without the need of a new public tender procedure if the adjustment is below the following values: (a) thresholds set forth by Article 35 of the Current Code on Public Procurement; (b) 10% of the original total amount of the agreement for services and supplies contracts and 15% for work contracts. However, the adjustment cannot alter the overall nature of the contract. All the adjustments shall be authorized by the RUP (*Responsible Unico del Procedimento*—*i.e.*, the person responsible for public procurement procedures) of the contracting authority.

Pursuant to the Former Code on Public Procurement, in case of public tenders where the preparation of the executive project and the execution of works are awarded separately (by means of two different tenders), in the case of omissions or mistakes of the contractors responsible for the executive project which may result in adverse changes to the works of at least 20% of the total original value of the contract, the PSEs/ healthcare customers are required to terminate the contract for the execution of the works and initiate a new public tender to which the contractor who was awarded the execution of work in the original tender process must be invited. In these cases, the PSE/healthcare customer is required to pay to such original contractor:

(i) amounts equivalent to the works executed and services provided up to such termination; and

(ii) 10% of the non-performed works of up to 80% of the amount of the contract.

In case of public tenders where the preparation of the executive project and the execution of works are awarded to the same contractor by means of the same public tender, such contractor is deemed liable for the delays and burdens caused by the need to make adjustments to the works in progress due to mistakes and/or defaults in the executive project. In this case the contractor must compensate the PSE/healthcare customer for all the damages caused.

The Current Code on Public Procurement contains a general prohibition of awarding with a single tender both the preparation of the executive project and the execution of works to the same contractor. Exceptions are allowed in case of general contractor agreements, project financing, concessions, public-private partnership and availability contract.

According to Italian Public Tender Laws, in addition to public works contracts, the set of rules discussed above also apply to public supply and service contracts.

Termination of public tenders

Pursuant to the Former Code on Public Procurement, the PSE/healthcare customer can terminate a contract should the relevant contractor: (a) fail to perform (or delay to perform) the contract; (b) fail to maintain the specifications required by the PSE/healthcare customer; and/or (c) receive a sentence for certain serious crimes.

According to the Current Code on Public Procurement a PSE/healthcare customer must terminate an ongoing contract should the relevant contractor: (a) produce false documentations and/or false declarations that cause the revocation of the qualification certificates (*SOA*); (b) receive a final and binding sentences related to an anti-mafia offense or receive a binding and final judgement for the crimes mentioned in article 80 of the Current Code on Public Procurement.

The PSE/healthcare customer can always rescind a contract, paying: (i) the works or the services supplied and the raw materials in the construction site; and (ii) 10% of the non-performed works.

The administrative act awarding a tender, as well as any assignment and design contests regarding works, services and supplies, can be challenged by filing a complaint at competent Administrative Regional Court (*Tribunale Amministrativo Regionale,* **"TAR"**) with possible appeal to the *Consiglio di Stato* (High Court for Administrative Matters). Both the TARs and the *Consiglio di Stato* have the power to annul an award of a public tender.

Under the Current Code on Public Procurement, in order to streamline trials relating to public tenders, certain alternative methods of settling disputes are provided. Moreover, a specific hearing in closed session behind the TAR (*Tribunale Amministrativo Regionale*, *i.e.*, the administrative court of first instance in the Italian judicial system) has been introduced. According to the regulation of such administrative proceeding, any breaches of the relevant legal provisions pertaining to grounds for exclusion are considered directly damaging thus allowing the injured party to take the matter to the TAR, within 30 days from the publication of the list of the excluded bidders. Once the 30-day term expires, the remedy for such breaches is no longer available.

The spending review has also granted healthcare customers the ability to terminate contracts if the prices therein are higher than the ANAC reference prices as discussed under "*Risk factors—Risks related to our business—PSE and healthcare customers may curtail their reliance on our services due to political and administrative decisions or budgetary constraints, or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests.*"

Financial guarantees system

The Current Code on Public Procurement introduces a new financial guarantees system. With reference to works of a specific value, the "global financial guarantee" provided under the Former Code on Public Procurement has been repealed and substituted by two different guarantees required under the Current Code on Public Procurement: the "fair fulfilment guarantee" (*Garanzia di buon adempimento*), which exists until the work is completed without any possibility of release and the "termination guarantee" (*Garanzia per la risoluzione*) to cover costs (corresponding to the value of the damages suffered) incurred due to need to conduct another public procurement procedure in order to re-enter into the relevant contract with a third party, in case the relationship with the original contractor cannot continue, and to cover costs for the new contractor.

Renewals of public tenders

A contract cannot be automatically renewed at its expiration; however the former contractor may participate in any new tender relating the same service.

Anti-Mafia Code

We are subject to the anti-mafia provisions established by Italian Legislative Decree No. 159 of September 6, 2011, as subsequently amended (the "**Anti-Mafia Code**"). Under the Anti-Mafia Code, we are required, among other things, to provide the relevant public body with information regarding the Group and its related parties, such as shareholders, directors, general managers as well as any other natural person who may cohabit with such related parties (if applicable). This information must be transmitted prior to the execution of agreements or concessions with any public authority. The purpose of this regulation is to verify whether there might be any link between us and any mafia organization which could influence our business.

Legal proceedings

We are party to various legal proceedings (including labor disputes) involving claims that are incidental to our business, including challenges to our admission to, or award of, public tender procedures, concessions, approvals and agreements with public contracting entities, which could result in the denial, termination or revocation of such admissions, awards, concessions, approvals or agreements, thereby adversely affecting our business, results of operations and financial condition. We are also party and may in the future become party to tax audits. We record a provision in accordance with applicable accounting principles when losses from pending or potential disputes are probable and reasonably quantifiable. As of March 31, 2017, the provisions for tax litigation risks and other litigation risks amounted to €29 million.

Estimates of litigation's potential unfavorable outcome are based on our expectations, opinions and assumptions about future developments which are inherently uncertain. See "*Risk factors—Risks related to our business—We are subject to risks related to legal and arbitration proceedings in the normal course of our business and otherwise as well as risks related to public contracts litigation*." Statements herein regarding future events are subject to the disclaimer and qualifications under "*Forward-looking statements*".

Set forth below is a summary of the most significant of these proceedings.

CONSIP School Tender Litigation

The ICA Investigation and the related ICA Decision

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

Administrative fine; termination of CONSIP School Framework Agreement

Following a series of further administrative and court decisions, the Company's fine was reduced to €14.7 million (due to the lesser degree of the infringement than originally assumed), payable in 30 equal monthly installments, starting in May 2017. The Company appealed the decisions before the Italian Supreme Court on technical and jurisdictional grounds, and a decision is expected in 18 to 24 months. Because this decision is against the Company only, other Group companies (including SO in the Laundering and Sterilization Segment), are not subject to sanction as a result. Moreover, because the fine was reduced to €14.7 million by the ICA itself, the fine cannot be increased beyond this level in the future, even if our appeals against the decision are unsuccessful. In addition, CONSIP terminated the CONSIP School Framework Agreement in November 2016, which decision the Company appealed in the Civil Court of Rome.

Despite the termination of the CONSIP School Framework Agreement, the CONSIP School Contracts are expected to remain in force until August 31, 2017, following which we expect that the individual CONSIP School Contracts will be extended by each school until new contracts and/or framework agreements are awarded for the school year 2017/2018 and/or the following school year 2018/2019.

Potential financial and business consequences

If all of the CONSIP School Contracts were to be terminated by each relevant school on August 31, 2017, we estimate that our 2017 total revenue and EBITDA would be reduced by €14.2 million and €1.4 million, respectively (the related EBITDA is estimated by multiplying revenue by a margin of 10% that we estimate would likely be generated by such contracts during that period). If all of the CONSIP School Contracts were to be terminated by the relevant school on December 31, 2017, we estimate that our total backlog would be reduced by €8.8 million; and our future EBITDA would be reduced by €0.9 million during the period from 2018 to 2020 (also applying an estimated EBITDA margin of 10%).

In addition, the Company could be excluded, on a case by case basis, by public contracting entities arranging the applicable tender or upon a decision of an administrative court following a claim by competitors suing to block our participation in a tender, from we believe only public school cleaning tenders over a period not exceeding three years. For illustrative purposes, such an exclusion could result in a potential loss in annual revenues and EBITDA of approximately €43 million and approximately €4.3 million, respectively, for a period of approximately 4 to 5 years in respect of such school cleaning tenders in the event that the Company is rendered ineligible to participate in all public school cleaning tenders, including for a new school framework agreement, assuming the new framework agreement has the approximate value of the prior CONSIP School Framework Agreement.

Moreover, concurrently with the potential exclusion risk over a period of three years mentioned above, the Company could be excluded by public contracting entities arranging the applicable tender or upon a decision of an administrative court following a claim by competitors suing to prevent our participation in a tender or by regulators from public tenders in any sector on a case by case basis or for all such tenders for up to one year, based on the legal regime that our legal counsel deems applicable to this case. In a decision that we believe falls into this category, in June 2017, the Company was notified by CONSIP of its decision to (i) exclude the Company from new tenders for "barracks cleaning" and "public hospital cleaning" (the "**Excluded Tenders**") relating to the CONSIP School Tender Litigation and (ii) proceed with the enforcement of the Company's bid bond provided in connection with the tender for "public hospital cleaning" (up to €10.4 million). The Company has engaged legal counsel to contest the exclusion and the enforcement of the bid bond before the competent courts, as we believe the decisions have no legal basis. Neither of the Excluded Tenders generate revenue for the Group or are included in the Company's backlog. Moreover, the Company has never operated in the barracks cleaning market segment and, with respect to services in the hospital services sector, the Company currently operates with various counterparts and pursuant to various existing contractual relationships, including the CONSIP Mies conventions, conventions with regional authorities or pursuant to contracts awarded directly by clients. CONSIP's decision does not prohibit the Company from participating in and winning future tenders arranged by CONSIP or, more generally, arranged by public authorities. On-going tender procedures remain valid. For illustrative purposes, on average in the last two years, contracts subject to potential exclusion for up to one year (*i.e.*, all contracts other than Laundering and Sterilization Segment contracts and private sector contracts) accounted for approximately €74 million and approximately €7 million, respectively, in total annual revenue and EBITDA per year for the typical contract duration of approximately five years. Therefore, any potential exclusion which causes us to not be able to participate in tenders during such periods could have a substantial adverse impact on our business over a period of years.

As a result of the CONSIP School Tender Litigation, certain of our competitors have challenged our eligibility to participate in individual public tenders, alleging that we should be excluded since our alleged antitrust infringement constitutes gross negligence or bad faith. Similarly, following the ICA Decision, certain of our competitors have already challenged the eligibility of other companies allegedly involved in our alleged antitrust infringement to participate in certain public tenders, alleging that such companies should be excluded since the alleged infringement constituted serious professional unlawful conduct under applicable law. To date, the competent courts have rejected such challenges; however, such court decisions could be challenged by our competitors. In addition, certain of our competitors have challenged the eligibility of another company allegedly involved in the alleged antitrust infringement to participate in certain public tenders. To date, in one case, the competent court sustained one of these challenges and excluded the applicable company from participating in the relevant tender.

Following the termination of the CONSIP School Framework Agreement, no schools have terminated the Company's existing CONSIP School Contracts. We will vigorously defend our interests, both against the decision in respect of the Excluded Tenders and the enforcement of the bid bond and against any potential future exclusions from public tenders, on the merits and, on the advice of our legal counsel, on the basis of our adoption and implementation of Self-Cleaning Measures (described below). Moreover, the Company continues to participate in and win tenders: the Company received official approval from CONSIP to enter into two contracts from the "Mies 2" tender awarding an integrated multi-services technology contract, including the supply of electricity for buildings used by the public health authorities (the individual contracts have a duration of 5/7 years, at the discretion of the individual authorities, from the activation of the applicable supply, subject to a maximum supply to be provided by the Company for the relevant period equal to €209 million). In addition, the Company has not received any notice of exclusion in connection with the FM4 Tender (described below).

Historically, exclusion from public tenders have been shorter than the maximum allowed.

Self-Cleaning Measures

In response to this case, the Company has adopted and implemented internal policies and procedures to minimize the possibility of future antitrust violations ("**Self-Cleaning Measures**"). Statutory law provides that Self-Cleaning Measures adopted and implemented by a company may be taken into consideration by public contracting entities and courts not to exclude the Company from current and future public tenders announced in the same sector. The adoption and implementation of Self-Cleaning Measures does not automatically avoid the risk of exclusion from the relevant public tender procedure. However, the public contracting entity is required to provide adequate justifications regarding the insufficiency of the Self-Cleaning Measures to prove the entity's reliability and integrity. As a general response to the CONSIP School Tender litigation and in relation to certain requests from the ICA, the Company designed an Antitrust Compliance Program launched on February 23, 2017. In addition, the Company has implemented the following Self-Cleaning Measures:

- internal policy concerning public tender procedures (e.g. adoption of a self-limitation principle in relation to its participation through consortia and a procedure governing the exchange of correspondence between the Company and its subsidiaries);

- adoption of a code of conduct;
- approval of specific training activities;
- adoption of certain procedural measures (e.g. whistle-blowing in relation to potential antitrust infringements, a general encouragement of timely communication to the legal department and disciplinary measures); and
- appointment of an Antitrust Compliance Officer, who shall supervise antitrust compliance.

In addition, from April 2016, the Company implemented a reorganization to achieve, among other things, changes to certain primary management functions, the nomination of a new Board of Directors, the separation of the powers and responsibilities of the President and of the Chief Executive Officer and a change of the corporate governance structure of the Company, replacing the so-called "dualistic" model with a traditional governance model.

Potential enforcement of CONSIP School Performance Bonds

The services which have not yet been performed during the remaining life of the CONSIP School Contracts are secured by performance bonds (the "**CONSIP School Performance Bonds**") which the Company might still be liable to payback, if enforced. The Company has accrued provisions of €17.5 million as of March 31, 2017 (unchanged from December 31, 2016) relating to the possible enforcement of the CONSIP School Performance Bonds (whose amount will reduce over time as the contracts wind down), while the fine of €14.7 million described above, which was classified as a reserve in 2016, is now classified as debt of the Company. Any enforcement of the CONSIP School Performance Bonds could adversely affect our liquidity position.

Potential criminal charges related to the CONSIP case

In June 2017, we were informed that a criminal investigation against our former CEO and a current Company employee was concluded in relation to the CONSIP School public tender process. However, to date no criminal charges have been filed. The Company is defending its interests in connection with this case and, in the event of further civil, administrative or criminal charges, we would continue to do so.

The occurrence of one or more of the adverse consequences described above would likely have a material adverse effect on our business, reputation, financial condition and results of operation and could adversely affect our ability to pay interest on the Notes or to repay the Notes at maturity or otherwise refinance the Notes. The estimates provided above may not fully quantify or account for the potential impact on our business or reputation of any adverse consequences. See "*Risk Factors—Risks Related to Our Business—We are involved in ongoing litigation in respect of an antitrust matter related to the CONSIP public tender relating to the cleaning of public schools, and our business and results of operations may face further significant adverse consequences deriving therefrom.*"

Finally, we believe that there is no significant termination risk for existing contracts entered into between the Company and Italian public contracting entities pursuant to an already awarded public tender as a result of the CONSIP School Tender Litigation and, therefore, we have not addressed this matter in our observations.

ICA Investigation on the FM4 Tender

On June 19, 2014, the Company tendered to CONSIP for contracts to clean offices used by Italian public entities (the "**FM4 Tender**"). Neither the Company nor the other bidders in the FM4 Tender have entered into any contract in connection with the FM4 Tender (and, as a consequence, the FM4 Tender has not generated revenue or backlog for the Company). On March 23, 2017, we were informed that the ICA has opened an investigation against the Company and six other competitors to determine if antitrust violations were committed in connection with the FM4 Tender. The investigation is expected to be concluded by May 30, 2018.

The investigation is at a very preliminary stage and the Company believes that there has not been any wrongdoing, but if a violation were found and a fine were to be imposed, and if computed consistently with the fine for the CONSIP School Tender Litigation, it would be up to a maximum of 5% of the approximately €530 million base tender value. The final amount may be increased if the violation is deemed as a more serious offense than the CONSIP School Tender and/or a repeat offense. While the theoretical impacts of an adverse result could be similar to those described in connection with the CONSIP School Tender Litigation, the Company believes that it is premature to speculate on potential losses or adverse effects on the business. To date, the Company has not received any notice of exclusion in connection with the FM4 Tender.

The Company will vigorously defend itself in the investigation and any subsequent appeals both on the merits and, on the advice of our legal counsel, on the basis of our adoption and implementation of Self-Cleaning Measures and organizational changes described above. At this stage, no provisions have been set aside by the Company as the potential liability and its likelihood cannot be estimated.

False Statement Registration proceeding pending against the Company before ANAC following the notice filed by the Santobono-Pausilipon Public Health Agency of Napoli to ANAC

A False Statement Registration Proceeding against the Company is currently pending following a notice filed by the Santobono-Pausilipon Public Health Agency of Napoli to ANAC (the "**Santobono-Pausilipon False Statement Registration Proceeding**"). The Santobono-Pausilipon False Statement Registration Proceeding is managed by ANAC and should be concluded within 180 days from the notice announcing its beginning (*i.e.*, May 2017). As of the date of this Offering Memorandum we have not received any notice of conclusion of such proceeding. The false statement is alleged to have been committed by the Company while submitting the administrative documentation required in the context of a public tender process launched on July 8, 2013 by the Santobono-Pausilipon Public Health Agency of Napoli (the "**Santobono-Pausilipon Tender**"). In particular, the statement relating to the Santobono-Pausilipon Tender submitted is alleged to have omitted an *affidavit* concerning whether an attorney (*procuratore*) of the Company had a criminal record. The Company will continue to vigorously defend its position in connection with this proceeding.

The Company's exclusion from all current and future public tenders (*i.e.*, all public tenders other than those launched in the Laundering and Sterilization Segment and any tender procedure launched by private entities) as a result of a False Statement Registration cannot exceed one year starting from the False Statement Registration, pursuant to the statement made by ANAC in its note announcing the beginning of the Santobono-Pausilipon False Statement Registration Proceeding (due to the application of the Former Code on Public Procurement to this proceeding). In addition, pursuant to the Former Code on Public Procurement, the False Statement Registration may also result in the imposition by ANAC of a fine on the Company for an amount not exceeding €52,000. Moreover such exclusion would be general and automatic (*i.e.*, irrespective of the sector and not only in relation to the public tenders managed by the Santobono-Pausilipon Public Health Agency) and would not operate on a case-by-case basis. Should a False Statement Registration occur, the Company could challenge it before the TAR Lazio and the State Council (in its function of Supreme Administrative Court), however, such registration and the resulting exclusion from participating in the relevant public tenders would be effective even in the event of appeal, unless the appellate court were to enjoin immediately the enforcement pending the appellate court's review. See—*CONSIP School Tender Litigation—Potential financial and business consequences* and "*Risk Factors—Risks Related to Our Business—We are involved in false statement registration proceeding pending before ANAC and we may face significant consequences in respect thereof*."

Exclusion from public tenders against other operators in the past, following false statements that we deem more serious than the one allegedly committed by the Company, have been significantly shorter that the maximum allowed.

It is difficult to quantify or qualitatively assess the impact of the mentioned risk. However, for illustrative purposes, on average in the last two years, contracts subject to potential exclusion (*i.e.*, all contracts other than Laundering and Sterilization Segment contracts and private sector contracts) accounted for approximately €74 million and €7 million, respectively, in total annual revenue and EBITDA per year for the typical contract duration of approximately five years. Therefore, any potential exclusion which causes us to not be able to participate in tenders during such periods could have a substantial adverse impact on our business over a period of years.

Finally, we believe that there is no significant termination risk for existing contracts entered into between the Company and Italian public contracting entities pursuant to an already awarded public tender as a result of this legal proceeding and, therefore, we have not addressed this matter in our observations.

Naples Criminal investigation

On April 3, 2017, the Naples Public Prosecutor served a search warrant and notice of a criminal investigation against three current employees and one former employee of the Company, and as a result the Company is under investigation as the employer under LD 231. The notice alleges corruption in 2014 in connection with winning the tender for the cleaning services project at the *Santobono-Pausilipon* Public Health Agency in Naples, which generated approximately €2.5 million in annual revenue in 2016 and had a negative contribution margin for the Company. Work under the project concluded on May 31, 2017. The Public Prosecutor requested a temporary injunction on the Company from contracting with public authorities pending the conclusion of the criminal investigation. Following a hearing on May 26, 2017, the judge rejected the temporary injunction, finding that the conditions for such injunction were not satisfied.

If convictions were to be obtained, following final, non-appealable judgments through three levels of courts, these could trigger administrative liability for the Company under LD 231, resulting in monetary fines and/or temporary prohibitions from entering into contracts with public entities, and/or give the right to certain private sector counterparties to terminate existing contracts.

The Company believes that the claims against its employees are baseless. In fact, initial precautionary measures imposed on an employee were subsequently revoked on the basis of the retraction of certain accusatory testimony. Moreover, in order for liability under LD 231 to be imposed on the employer, the law requires the conviction of top management, while the employees in question are not among the Company's top management or, in case of conviction of an employee reporting to a top manager, it requires sufficient proof of the weakness of the Company's organization. In both cases, in order for any prohibition from entering into contracts with public entities to be applied, the Company must have derived a material benefit from the criminal behavior of its employees. The Company adopted in 2008 (and therefore had in place during the time of the alleged crime) the required internal organizational policies and structures to prevent crimes under LD 231. At this preliminary stage, potential liability cannot be estimated and therefore the Company has not set aside reserves for this investigation.

Further, we note that on June 2, 2017, news reports described a recent proceeding involving a company operating in our market where the court, despite finding that the conditions for a temporary injunction were satisfied, at the same time suspended the temporary injunction and substituted such sentence with an order for the implementation of internal organizational policies and structures to prevent crimes under LD 231, which demonstrates that there are cases where injunctions have been mitigated with alternative sentences that allow the company to continue full operations in the market.

Prelios SGR S.p.A.—Scarmagno Fire

On March 19, 2013, a fire in the former Olivetti area at Scarmagno (Turin) provoked the destruction of the building and the goods contained therein. The Company was performing a global facility services agreement for Prelios SGR S.p.A. (owner of the building.) in such area. Three of the Company's employees, the owner and two employees of one of the Company's sub-contractors and the owner of the firm that stocked combustible material on site have been charged with arson and violations of safety regulations that caused the fire before the Criminal Court of Ivrea. The Company was joined to the claim by the plaintiffs (Prelios SGR S.p.A., Telecom

Italia S.p.A. and Olivetti S.p.A.), as a severally liable party in respect of all the financial and non-financial damages. The request for damages amounts to approximately €4 million. On February 24, 2017, the Criminal Court of Ivrea ruled the full acquittal of all the defendants in light of, *inter alia*, the lack of malice on their part; both the Office of the Public Prosecutor before the Court of Ivrea and the aforementioned plaintiffs can still challenge such decision before the Criminal Court of Appeal of Turin.

In relation to the same fire event, the three insurance companies involved paid the injured parties approximately €40 million in damages and then formalized through a letter their application to recover the damages from both the individual persons charged and their employers, including the Company. The claim for damages activated through such letter amounts to approximately €50 million in total, including the claims from the owners of the properties affected and the above-mentioned insurance company claims. In relation thereto, AIG Europe Limited, one of the three mentioned insurance companies also brought a suit against the Company the owner of the building and the Company's sub contractor before the Civil Court of Milan aimed at recovering the damages allegedly caused by the Company's employees; the first hearing was scheduled on June 6, 2017, then reschedule on October 17, 2017 to grant the chance to summon additional parties. AIG Europe Limited's request for damages amounts to €187,130, while the request from Generali Assicurazioni amounts to €24.3 million. Following the aforementioned ruling of the Criminal Court of Ivrea, we believe that the insurance companies have limited grounds on which to base their claims. In any event, the damages claimed in relation to such accident could be in part covered by a €5 million insurance policy held by the Company.

No specific reserve has been set aside for this matter.

STU Golfo Aranci Proceedings

In 2015, we became involved in various civil proceedings initiated by Real Invest S.r.l., Società Centro Residenziale Ingefin S.r.l. and Il Golfo degli Aranci S.r.l. (together, the "**Claimants**" before the Civil Courts of Sassari and Rome, regarding claims for non-contractual damages against us, Centro Immobiliare S.p.A, Prelios S.p.A, Silec S.p.A, MEC S.p.A and the urban transformation company STU Golfo Aranci S.r.l. The Claimants alleged their illegal exclusion from the private negotiation announced by the Municipality of Golfo Aranci (Sardinia, Italy) to identify the private shareholder of the soon-to-be established urban transformation company (*società di trasformazione urbana*, the "**STU**"). In this regard, the Claimants also brought two legal actions against the Municipality of Golfo Aranci before two administrative law courts alleging the same damages grounded on the same legal arguments; the Claimants did not apply for a hearing scheduling in both the administrative proceedings, therefore such cases have never been discussed so far. The Claimants allege an illegal change in the admission requirements of the identification procedure and that the person employed by the municipal administration to conduct the feasibility analysis was related to the company that later drafted the design for the group which won the private negotiation.

The Claimants allege damages of approximately €350 million. The damages are requested on a joint and several basis from the respondent companies, and we have been summoned in our role as a member of the temporary association of companies as we held a stake of approximately 1.2% in each of the TJA and the STU.

We are strongly defending against these claims, and have already raised significant procedural and substantive issues in our defense. As of the day of this Offering Memorandum only one of the competent courts involved has scheduled a hearing.

No specific reserve has been set aside for this matter.

Bribery investigation (Brindisi)

On November 26, 2010, we were informed that a public prosecutor in Brindisi commenced a criminal investigation against certain individuals including an individual who, at that time, was an employee of the Company alleging obstruction to a public tender (which has not been awarded to the Company) and corruption of a public official for alleged acts committed on January 25, 2010. The individual under investigation did not qualify as a relevant manager within the meaning of the Italian Public Tender Laws for purposes of determining eligibility to compete in public tenders. Afterwards, we were informed that such former manager was indicted by the office of the public prosecutor (*giudizio immediato*) alleging a criminal conspiracy to obstruct multiple public tenders and disclose non-public information (*associazione a delinquere finalizzata a commettere una serie di turbative d'asta e a rivelare un segreto d'ufficio*). Since the act through which the indictment had been ordered did not mention the allegation of corruption of a public official, which was one of the crimes for which the public prosecutor was originally investigating, we argued that the public prosecutor had dropped that specific charge. In relation to the same facts, we were then informed that the office of the public prosecutor of Brindisi had requested to indict (*richiesta di rinvio a giudizio*) additional of employees of ours, including, among others, our former Chairman and CEO, one of our former managers (*ex dirigente*) and a former Chairman of a controlled entity. On September 17, 2015, at the conclusion of the hearing, an indictment was handed down against the mentioned individuals and all the proceedings mentioned above were joined. The Local Health Agency of Brindisi (ASL Brindisi) has joined the Company and other operators as the responsible parties for the acts of their employees (*responsabili civili*) claiming damages for approximately €3 million in aggregate. We believe that the aforementioned crimes allegedly committed by our former managers and our former controlled entity manager would not trigger administrative liability for us under LD 231. We believe we will be successful in defending ourselves against these claims in relation to the mentioned request of the Local Health Agency of Brindisi (ASL Brindisi). The next hearing is scheduled on September 13, 2017. See "*Risk Factors—Risks Related to Our Business—We may incur liabilities or be excluded from contracting with public authorities for the actions of our employees*."

No specific reserve has been set aside for this matter.

Other proceedings concerning health and safety legislation

We are party to various legal proceedings arising in the ordinary course of business concerning the alleged violation of health and safety legislation. Although our legal and financial liabilities with respect to such proceedings cannot be estimated with certainty, based on information available as of the date of this Offering Memorandum and taking into account insurance policies, indemnity agreements and other existing provisions, we do not believe that the outcome of these legal proceedings, individually or in the aggregate, will be materially adverse to our business, financial position or results of operations. In addition, the violation of certain of the mentioned health and safety legislation provisions could trigger administrative liability for us under LD 231; however, as of the date of this Offering Memorandum, none of the pending proceeding concerning the breach of health and safety provisions mentioned in this sub-section is accompanied by a 231 proceeding. See "*Risk Factors—Risks Related to Our Business—We may incur liabilities or be excluded from contracting with public authorities for the actions of our employees*."

Pending criminal proceeding and investigation involving our Chief Executive Officer relating to matters that occurred at his previous employer

In 2013, the Public Prosecutor of the Court of Savona commenced a criminal investigation against, among others, the chief executive officer of the Company. The investigation relates to alleged violations, occurring between 2000-2014, of environmental laws and regulations while serving his offices at Tirreno Power S.p.A. In November 2016, the chief executive officer of the Company was served with a notice holding him liable for unintentional environmental damage as a consequence of the aforementioned violations. A hearing to decide on the indictment is scheduled to take place on October 26, 2017. Moreover, the Public Prosecutor of the Court of Savona served the chief executive officer of the Company with a formal notice of the extension of the term related to a criminal investigation (*avviso di proroga delle indagini preliminari*) against him and other officers of Tirreno Power S.p.A. alleging that the aforementioned unintentional violations and environmental damage may also result in charges of manslaughter.

As of the date of this Offering Memorandum, we are not in a position to predict the outcome of the aforementioned criminal proceeding and investigation. However, the chief executive officer of the Company has advised us that he believes that he always complied with applicable laws and regulations while acting on behalf of Tirreno Power S.p.A. and that he promptly cooperated with the Public Prosecutor. No administrative liabilities for the Company under LD 231 may arise, since the investigated crimes were allegedly committed in the interest of Tirreno Power S.p.A., which is not part of our Group. See "*Risk Factors—Risks Related to Our Business—We may incur liabilities or be excluded from contracting with public authorities for the actions of our employees*."

Management

The Issuer

The Issuer was incorporated as a private joint stock company (*società per azioni*) under the laws of the Republic of Italy on May 25, 2017, and is registered under number 03627381209 with the Companies Register of Bologna (*Registro delle Imprese di Bologna*). The Company's registered office is at Via Ubaldo Poli, 4, 40069 Zola Predosa (BO) and its telephone number is +39 051 351 5111.

The issuer is managed by a sole director, Mr. Giuseppe Pinna.

Giuseppe Pinna obtained a diploma in accounting from Istituto Satta (Macomer) in 1975 and joined the Group in 1995. Since 2016, Mr. Pinna has been serving as head of key operations of the Company. Prior to joining the Group, Mr. Pinna worked as head of administration at Gruppo Cooperativa Muratori & Cementisti.

The Company

The Company was incorporated as a private joint stock company (*società per azioni*) under the laws of the Republic of Italy on December 1, 2003, and is registered under number 02402671206 with the Companies Register of Bologna (*Registro delle Imprese di Bologna*). The Company's registered office is at Via Ubaldo Poli, 4, 40069 Zola Predosa (BO) and its telephone number is +39 051 351 5111.

The Company is managed by a Board of Directors (*Consiglio di Amministrazione*) which, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee or certain managing directors. The Board of Directors determines the powers of the Chairman. In addition, the Italian Civil Code requires the Company to have a Board of Statutory Auditors (*Collegio Sindacale*) which functions as a supervisory body as further described below.

The composition of the Board of Directors of the Company is set by its by-laws which have imported provisions from the 2016 MFM Shareholders' Agreement; such provisions will automatically terminate with the consummation of the Acquisition and the concurrent amendment of the Company's by-laws. Thereafter it is expected that MSC through the Issuer will have the power to appoint the entire Board of Directors of the Company. Currently pursuant to the 2016 MFM Shareholders' Agreement, seven directors have been nominated by MSC, four directors have been nominated by the Minority Shareholders and the Chairman has been nominated from such members of the Board of Directors pursuant to a consensus between MSC and the Minority Shareholders. The following members of the Board of Directors have been nominated by the Minority Shareholders: Marco Canale, Pier Paolo Quaranta, Folco Goggioli and Marco Monis. On or about the Completion Date, upon consummation of the Acquisition, the four directors nominated by the Minority Shareholders are expected to resign which, in accordance with the Company's by-laws will trigger the termination of the mandates of all the other Board of Directors in office. See "*Risk factors—Risks related to our capital structure—As of the Issue Date and prior to the Completion Date, the governance of the Company and its subsidiaries will be subject to the 2016 MFM Shareholders' Agreement which may cause deadlocks to occur in our general shareholders' assembly and/or Board of Directors' decision-making process, which in turn may delay or prevent critical decisions from being made*" and "*Risk factors—Risks related to our capital structure—The Issuer does not currently control the Company or its subsidiaries and affiliates, and the Issuer will not control them until the consummation of the Acquisition*."

Board of Directors

As of the date of this Offering Memorandum, the Company's Board of Directors has 13 members. Members of the Board of Directors are appointed by our shareholders at ordinary shareholders' meeting for a three-year term expiring on the date of the ordinary shareholders' meeting called to approve the financial statements for the third financial year of their team. All directors were appointed at the shareholders' meeting held on November 30, 2016. Save for the expected early termination of the Board of Directors as described above, the directors will remain in office until approval by the shareholders of the financial statements for the year ended December 31, 2018. Following such termination, the Issuer will have the power to appoint the entire Board of Directors. The composition of the new Board of Directors following the Acquisition has not yet been decided. The nominees for the Board of Directors of the Company post-Acquisition are expected to be determined by the Issuer upon instruction from its sole shareholder, MSC by way of the executive board of MSC as recommended by MSC's nominating committee.

The following table sets forth the current members of the Board of Directors as of the date of this Offering Memorandum:

Name	Age	Position
Mr. Marco Canale	57	Chairman
Mr. Aldo Chiarini	57	Chief Executive Officer
Mr. Giuliano di Bernardo	56	Vice Chairman of the Board of Directors
Mr. Marco Bulgarelli	63	Member
Ms. Rossella Fornasari	57	Member
Mr. Carlo Frau	61	Member
Mr. Folco Goggioli	44	Member
Mr. Paolo Leonardelli	64	Member
Mr. Marco Monis	45	Member
Mr. Franco Carlo Papa	59	Member
Mr. Pier Paolo Quaranta	41	Member
Mr. Matteo Tamburini	60	Member
Mr. Pietro Testoni	66	Member

Set forth below is certain biographical information relating to the current members of the Company's Board of Directors.

Marco Canale, who joined the Company in 2014 as a member of the Management Board (the previous governing body of the Company), graduated with a degree in business and economics from the University of Florence in 1981 and began his professional career at Banco di Napoli S.p.A. that same year. From 1989 to 1992 he worked at Fidi Toscana S.p.A. in corporate advisory services. From 1992 to 1999, he worked on supervision of banking and financial institutions at the Bank of Italy, and subsequently became the head of advisory and equity investments at Banca Toscana S.p.A. From 2001 to 2004, he served as head of the private equity and mergers and acquisitions division of MPS Merchant S.p.A. From 2014 to 2016, Mr. Canale was a member of the Management Board of the Company before his appointment as Chairman. Mr. Canale has also held numerous management positions in service and manufacturing companies.

Aldo Chiarini, who joined the Company in 2016 as Managing Director, has a degree in chemical engineering from the Milan Polytechnic Institute and has experience in the oil & energy, energy efficiency and facility management industries in Italy and abroad. He began his career in 1986 with Petrol Company, where he became CEO in 1994. In 2000, he was appointed CEO of Elyo Italia (currently Cofely). In 2009, he became the first General Manager of Suez Energia Italia S.p.A. before becoming the CEO. In 2010 and 2011, he was a member of the Board of Directors of Acea S.p.A. In 2012, he managed the Energy division of GDF Suez for Southern Europe. In the beginning of 2016, Chiarini was appointed the Chairman of Engie Italia.

Giuliano di Bernardo began his professional carrier as sales supervisor for a newspaper, where he was responsible for sales planning and coordination. Between 1990 and 1996, he undertook the same role for a publishing company and then later for another newspaper. In 1997, he became head of commercial activities for a services consortium and was responsible for commercial development and promotion in the regions of Veneto, Trentino-Alto Adige and Friuli-Venezia-Giulia. Mr. di Bernardo joined MSC in 1999 as head of commercial activities for the Veneto region and, in 2005, he became head of marketing for a casino. In 2006, Mr. di Bernardo took on the role of head of regional promotion and development for the Company, and since October 2006 he has served as assistant to the managing director.

Marco Bulgarelli obtained a degree in economics from the University of Modena and Reggio Emilia in 1981. He began his professional career as manager of the research department of Legacoop, an association of cooperatives. He served as deputy chairman of ICIE, the Cooperative Institute for Innovation, and acted as economic advisor to Legacoop's national management from 1988 to 1990. From 1991 to 1995, he served as chairman of ANCST, Legacoop's association of service and tourism cooperatives. From 1996 to 2008, he was chief executive officer of Coopfond S.p.A. He has served as general manager of Cooperare Sviluppo S.p.A. since 2008 and is a member of the board of directors of various companies.

Rossella Fornasari obtained her diploma in accounting in 1978. Between 1979 and 2004 she worked as an accountant for MSC. She then worked as the director of accounting for the Company before assuming her current post as financial and accounting director of MSC.

Carlo Frau obtained a degree in Business and Economics from the Luigi Bocconi University in Milan in 1978. He began his professional career in 1978 as an auditor at KPMG working in Frankfurt, New York and Paris. Mr. Frau then worked as an investment banker at Banque Sudameris, Citibank and Chase Manhattan from 1984 to 1994. From 1994 to 1998, he began working as a strategic consultant at Gemini Consulting. From 2004 to 2005, Mr. Frau was Crisis Manager, responsible for all foreign countries and non-core companies, at Parmalat, then under extraordinary administration proceedings; from 2000 to 2003, he was Chairman and CEO at Antibioticos, controlled by Montedison. He also served as the Chairman and CEO of Cuki Dompak from 2007 to 2009. He joined DeA Capital in 2010 where he was head of strategy and management of existing shareholdings. He has been the managing director at Idea Capital Funds since May 2015.

Folco Goggioli obtained a degree in economics from the University of Florence in 1998 and a Masters in Corporate Finance from the University of Bocconi in 2003. Before becoming a director, Mr. Goggioli worked for three years at A. Menarini IFR S.r.l., in the Finance and Controlling Department, where he gained experience in the analysis of financial statements, in the application of different accounting principles and the preparation of the Group's consolidated financial statements. Mr. Goggioli is currently a member of the Board of Directors at Bassnet S.r.l., GFT Italia S.r.l. and Sapient S.p.A.

Paolo Leonardelli obtained a diploma from the Accounting Technical Institute in 1973. Mr. Leonardelli began his career in 1973 in various administrative roles before becoming the marketing director of Pedus Service P. Dussmann S.r.l. in 1985 where he remained until 2000. Mr. Leonardelli then worked as the development director of Servizi Ospedalieri S.p.A. until December 2004. He first joined the Group in January 2005 as the Director of Marketing and Development of the Company. Mr. Leonardelli then worked as the president of Servizi Ospedalieri S.p.A. before rejoining the Company in September 2015 as the Director of Investor Relations.

Marco Monis obtained a degree in Business and Economics from Luigi Bocconi University in Milan in 1996. Prior to joining the Group, he worked at KPMG Corporate Finance (from 1997 to 2001) where he was a director of the Italian consumer goods sector. From 2001 to 2002, he worked as investment manager at 21 Investimenti S.p.A. In 2002, was appointed investment manager of the closed-end investment fund division at BPVi Fondi SGR S.p.A., a role which he held until 2004. He is currently Managing Partner of the 21 Partners Group, a director of the board of 21 Investimenti SGR S.p.A. and numerous other companies.

Franco Carlo Papa obtained a degree in Business and Economics from Luigi Bocconi University in Milan. Mr. Papa was a partner at KPMG where he was the director of Corporate Finance in Italy and a member of the board of KPMG Worldwide Corporate Finance in Italy. In 2001, he became the President and national director of M&A, IPOs and valuation at Ernst & Young Financial—Business Advisors. Afterwards, he was appointed the director of Southern Europe Corporate Finance and Transaction Support as well as a member of the Southern European and Italian Board. He has been the Chairman of the Italian Association of Financial Analysts (AIAF) and he is the author of several books and publications relating to the Strategy, Finance and Treasury sector.

Pier Paolo Quaranta obtained a degree in Business Administration from the University of Turin in 1998. Mr. Quaranta worked in the leverage finance department of UniCredit Group and in the audit department of Arthur Andersen. Mr. Quaranta also worked as a partner at AF Mezzanine SGR, an Italian invest company from 2006 to 2012. He has served as a board member for several Italian companies.

Matteo Tamburini obtained a degree in Business and Economics from the University of Bologna. He is a registered accountant and served as an assistant to the Chief of Finance and Control at Grandi Lavori S.p.A. from 1981 to 1983. Since 1983, he works at Studio Gnudi.

Pietro Testoni obtained a degree in political science from the University of Bologna in 1976. Prior to joining the Group in 1989, Mr. Testoni served as the president of the Emiliano Romagno milk producers. During his time at the Group, Mr. Testoni has held various roles related to human resources and has published several works related to national union laws in Italy.

Board of statutory auditors

General

Pursuant to applicable Italian law, the Company has appointed a Board of Statutory Auditors (*Collegio Sindacale*) whose objective is to oversee our compliance with applicable law and with the Company's by-laws, monitor the implementation of best practices and assess the adequacy of the internal controls and accounting reporting systems, as well as the adequacy of the supply of information to the Company's subsidiaries.

There are presently three auditors and two alternate auditors on the Company's Board of Statutory Auditors. Members of the Board of Statutory Auditors are appointed by our shareholders at ordinary shareholders' meetings for a three-year term expiring on the date of the ordinary shareholders' meeting called to approve the financial statements for the third financial year of their term. All members of our Board of Statutory Auditors were appointed at the shareholders' meeting held on November 30, 2016. Members of the Board of Statutory Auditors may be removed only for a valid reason and with the approval of an Italian court.

The composition of the Board of Statutory Auditors is set by the Company's by-laws which incorporated provisions from the 2016 MFM Shareholders' Agreement; such provisions which will automatically terminate with the consummation of the Acquisition and the concurrent amendment of the Company's by-laws. Thereafter it is expected that MSC through the Issuer as the direct sole shareholder will have the power to appoint the entire Board of Statutory Auditors. Currently pursuant to the 2016 MFM Shareholders' Agreement one statutory auditor and an alternate auditor have been appointed by the Minority Shareholders, whereas MSC has appointed the Chairman, one additional statutory auditor and one alternate auditor. On or about the Completion Date, upon consummation of the Acquisition, the statutory auditor (Vieri Chimenti) and alternate auditor (Augusto Bagnoli) nominated by the Minority Shareholders are expected to resign and the Issuer as sole shareholder will appoint replacements who will remain in office until approval by the shareholder of the financial statements for the year ended December 31, 2018.

The following table sets forth the names, ages and titles of the members of the Company's current Board of Statutory Auditors.

Name	Age	Position
Mr. Germano Camellini	58	Chairman
Mr. Vieri Chimenti	40	Auditor
Ms. Monica Mastropaolo	51	Auditor
Mr. Augusto Bagnoli	59	Alternate Auditor
Ms. Antonella Musiani	46	Alternate Auditor

Germano Camellini obtained a degree in political science from the University of Bologna. Mr. Camellini has served as a member of the Board of Statutory Auditors for several health care companies including, AUSL Di Ferrara, AUSL di Bologna and Azienda Ospedaliera San Salvatore Pesaro. He has also worked as the external auditor for various companies throughout his career and has worked as a conservator for the civil chamber of the Bologna trial court as well as a liquidator for the Finance Ministry.

Vieri Chimenti obtained a degree in Business and Economics from Luigi Bocconi University in Milan and completed his Ph.D. in 1994. Mr. Chimenti has served as statutory auditor for several companies and has been a partner at Miccinesi e Associati in Milan since 2016.

Monica Mastropaolo was admitted to the roll of Chartered Auditors in 1995 and has been a registered technical consultant with the court of Bologna since 1996. She has extensive experience in accounting, companies, banking and bankruptcy. In 2016, she was elected as a director of the order of commercial professionals and accounting experts of Bologna for the 2017 to 2020 period.

Augusto Bagnoli obtained his business and economics degree from the University of Bologna in 1981 and has been registered with the order of Bologna since 1982. He has served as a director of Pharmeste S.r.l. and was the Chairman of the Board of Statutory Auditors.

Antonella Musiani obtained her diploma in accounting from the Technical and Commercial Institute of Bologna in 1989 and enrolled with the association of accountants of Bologna in 1999. Since 2013, Ms. Mastropaolo has been a partner at the Accounting Firm of Paola Codicè – Antonella Musiani.

Senior Management

The following sets forth the members of the senior management of the Company (other than the Chairman and Chief Executive Office who are discussed under "—*Board of Directors*.")

The following table sets forth the members of the senior management as of the date of this Offering Memorandum:

Name	Age	Position
Mr. Andrea Gozzi	52	Head of Business Operations Management
Mr. Luca Buglione	40	Head of Strategic Planning, M&A and Business Development
Mr. Riccardo Bombardini	46	Head of Investor Relations
Mr. Andrea Paoli	47	Head of Human Resources and Organization
Mr. Alessandro Fiorenzo	42	Head of Administration and Control
Ms. Elisabetta Lelli	52	Head of Legal
Mr. Gabriele Stanzani	59	Head of Treasury
Mr. Maurizio Massanelli	58	Head of Sales and Marketing
Mr. Alvise Vigilante	44	Head of Digital Solutions
Ms. Laura Duò	40	Head of Purchases

Set forth below is certain biographical information relating to the members of our senior management as of the date of this Offering Memorandum.

Andrea Gozzi obtained his degree in management and economics from the University of Bologna in 1992. He joined Servizi Ospedalieri in 2001, serving as a manager of administration. He was appointed chief executive officer of Servizi Ospedalieri in 2007, a position he held until 2015 when he was appointed chief operating officer of the Company. He previously worked for Robintur, Monti Servizi Ascensori and Società Interbancaria Investimenti SIM.

Luca Buglione obtained his degree in business administration from the University of Bologna in 2000 and an executive master's in business administration from the Bologna Business School in 2012. Mr. Buglione joined the Company in 2009, initially working in mergers and acquisition, strategic planning and investor relations, until his appointment in 2014 as head of corporate development and M&A. In 2015, he was appointed head of strategic planning, M&A and business development. He previous worked for five years in the field of M&A advisory, assisting middle market companies and private equity firms in domestic and cross-border M&A.

Riccardo Bombardini obtained his degree in business and economics from the University of Bologna in 1995 and an executive master in business administration from the Bologna Business School in 2000. Mr. Bombardini joined the Company in 2002 and was appointed head of Investor Relations in 2003. He has also had responsibilities as head of the Group Strategic Planing and M&A with the Company. Prior to joining the Company, Mr. Bombardini worked at Unipol Assicurazioni from 1996 to 2001.

Andrea Paoli obtained his degree in electronic engineering from the Politecnico University of Milan. Mr. Paoli joined the Company in 2006 as industrial relation and human resources manager and has been serving as head of Human Resources and Organization since February 2017.

Alessandro Fiorenzo obtained his diploma in economics from the University of Bologna in 2001 and an executive master in business administration from the Bologna Business School in 2016. He joined the Company in 2005 with responsibility for consolidation. He was appointed head of administration in control in 2016. He previously worked as a finance analyst at Saeco International Group from 2004 to 2005 and at EY as an auditor from 2002 to 2004.

Elisabetta Lelli obtained her degree in law from the University of Bologna in 1992. She joined MSC in 1998 and joined the Company as head of legal through employee leasing. She previously worked in private practice from 1995 to 1997.

Gabriele Stanzani obtained his diploma in accounting and joined the Company in 1986. He has been serving as head of Treasury since 2009.

Maurizio Massanelli obtained his degree in civil engineering from the Polytechnic University of the Marche in 1986. He joined the Company in 1997 after almost 10 years in the construction industry. From 1997 to 2004, he was responsible for the Group's construction engineering department and from 2004 to 2007 he was a technical sales director. In 2015, he was appointed head of sales and marketing.

Alvise Vigilante obtained his degree in business from Bocconi University in 1997. He joined the Company in 2010 and has been serving as head of Digital Solutions since 2015. He previously worked at PwC and Pirelli Real Estate.

Laura Duò obtained a degree in business from the University of Trento in 2002 and an executive master in business administration from the Business School of the University of Bologna in 2003. Ms. Duò joined the Company in 2007 and has been serving as head of Purchases since 2015. She previously worked as an auditor at EY.

Our shareholder

As of the date hereof, the Issuer's share capital amounted to €50,000.00 divided into 50,000 ordinary shares with a par value of €1.00 each with equal voting and economic rights. As of the date of this Offering Memorandum, there has been no change to the Issuer's share capital.

MSC owns 100% of the Issuer's ordinary shares. On or about the Completion Date, following the Transactions, MSC will indirectly own 100% of the Company's share capital. See "*Summary–The Transactions*." See also "*Risk factors—Risks related to our capital structure—As of the Issue Date and prior to the Completion Date, the governance of the Company and its subsidiaries will be subject to the 2016 MFM Shareholders' Agreement which may cause deadlocks to occur in our general shareholders' assembly and/or Board of Directors' decision-making process, which in turn may delay or prevent critical decisions from being made*" and "*Risk factors—Risks related to our capital structure—The Issuer does not currently control the Company or its subsidiaries and affiliates, and the Issuer will not control them until the consummation of the Acquisition*."

MSC is a "predominately mutualistic" cooperative pursuant to Italian law (*società cooperativa*) formed in 1938 whose main business activity is employee leasing to the companies of the Group, as well as providing a range of employment, social and professional opportunities to its shareholders. The following is a brief description of certain characteristics of MSC based on publicly available information.

MSC's capital is comprised of both worker shareholders, and financial shareholders. Admission of new worker shareholders in MSC requires the approval of its board of directors and is subject to, among others, the requirement that the worker has been an employee of the company's or one of its subsidiaries' for at least three years. Worker shareholders cannot sell or pledge their shares in MSC, they can only have them annulled (due to withdrawal or expulsion). Financial shareholders can only transfer their shares in MSC with the approval of MSC board of directors, a majority of which must be comprised of worker shareholders.

While each MSC shareholder has one vote only, regardless of the interest it holds in MSC, financial shareholders can have up to five votes, depending on the size of their interest in MSC; however, the aggregate of MSC financial shareholders votes cannot exceed one third of all votes.

Certain relationships and related party transactions

The following sets forth information relating to transactions between us and our related parties. For a description of certain other related party transactions, see footnote 32 to our audited consolidated financial statements as of and for the year ended December 31, 2016 and footnote 18 to our Unaudited Interim Condensed Consolidated Financial Statements.

We believe that the transactions detailed below and in the footnote referenced above were performed under arms-length market conditions, i.e., in line with conditions that would have applied between non-related parties. Market prices are applied to both commercial and financial transactions; non-interest bearing loans were only disbursed in the case of pro-quota financing granted by syndicated shareholders to consortium companies (e.g., TJA and project financing sponsor companies). These loans, if long-term, were discounted in our financial statements. MSC not only provides technical-production services relating to our core business, but also administrative, IT and other general services for certain related parties. No guarantees were given or received in relation to receivables and payables with related parties.

The Transactions described hereby constitute a related party transaction as the Issuer's sole shareholder MSC is also the majority shareholder of the Company and both are under common control. Additionally, as described under "*Use of proceeds*," a portion of the net proceeds of the Notes will be applied to acquire MSC's rights to exercise the MFM Call Option as well as purchase certain shares of the Company owned by MSC.

We maintain a number of contractual arrangements with our shareholder, MSC. The most prominent such dealings for the years ended December 31, 2014, 2015 and 2016 and for the three months ended March 31, 2017 related to costs we paid to MSC for employee leasing, such costs amounted to €29 million, €24 million, €23 million and €6 million, respectively. The total cost of a leased employee, compared with an employee of equivalent rank hired directly by the Group, is approximately 4% higher due to services fees and payments into a mandatory fund for training of leased employees. However, we believe that this cost is more than offset by the increased benefit to us in terms of the flexibility of a leasing relationship compared to a direct employment relationship with respect to hiring and termination. See "*Business—Employees and labor arrangements—Employee leasing*" for more discussion of our employee leasing practices.

We rent from MSC the real estate properties which we use as our headquarters in Zola Predosa (Bologna), pursuant to a lease agreement which was renewed on January 1, 2017 through December 12, 2023 (with a six-year automatic renewal). We also lease from MSC certain warehouses and other offices in Zola Predosa (Bologna) and Modena, and Sicura's headquarters in Vicenza.

We have entered into a tax consolidation agreement with MSC pursuant to which MSC as consolidating entity will receive the relevant funds to pay corporate income tax relating to the income generated by the Issuer five days before any payment date (advances or settlement payments). The Company's is responsible for offsetting the aggregate credit/debit account balance (including that of its subsidiaries) *vis-à-vis* MSC.

We also use the name "Manutencoop" pursuant to licenses of national and EU trademark from MSC. See "*Business—Intellectual Property*."

We have historically entered into a number of arrangements, including put and call options and earn-out agreements, regarding non-controlling shareholders in our subsidiaries. As of March 31, 2017, these arrangements only related to a put option in connection with Sicura. Management estimated that our potential liability with respect to such option amounted to €5.4 million, as of March 31, 2017. See "*Management's discussion and analysis of financial condition and results of operations—Arrangements with non-controlling shareholders in our subsidiaries.*" The table below summarizes the Group's put and call options and earn-out arrangements with such non-controlling shareholders.

Subsidiary	**% of non-controlling interest**	**Type(s) of arrangement**	**Fair value as of March 31, 2017**
Sicura	15%	Put and call	€5.4 million

In addition to the foregoing, we maintain a number of contractual arrangements with MSC and certain of its subsidiaries and affiliates, related to rent of office space, back-office support (including tax and payroll management) and information technology. The table below sets forth certain information regarding such transactions for the periods indicated.

Related party transactions (in thousands of €)	**Revenue**	**Costs**	**Financial income**	**Financial charges**	**Trade receivables and other**	**Trade payables and other**	**Financial receivables**	**Financial payables**
Year ended December 31, 2014	37,788	68,622	761	102	42,624	30,768	26,699	17,199
Year ended December 31, 2015	29,740	62,484	179	29	37,310	26,340	23,437	882
Year ended December 31, 2016	32,082	61,084	332	498	40,432	11,233	19,423	2,035
Three months ended March 31, 2016	6,121	13,772	85	497	—	—	—	—
Three months ended March 31, 2017	8,433	14,227	82	—	43,164	10,708	20,172	8,001

The Issuer will use a portion of the proceeds of the Offering, together with cash on balance sheet, to consummate the Acquisition. For further information on the Acquisition and, more generally, the Transactions, see "*Summary—The Transactions*."

Description of certain financing arrangements

The following summary of our significant indebtedness does not purport to be complete and is subject to, and qualified by, the underlying documents.

Revolving Credit Facility

We will enter into the Revolving Credit Facility Agreement between, *inter alios*, UniCredit Bank AG, Milan Branch as agent (the "**RCF Agent**") and UniCredit Bank AG, Milan Branch, as Security Agent. Under the Revolving Credit Facility Agreement, the Issuer will be an original guarantor and the Company, upon its accession thereunder, will be the original borrower.

The Revolving Credit Facility Agreement provides for a Revolving Credit Facility of up to €50 million, which will be used for general corporate and working capital purposes of the Group (as defined in the Revolving Credit Facility Agreement), but will not be used for (i) the payment of any dividend or any other distribution in respect of share capital in the Parent, (ii) any debt purchase transaction or (iii) any transaction costs arising on or before the Closing Date (as defined in the Revolving Credit Facility Agreement).

Subject to final documentation, the Revolving Credit Facility will contain the following principal terms:

Repayments and Prepayments

The Revolving Credit Facility will mature on the earlier of the date falling six months prior to the date of maturity of the Notes and the date falling five years after the Issue Date.

Subject to certain conditions, we may voluntarily prepay our utilizations and/or permanently cancel all or part of the available commitments under the Revolving Credit Facility by giving three business days' (or such shorter period as the required majority of lenders under the Revolving Credit Facility Agreement agree) prior notice to the RCF Agent. We may reborrow amounts repaid, subject to certain conditions, until one month prior to maturity.

In addition to voluntary prepayments, the Revolving Credit Facility Agreement requires mandatory prepayment in full or in part (including, at the option of a Lender electing to be mandatorily prepaid) in certain circumstances, including, subject to certain conditions, following a Debt Repurchase (as defined in the Revolving Credit Facility Agreement), if all or substantially all of the business and assets of the group taken as a whole are sold, or upon the occurrence of a Change of Control (as defined in the Revolving Credit Facility Agreement). The "Change of Control" definition in the Revolving Credit Facility Agreement is the same as the "Change of Control" definition contained in the Indenture but with additional limbs that are customary for bank financings.

Interest and Fees

The Revolving Credit Facility bears interest at a rate per annum equal to EURIBOR and a margin that will be 4.25% per annum. We are also required to pay a commitment fee, quarterly in arrears, on available but unused commitments under the Revolving Credit Facility Agreement at a rate of 0.90% per annum. We are also required to pay an arrangement fee and certain fees to the RCF Agent and the Security Agent in connection with the Revolving Credit Facility.

Security and Guarantees

The Company will be the original borrower under the Revolving Credit Facility. The Revolving Credit Facility (subject to certain agreed security principles set out in the Revolving Credit Facility Agreement) is secured as further described in the section entitled "*Description of the Senior Secured Notes—Security*" and the granting of the Pre-Merger Collateral and the special lien (*privilegio speciale*) securing the Revolving Credit Facility is a condition precedent to the initial utilization of the Revolving Credit Facility.

Covenants

The Revolving Credit Facility Agreement contains customary positive and negative covenants (including information undertakings and restrictive covenants that will largely replicate those contained in the Indentures together with a restriction on which members of the Group can incur certain indebtedness), subject to certain agreed exceptions.

One of these covenants requires the group to observe a coverage test in relation to the Guarantors. Pursuant to this test, the Issuer has to ensure that:

a) the aggregate of Consolidated EBITDA (as defined in the Revolving Credit Facility Agreement) of the Guarantors, taking each entity on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries of any member of the group) of the Guarantors represents 80 per cent. or more of the Consolidated EBITDA of the group; and

b) the aggregate gross assets (taking each entity on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries of any member of the group) of the Guarantors represents 80 per cent. or more of the consolidated gross assets of the group,

in each case, by reference to most recent annual audited consolidated financial statements delivered to the RCF Agent.

The Revolving Credit Facility Agreement also requires the group to observe a Consolidated Net Leverage Ratio (as defined in the Revolving Credit Facility Agreement) covenant. In this respect, the group's financial and operating performance is monitored by a financial covenant, which requires us to ensure that Consolidated Net Leverage Ratio (as defined in the Revolving Credit Facility Agreement) for each relevant period shall not be greater than 5.7:1. This financial covenant will be tested quarterly on a rolling 12-month basis if the aggregate outstanding amount of all utilisations under the Revolving Credit Facility as of the last day of any relevant period (including letters of credit but excluding certain customary non-cash utilisations) is less than 35 per cent. of the total commitments at that time.

In addition, the Revolving Credit Facility Agreement requires the provision of customary financial and other information to the Revolving Lenders and customary equity cure provisions.

Events of Default

The Revolving Credit Facility Agreement contains customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including a cross-default with respect to an event of default under, and as defined in, the Indenture, the occurrence of which would in each case allow the Revolving Lenders to accelerate all or part of the outstanding utilizations and/or terminate their commitments and/or declare all or part of their utilizations payable on demand and/or declare that cash cover in respect of ancillary facilities and outstanding letters of credit is immediately due and payable or is payable on demand and/or instruct the Security Agent to enforce the Collateral.

Governing Law

The Revolving Credit Facility Agreement is governed by English law although certain information undertakings, restrictive covenants and certain events of default, which are included in schedules to the Revolving Credit Facility Agreement and largely replicate those contained in the Indenture, are interpreted in accordance with New York law (without prejudice to the fact that the Revolving Credit Facility Agreement is governed by English law).

Intercreditor Agreement

To establish the relative rights of the Senior Secured Creditors (as defined below), the Issuer and the Guarantors in respect of the Notes and any obligor in respect of the Revolving Credit Facility, the Intra-Group Lenders (as defined below) and the Shareholder Creditors (as defined below) will enter into an intercreditor agreement dated on or about the Issue Date. By accepting a Note, the holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The following description is a summary of certain provisions, among others, that are contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes. Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the Revolving Credit Facility, the Indenture and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail. Defined terms not defined herein shall have the meanings ascribed to them in the Intercreditor Agreement, and as a general matter the following terms have the following meanings:

"**Majority Senior Secured Creditors**" means the Senior Secured Notes/Pari Passu Required Holders.

"**Majority Senior Subordinated Debt Creditors**" means at any time the Senior Subordinated Debt Creditors (as defined below) who, at that time, aggregate more than 50% by value of the Senior Subordinated Debt Creditors at that time.

"**Pari Passu Debt Creditor**" means a creditor of any Pari Passu Liabilities and their respective creditor representative.

"**Pari Passu Debt Document**" means a document or instrument entered into between any members of the Group and a Pari Passu Debt Creditor setting out the terms of any loan, credit or guarantee facility, notes, indenture or security which creates or evidences any Pari Passu Liabilities.

"**Senior Secured Debt Documents**" means the finance documents under the Revolving Credit Facility, the other Credit Facility Documents (as defined below), the Hedging Agreements (as defined below), the Senior Secured Notes Documents (as defined below) and the Pari Passu Debt Documents.

"**Senior Secured Notes/Pari Passu Required Holders**" means, at any time, those Senior Secured Creditors (as defined below) who, at that time, aggregate more than 50% by value of the Senior Secured Creditors at that time.

"**Senior Subordinated Debt**" means the liabilities which are issued or borrowed by the Senior Subordinated Debt Issuer (as defined below) in respect of any loan, credit or guarantee facility, notes, indenture or security which are permitted to be incurred under the terms of the Senior Secured Debt Documents and comply with the agreed major terms and which are notified to the Security Agent by the Issuer in writing as indebtedness to be treated as "Senior Subordinated Debt" provided that the Senior Subordinated Debt Creditors (as defined below) (or a trustee on their behalf) have acceded to the Intercreditor Agreement in accordance with the terms of the Intercreditor Agreement, together with any related additional liabilities.

"**Senior Subordinated Debt Issuer**" means any holding company of the Issuer (or a finance subsidiary of such holding company) which is not a member of the ICA Group, a restricted subsidiary or a sponsor affiliate which has acceded to the Intercreditor Agreement in its capacity as a Senior Subordinated Debt Issuer in accordance with the terms of the Intercreditor Agreement.

"**Senior Subordinated Debt Required Holders**" means in respect of any direction, approval, consent or waiver, the Senior Subordinated Debt Creditors of the principal amount of Senior Subordinated Debt required to vote in favour of such direction, consent or waiver under the terms of the relevant Senior Subordinated Debt Documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Senior Subordinated Debt, in accordance with the relevant Senior Subordinated Debt Documents.

"**Shared Security**" means:

(a) in the case of Senior Subordinated Debt which is not secured by any assets owned by a member of the Group, the security (if any) granted in favour of the Security Agent under the Transaction Security Documents over shares of any class, loans, bonds or other equity or debt instruments issued by the Issuer and over any Senior Subordinated Debt Issuer Liabilities (as defined below) owed by the Parent; or

(b) in the case of Senior Subordinated Debt which is secured by assets owned by a member of the Group, the security granted in favour of the Security Agent under the Transaction Security Documents on a junior basis as described below under "*—Transaction Security*".

Overview

The Intercreditor Agreement will set out, among other things:

- the relative ranking of certain debt of the Issuer and certain of its subsidiaries (together, the "**ICA Group**") with regard to the liabilities of the ICA Group in respect of (i) the Revolving Credit Facility and the other Credit Facility Liabilities (as defined below), (ii) the Senior Secured Notes Liabilities (as defined below), (iii) the Senior Subordinated Debt Guarantee Liabilities (as defined below), (iv) the Pari Passu Liabilities (as defined below), (v) certain interest rate and exchange rate hedging agreements (each a "**Hedging Agreement**") (together, the "**Hedging Liabilities**") and (vi) certain intra-group indebtedness (the "**Intra-Group Liabilities**") under the intra-group debt documents (the "**Intra-Group Debt Documents**") and certain liabilities (the "**Shareholder Liabilities**") owed by any member of the Group (each a "**Shareholder Creditor**") to certain direct and indirect shareholders of the Issuer under the shareholder debt documents (the "**Shareholder Debt Documents**") (the Intra-Group Liabilities and the Shareholder Liabilities together, the "**Subordinated Liabilities**");
- when payments can be made in respect of certain indebtedness of the ICA Group, including the Revolving Credit Facility, the Notes, the Senior Subordinated Debt, the Intra-Group Liabilities and the Shareholder Liabilities;
- when enforcement action ("**Enforcement Action**") can be taken in respect of the Transaction Security (as defined below) by (i) the lenders under the Revolving Credit Facility, the creditors of the other Credit Facility Liabilities and the counterparties to certain Hedging Liabilities subject to a cap of € 10 million (such liabilities, "**Super Senior Hedging Liabilities**") and their respective creditor representatives (together, the "**Super Senior Creditors**") and (ii) the holders of the Notes (the "**Senior Secured Noteholders**"), the Trustee, each counterparty to the Hedging Liabilities that are not Super Senior Hedging Liabilities (such liabilities, "**Senior Secured Hedging Liabilities**") and the Pari Passu Debt Creditors (together, the "**Senior Secured Creditors**");
- the requirement for the Super Senior Creditors and the Senior Secured Creditors to turnover amounts received from enforcement of the Transaction Security, among other things;
- when the Transaction Security and the Guarantees will be released to permit an enforcement sale; and
- the terms pursuant to which any future Senior Subordinated Debt will be subordinated including, but not limited to, indebtedness owing to the Senior Secured Creditors.

The Intercreditor Agreement will also contain provisions related to future additional indebtedness permitted to be incurred by members of the ICA Group under the terms of each of the Revolving Credit Facility Agreement, the Intercreditor Agreement, the documents creating the Transaction Security (the "**Transaction Security Documents**") and the Indenture (including any senior secured notes issued after the Issue Date pursuant to the Indenture). Such future additional indebtedness may also be secured by the Transaction Security. Such indebtedness may either, with respect to enforcement of Transaction Security (and the proceeds thereof): (i) have equivalent rights to the Senior Secured Noteholders under the Intercreditor Agreement, in which case it will vote in, and share in the proceeds of enforcement with, the same class of creditors as the Senior Secured Noteholders (the "**Pari Passu Liabilities**"); or (ii) rank senior to the Senior Secured Notes Liabilities (as defined below), in which case it will vote in, and share in the proceeds of enforcement with, the same class of creditors as the lenders under the Revolving Credit Facility.

Ranking and Priority

The Intercreditor Agreement will provide that (i) the liabilities owed by the debtors under or in connection with the Revolving Credit Facility Agreement and any other indebtedness which ranks senior to the Senior Secured Notes Liabilities with respect to the proceeds of any enforcement of Transaction Security (a "**Credit Facility**") (excluding any Hedging Liabilities, the "**Credit Facility Liabilities**"), (ii) the Super Senior Hedging Liabilities (together, with the Credit Facility Liabilities, the "**Super Senior Liabilities**"), (iii) the liabilities (the "**Senior Secured Notes Liabilities**") owed by the Issuer and the debtors under the Intercreditor Agreement to the Senior Secured Noteholders and the Trustee (together, the "**Senior Secured Notes Creditors**") under each of the Indenture, the Notes, the Intercreditor Agreement, the Guarantees and the Transaction Security Documents (together, the "**Senior Secured Notes Documents**"), (iv) the Senior Secured Hedging Liabilities, (v) the Pari Passu Liabilities (if any) (together, with the Senior Secured Notes Liabilities and the Senior Secured Hedging Liabilities, the "**Senior Secured Liabilities**", (vi) the liabilities of a member of the Group that is a guarantor or provides an indemnity to the Senior Subordinated Debt Creditors (as defined below) for the Senior Subordinated Debt Liabilities (as defined below) (a "**Senior Subordinated Debt Guarantor**") owed to any Senior Subordinated Debt Creditor under or in connection with the Senior Subordinated Debt Documents (as defined below) (the "**Senior Subordinated Debt Guarantee Liabilities**") and (vii) the Subordinated Liabilities, will rank in the following order:

- *first*, the Super Senior Liabilities and the Senior Secured Liabilities *pari passu* and without any preference between them;
- *second*, the Senior Subordinated Debt Guarantee Liabilities *pari passu* between themselves and without any preference between them; and
- *third*, the Subordinated Liabilities.

Transaction Security

Subject to certain agreed security principles and/or to the extent legally possible (as the case may be), the lenders under the Revolving Credit Facility, the creditors of the other Credit Facility Liabilities, the counterparties to Hedging Liabilities (each a "**Hedge Counterparty**"), the Senior Secured Noteholders, the Pari Passu Debt Creditors and, to the extent only of any Shared Security, the Senior Subordinated Debt Creditors may take, accept or receive the benefit of security interests over certain assets and property of any member of the Group (including a security interest over the shares of the Issuer) (together, the "**Transaction Security**").

The Intercreditor Agreement will provide that the Transaction Security created pursuant to the Transaction Security Documents shall rank and secure the following liabilities in the following order, *first*, the Super Senior Liabilities, the Senior Secured Notes Liabilities, the Hedging Liabilities (to the extent not already included in the Super Senior Liabilities) and the Pari Passu Liabilities (in each case, only to the extent such Transaction Security is expressed to secure those liabilities), *pari passu* and without any preference between them and *second*, to the extent only of any Shared Security, the Senior Subordinated Debt Liabilities *pari passu* and without any preference amongst them.

Unless there is a legal restriction on doing so, the Security Agent shall hold the Transaction Security for the benefit of the lenders under the Revolving Credit Facility, the Arrangers, the Hedge Counterparties, the Pari Passu Debt Creditors, the Senior Secured Noteholders and, to the extent only of any Shared Security, the Senior Subordinated Debt Creditors.

The proceeds from the enforcement of the Transaction Security are to be applied as described below under " *—Enforcement of Transaction Security—Waterfall*".

Restrictions on Payments; Subordination

The Intercreditor Agreement will provide that payments may be made in respect of the Revolving Credit Facility and the Notes in accordance with the terms of the Revolving Credit Facility Agreement and the Senior Secured Notes Documents respectively.

Senior Subordinated Debt Liabilities

Prior to the discharge of all Senior Secured Liabilities and all Super Senior Liabilities, no Guarantor may make payments in respect of the liabilities (the "**Senior Subordinated Debt Liabilities**") owed by the Senior Subordinated Debt Issuer and the debtors under the Intercreditor Agreement to the creditors of the Senior Subordinated Debt and each of their respective creditor representative(s) (the "**Senior Subordinated Debt Representative(s)**") (together, the "**Senior Subordinated Debt Creditors**") under each document or instrument entered into between any Senior Subordinated Debt Issuer and/or any member of the Group and a Senior Subordinated Debt Creditor setting out the terms of any loan, credit or guarantee facility, notes, indenture, guarantee or security which creates or evidences any Senior Subordinated Debt (together, the "**Senior Subordinated Debt Documents**") without the consent of the Instructing Group (as defined below) except for the following:

if:

(1) (a) the payment is:

(i) any of the principal or interest (including capitalized interest) amount of the Senior Subordinated Debt Liabilities which is either (1) not prohibited from being paid by any Senior Secured Debt Document or (2) is paid on or after the final maturity of the Senior Subordinated Debt Liabilities; or

(ii) any other amount which is not an amount of principal or capitalized interest);

or, in each case, a corresponding amount made by the Issuer of liabilities owed (directly or indirectly) to the Senior Subordinated Debt Issuer by the Issuer or any other member of the Group ("**Senior Subordinated Debt Issuer Liabilities**"); and

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Senior Subordinated Debt Liabilities (a "**Payment Blockage Notice**") is outstanding; and

(c) no payment default under the Revolving Credit Facility and no payment default of € 100,000 or more in respect of the Senior Secured Liabilities or Pari Passu Liabilities is continuing (a "**Senior Payment Default**"); or

(2) if the Majority Super Senior Creditors and the Majority Senior Secured Creditors give prior consent to that Payment being made; or

(3) payments made after a Payment Blockage Notice has ceased to be outstanding of amounts that had accrued but remain unpaid whilst that Payment Blockage Notice was outstanding; or

(4) certain amounts due to the Senior Subordinated Debt Representative for its own account; or

(5) properly incurred costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Senior Subordinated Debt Documents (including in relation to any reporting or listing requirements under the Senior Subordinated Debt Documents); or

(6) costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Senior Subordinated Debt in compliance with the Intercreditor Agreement, the Revolving Credit Facility or a Credit Facility, the Indenture and any Pari Passu Debt Document; or

(7) the payment is funded directly or indirectly with Senior Subordinated Debt; or

(8) it is any other amount not exceeding € 5,000,000 (or its equivalent) in any financial year of the Issuer.

Prior to the discharge of all Senior Secured Liabilities and all Super Senior Liabilities, if a Senior Secured Debt Payment Default (as defined in the Intercreditor Agreement) has occurred and is continuing or a Senior Secured Debt Event of Default (as defined in the Intercreditor Agreement) (other than a Senior Secured Debt Payment Default (as defined in the Intercreditor Agreement)) has occurred and is continuing and the Senior Subordinated Debt Representative has been delivered a Payment Blockage Notice from either the Issuer, the Security Agent and the Credit Facility Agent or the Trustee or the representative of the future Pari Passu Liabilities representing future Pari Passu Liabilities (as the case may be) (the "**Relevant Representative**") within 60 days of the date such Relevant Representative receives notice in writing of the occurrence of such Senior Secured Debt Event of Default and specifying the relevant Senior Secured Debt Event of Default, all payments in respect of the Senior Subordinated Debt Liabilities (other than those consented to by the Majority Super Senior Creditors and Majority Senior Secured Creditors and certain amounts due to the Senior Subordinated Debt Representative for its own account) are suspended until the earliest of:

(i) the date on which a Senior Subordinated Debt Default (as defined in the Intercreditor Agreement) occurs for failure to pay principal at the original scheduled maturity of the Senior Subordinated Debt;

(ii) the date falling 179 days after delivery of the Payment Blockage Notice;

(iii) if a Standstill Period (as defined below) is in effect at any time after delivery of a Payment Blockage Notice, the date on which the Standstill Period expires;

(iv) the date on which the relevant event of default is no longer continuing and if the relevant Senior Secured Liabilities have been accelerated, such acceleration has been rescinded

(vi) the date on which the Relevant Representative which issued the Payment Blockage Notice (and, if at such time Senior Secured Debt Event of Default is continuing (other than in relation to the debt in respect of which the notice was given), the Relevant Representative(s) in respect of that other debt) notify/ies the Senior Subordinated Debt Representative, the Issuer and the Security Agent that the Payment Blockage Notice is cancelled;

(vii) the repayment and discharge of all obligations in respect of the Senior Secured Liabilities and all Super Senior Liabilities; or

(viii) the date on which the Security Agent or Senior Subordinated Debt Representative takes any Enforcement Action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement.

No Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Payment Blockage Notice. No Payment Blockage Notice may be served in respect of a Senior Default more than 60 days after the date that the Relevant Representative received notice of that Senior Default.

If a Payment Blockage Notice ceases to be outstanding or the relevant Senior Default or Senior Payment Default has ceased to be continuing (by being waived by the relevant creditors/ creditor's representative or remedied) the relevant debtor may then make those payments it would have otherwise been entitled to pay under the Senior Subordinated Notes and if it does so promptly any event of default under the Senior Subordinated Debt caused by such delayed payment shall be waived and any notice commencing a Standstill Period which may has been issued as a result of such non-payment shall be waived. A Senior Payment Default is remedied by the payment of all amounts then due.

Restrictions on Enforcement by the Senior Subordinated Debt Creditor; Senior Subordinated Debt Standstill

Prior to the discharge of all Senior Secured Liabilities and all Super Senior Liabilities, no Senior Subordinated Debt Creditor may take any action to accelerate upon an Event of Default with respect to the Senior Subordinated Debt Guarantee Liabilities without the prior consent of or as required by an Instructing Group (as defined below), except if:

(a) an event of default under the Senior Subordinated Debt Documents is continuing;

(b) the Credit Facility Agent and the other representatives of the Senior Secured Liabilities have received notice of the specified event of default from the Senior Subordinated Debt Representative;

(c) a Standstill Period (as defined below) has expired; and

(d) the relevant event of default is continuing at the end of the Standstill Period,

provided that no such action may be taken if the Security Agent is acting in accordance with the instructions of the Instructing Group to take steps for Enforcement and such action might reasonably likely adversely affect such Enforcement.

A "**Standstill Period**" shall mean the period starting on the date that the Senior Subordinated Debt Representative serves an enforcement notice on the Credit Facility Agent, the Senior Secured Notes Trustee and the representative of any future Pari Passu Liabilities until the earliest of:

(a) the date falling 179 days after such date;

(b) the date on which the Security Agent takes any Enforcement Action in relation to a Senior Subordinated Debt Guarantor provided however that if a Standstill Period ends pursuant to this paragraph (b), the Senior Subordinated Debt Creditors may only take the same Enforcement Action in relation to such Senior Subordinated Debt Guarantor as the Enforcement Action taken by the Security Agent and may not take any other Enforcement Action against any other member of the Group and Enforcement Action for the purpose of this paragraph (b) shall not include action taken to preserve or protect any Security as opposed to realize it;

(c) the date on which an insolvency event occurs in respect of a Senior Subordinated Debt Guarantor (other than an insolvency event precipitated directly or indirectly by a Senior Subordinated Debt Creditor) against whom Enforcement Action is to be taken provided that the Senior Subordinated Debt Creditors may only take Enforcement Action against that particular Senior Subordinated Debt Guarantor and not against any other member of the Group; and

(d) the expiration of any other Standstill Period which was outstanding at the date that the current Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

If an Event of Default ceases to be continuing then (provided the relevant parties are made aware of such fact) any relevant enforcement process (including any requirement of consultation relating to enforcement) relying solely on that Event of Default shall cease to continue.

Intra-Group Liabilities

The Intercreditor Agreement will permit payments from time to time when due in respect of Intra-Group Liabilities ("**Intra-Group Liabilities Payments**") if:

(a) at the time of payment, the indebtedness due in respect of the Revolving Credit Facility and the other Credit Facility Liabilities, the Notes, any Pari Passu Liabilities and Senior Subordinated Debt Liabilities have not been accelerated (if accelerated, each, an "**Acceleration Event**"); or

(b) if an Acceleration Event has occurred and is continuing:

(i) prior to the date on which all Super Senior Liabilities are discharged (the "**Super Senior Debt Discharge Date**"), the relevant Instructing Group (as defined below) has consented to the payment being made; or

(ii) on or after the Super Senior Debt Discharge Date but prior to the date on which all Senior Secured Liabilities are discharged (the "**Senior Secured Debt Discharge Date**"), the Majority Senior Secured Creditors consent to the payment being made; or

(iii) on or after the later of the Super Senior Debt Discharge Date and the Senior Secured Discharge Date but prior to the Senior Subordinated Discharge Date, the Majority Senior Subordinated Debt Creditors consent to the payment being made; or

(iv) to the extent such payment is made to facilitate payment of the Super Senior Liabilities and/or the Senior Secured Liabilities; or

(v) to the extent such payment is made to facilitate payment of the Senior Subordinated Debt Liabilities that are permitted to be paid under the terms of the Intercreditor Agreement.

Shareholder Liabilities

The Intercreditor Agreement will permit payments to be made on Shareholder Liabilities from time to time when due if:

(a) the payment is not prohibited by the Revolving Credit Facility Agreement and the other Credit Facility Documents (as defined below), the Senior Secured Notes Documents or the Pari Passu Debt Documents; or

(b) prior to the Super Senior Debt Discharge Date, the Instructing Group gives written consent to such payment being made; or

(c) on or after the Super Senior Debt Discharge Date but prior to the Senior Secured Debt Discharge Date, the Majority Senior Secured Creditors give written consent to such payment being made; or

(d) on or after the Senior Secured Debt Discharge Date but prior to the Senior Subordinated Debt Discharge Date, the Majority Senior Subordinated Debt Creditors give written consent to the payment being made.

No release or discharge of any Shareholder Liabilities of a member of the ICA Group in consideration for the issue of shares in that member of the ICA Group shall be restricted by the above prior to an Acceleration Event.

Enforcement of Transaction Security

The Security Agent may refrain from enforcing the Transaction Security or taking any other enforcement action unless otherwise instructed by:

(a) the Instructing Group (as further described in "*—Super Senior Creditors and Senior Secured Creditors*" and "*—Super Senior Creditors and Senior Secured Creditors—Enforcement decisions*" below); or

(b) in certain circumstances in respect of the enforcement of the Shared Security, the Senior Subordinated Debt Representative(s) (acting on the instructions of the Senior Subordinated Debt Required Holders).

Super Senior Creditors and Senior Secured Creditors

Prior to the discharge of all Senior Secured Liabilities and all Super Senior Liabilities, the Security Agent may refrain from enforcing the Transaction Security unless otherwise instructed by:

(a) the lenders under the Revolving Credit Facility Agreement and the creditors of any other Credit Facility Liabilities under any credit facility document (the "**Credit Facility Documents**") (together, the "**Credit Facility Creditors**"), the aggregate of whose unpaid amounts and undrawn commitments under the Credit Facility Documents, and the Hedge Counterparties, the aggregate of whose Super Senior Hedging Liabilities, together, exceed 66 2/3% of the aggregate of all unpaid and undrawn commitments under the Credit Facility Documents and the termination value of all Super Senior Hedging Liabilities (the "**Majority Super Senior Creditors**"); and

(b) the Senior Secured Notes/Pari Passu Required Holders (together with the Majority Super Senior Creditors, the "**Instructing Group**"),

in each case, acting in accordance with the terms of the Intercreditor Agreement.

On or after the discharge of all Senior Secured Liabilities and all Super Senior Liabilities, the Security Agent will only act on the instructions of the Senior Subordinated Debt Required Holders.

Enforcement decisions

(a) If either of the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders wish to instruct the Security Agent to commence enforcement of any Transaction Security, such group of creditors shall deliver a copy of the proposed instructions as to enforcement (the "**Proposed Enforcement Instructions**") to the Security Agent and the creditor representative for each of the Super Senior Creditors, the Trustee, the Hedge Counterparties and each Pari Passu Debt Representative (as appropriate). The Security Agent shall promptly notify each of the creditor representatives of the Super Senior Creditors, the Trustee and each of the Pari Passu Debt Representatives and the Hedge Counterparties upon receipt of such Proposed Enforcement Instructions.

(b) Prior to the Super Senior Debt Discharge Date and subject to paragraphs (c), (d) and (e) below, if the Security Agent has received any Proposed Enforcement Instructions, it shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions of the Senior Secured Notes/Pari Passu Required Holders (and the Senior Secured Notes/Pari Passu Required Holders shall be the Instructing Group for the purposes of enforcing Transaction Security) provided that such instructions are consistent with the Security Enforcement Principles (as defined below) and failure to give instructions will be deemed to be an instruction not to take enforcement steps.

(c) In the event that:

(i) from the date that is three months after the date upon which the first Proposed Enforcement Instructions (including such instructions not to take enforcement steps) are delivered, the Security Agent (acting on the instructions of the Senior Secured Notes/Pari Passu Required Holders) has not taken any enforcement action as to enforcement of the Transaction Security; or

(ii) the Super Senior Liabilities have not been fully discharged in cash within six (6) months of the date upon which the first such Proposed Enforcement Instructions (including any such instructions not to take enforcement steps) are delivered,

then (with effect from the date of the earlier to occur of such events), the Majority Super Senior Creditors shall become the Instructing Group for the purposes of enforcing Transaction Security.

(d) If at any time the Security Agent has not taken any relevant enforcement action notwithstanding the Transaction Security having become enforceable in accordance with its terms, the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders, as the case may be, may at any time provide immediate instructions as to enforcement to the Security Agent notwithstanding any instructions given pursuant to paragraph (b) or (c) above, if the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders determine in good faith (and notify the creditor representatives of the other Super Senior Creditors, the Senior Secured Notes Creditors, the Pari Passu Debt Creditors, the Security Agent and the Hedge Counterparties) the delay in taking enforcement action of the Transaction Security could reasonably be expected to have a material adverse effect on:

(i) the Security Agent's ability to enforce the Transaction Security; or

(ii) the realisation proceeds of any enforcement of the Transaction Security,

and the Security Agent shall act only with respect to the relevant asset or debtor or third party chargor that is the subject of the determination set out in paragraphs (d)(i) or (d)(ii) above, in accordance with the first such notice of determination and instructions as to enforcement received by the Security Agent (provided in each case that such instructions are consistent with the Security Enforcement Principles).

(e) If at any time an insolvency event has occurred with respect to any debtor or third party chargor (other than an insolvency event which is the direct result of any action taken by the Security Agent acting on the instructions of the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders), the Security Agent shall act, to the extent the Majority Super Senior Creditors have provided such instructions, in accordance with the instructions received from such Majority Super Senior Creditors, provided that in the event the Security Agent has previously received Proposed Enforcement Instructions from the Senior Secured Notes/Pari Passu Required Holders and has commenced relevant enforcement action pursuant to such instructions, the Security Agent shall continue to act in accordance with the instructions of the Senior Secured Notes/Pari Passu Required Holders until such time as the Majority Super Senior Creditors issue enforcement instructions to the Security Agent and such instructions shall override and supersede any such prior instructions given by the Senior Secured Notes/Pari Passu Required Holders.

(f) Other than where paragraph (d) or (e) above applies, if, prior to the Super Senior Debt Discharge Date, the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders (in each case acting reasonably) consider that the Security Agent is enforcing the Transaction Security in a manner which is not consistent with the Security Enforcement Principles, the creditor representative for the Super Senior Creditors, the Hedge Counterparties, the Pari Passu Debt Representatives or the Trustee shall give notice to the agents for the other Super Senior Creditors, the Hedge Counterparties, the Pari Passu Debt Representatives and the Trustee (as appropriate) after which the creditor representative for the other Super Senior Creditors, the Hedge Counterparties, the Pari Passu Debt Representatives and the Trustee shall consult with the Security Agent for a period of 15 days (or such lesser period as the relevant creditor representatives and the Hedge Counterparties may agree) with a view to agreeing the manner of Enforcement provided that such creditor representative and Hedge Counterparties shall not be obliged to consult under this paragraph (f) more than once in relation to each Enforcement Action.

(g) After the Super Senior Debt Discharge Date but prior to the Senior Secured Debt Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Senior Secured Notes/Pari Passu Required Holders.

(h) After the Senior Secured Debt Discharge Date but prior to the Senior Subordinated Debt Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Senior Subordinated Debt Required Holders.

Security Enforcement Principles

The Instructing Group may only give enforcement instructions that are consistent with certain security enforcement principles set out in a schedule to the Intercreditor Agreement (the "**Security Enforcement Principles**"), which include the following principles:

- it shall be the primary and overriding aim of any enforcement of the Transaction Security to achieve the security enforcement objective (being to maximize so far as is consistent with prompt and expeditious realization of value from enforcement of the Transaction Security, the recovery by the Super Senior Creditors and the Senior Secured Creditors) (the "**Security Enforcement Objective**");
- without prejudice to the Security Enforcement Objective, the Transaction Security will be enforced such that either (a) all proceeds of enforcement are received by the Security Agent in cash (or substantially in cash) for distribution in accordance with the terms of the Intercreditor Agreement (see "—*Waterfall*" below) or (b) with respect to such actions taken by the Majority Senior Secured Creditors, sufficient proceeds from enforcement will be received by the Security Agent in cash (or substantially in cash) to ensure that the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise);
- to the extent that the Transaction Security that is the subject of the proposed enforcement action is:

  (a) over assets other than shares in a member of the ICA Group where the aggregate book value of such assets exceeds €5.0 million (or its equivalent); or

  (b) over some or all of the shares in a member of the ICA Group over which Transaction Security exists,

  then the Security Agent shall upon instruction from the Instructing Group and at the expense of the Instructing Group (unless such enforcement is made pursuant to a public auction or pursuant to any process supervised by a court of law where there is a determination of value by or on behalf of the court) appoint an internationally recognized investment bank or accounting firm (a "**Financial Advisor**") to opine as expert to the Security Agent on (i) the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Objective and maximize the recovery of any such enforcement action, (ii) that the proceeds received from any such enforcement are fair from a financial point of view after taking into account all relevant circumstances and (iii) that such sale is otherwise in accordance with the Security Enforcement Objective; and

- the Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement.

Waterfall

Subject to certain exceptions, the proceeds of enforcement of Transaction Security and any other amounts received by the Security Agent (including amounts from time to time received pursuant to the provisions described under "—*Turnover*", below) shall be held by the Security Agent on trust and applied in the following order of priority:

(a) *first*, pro rata and *pari passu* in or towards payment of:

(i) any sums owing to the Security Agent, any receiver or any delegate;

(ii) each Pari Passu Debt Representative in respect of any Pari Passu Liabilities issued in the form of notes, the Senior Secured Notes Trustee and the Senior Subordinated Debt Representative in respect of certain of their fees, costs and expenses (the "**Notes Trustee Amounts**"); and

(iii) to each creditor representative of the Super Senior Liabilities and the Senior Secured Liabilities and Senior Subordinated Debt Liabilities, in each case, (to the extent not included in paragraph (a) above and excluding any Hedge Counterparty as its own creditor representative) of the unpaid fees, costs and expenses and liabilities (and all interest thereon) of each such creditor representative and any receiver, attorney or agent appointed by such creditor representative under any Transaction Security Document or the Intercreditor Agreement;

(b) *second*, *pari passu* and *pro rata* in or towards payment of all costs and expenses incurred by the Super Senior Creditors and the Senior Secured Creditors in connection with any realization or enforcement of the Transaction Security or any action taken at the request of the Security Agent;

(c) *third*, in or towards payment to each Credit Facility Agent and the Hedge Counterparties of the Super Senior Hedging Liabilities for application towards the discharge of the Credit Facility Liabilities and the Super Senior Hedging Liabilities, respectively, on a *pari passu* and *pro rata* basis;

(e) *fourth*, in or towards payment to the Trustee, each Pari Passu Debt Representative and the Hedge Counterparties of the Senior Secured Hedging Liabilities, the **"Senior Secured Hedge Counterparties"** for application towards the discharge of the Senior Secured Notes Liabilities, the Pari Passu Liabilities and the Senior Secured Hedging Liabilities, respectively, on a *pari passu* and *pro rata* basis; and

(f) *fifth*, to the extent paid out of enforcement proceeds resulting from enforcement of Shared Security, the guarantees of the Senior Subordinated Debt or proceeds from a Distressed Disposal in relation to assets which were previously assets subject of the Shared Security in or towards payment to each Senior Subordinated Debt Representative on behalf of the Senior Subordinated Debt Creditors for application towards the discharge of the Senior Subordinated Debt Liabilities on a *pari passu* and *pro rata* basis;

(g) *sixth*, after the date on which all Senior Secured Liabilities, Super Senior Liabilities and Senior Subordinated Liabilities are discharged, in payment of the surplus to the relevant debtor or other person entitled to it.

Turnover

General

The Intercreditor Agreement, in general, provides that if a Super Senior Creditor or a Senior Secured Creditor, receives or recovers or otherwise realizes the proceeds of any enforcement of any Transaction Security, and in addition if any Senior Subordinated Debt Creditor receives or recovers any payment or distribution not permitted under the Intercreditor Agreement then, subject to certain exceptions (including certain prior actual knowledge qualifications in respect of the Trustee and the Senior Subordinated Debt Representative), it shall:

(a) in relation to receipts or recoveries not received or recovered by way of set-off: (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Release of liabilities in respect of the Transaction Security, the Senior Secured Notes and the Senior Subordinated Notes

Distressed Disposals

Where an enforcement sale of an asset of a member of the ICA Group subject to the Transaction Security is being effected, the Intercreditor Agreement provides that the Security Agent is irrevocably authorized:

- to release the Transaction Security, or any other claim over that asset;
- if the asset which is disposed of consists of shares in the capital of a debtor, to release: (a) that debtor and any subsidiary of that debtor from all or any part of its liabilities as a guarantor under the Debt Documents (including the Senior Secured Notes Documents and the Senior Subordinated Debt Documents) (together, the "**Guarantee Liabilities**"), its liabilities as a principal debtor under the Debt Documents (including the Senior Secured Notes Documents and the Senior Subordinated Debt Documents) (together, the "**Borrowing Liabilities**"), or other liabilities it may have to an intra-group lender or debtor (together, the "**Other Liabilities**"); (b) any Transaction Security granted by that debtor or any subsidiary of that debtor over any of its assets; and (c) any other claim of a lender of Intra-Group Liabilities (an "**Intra-Group Lender**"), a Shareholder Creditor or another debtor over that debtor's assets or over the assets of any subsidiary of that debtor; and
- if the asset which is disposed of consists of shares in the capital of any holding company of a debtor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its Borrowing Liabilities, its Guarantee Liabilities and Other Liabilities; (b) any Transaction Security granted by that holding company and any subsidiary of that holding company over any of its assets; and (c) any other claim of an Intra-Group Lender, Shareholder Creditor or another Debtor over the assets of that holding company and any subsidiary of that holding company.

If, on or after the first Senior Subordinated Debt Issue Date but prior to the discharge of all Senior Secured Liabilities and all Super Senior Liabilities, a Distressed Disposal is being effected such that any guarantees in respect of the Senior Subordinated Debt or any Senior Subordinated Debt Guarantor will be released or disposed of, it is a further condition to the release that either:

(i) each Senior Subordinated Debt Representative has approved the release; or

(ii) where shares or assets of a Senior Subordinated Debt Guarantor are sold:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash);

(B) all claims of the Senior Secured Creditors under Senior Secured Debt Documents against a member of the Group (if any) all or part of whose shares pledged under the Transaction Security are sold or disposed of pursuant to such enforcement action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):

(1) where the Super Senior Creditors, or the Senior Secured Creditors constitute the Instructing Group, the Credit Facility Agent, Trustee and creditor representative of the Pari Passu Liabilities:

(aa) determine acting reasonably and in good faith that the lenders under the Revolving Credit Facility, the Senior Secured Notes Creditors and the Pari Passu Debt Creditors will recover more than if such claim was released or discharged but is nevertheless less than the outstanding Super Senior Liabilities and/or Senior Secured Liabilities; and

(bb) serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser);

(2) where the Senior Subordinated Debt Creditors constitute the Instructing Group, the Senior Subordinated Debt Representative:

(aa) determines acting reasonably and in good faith that the lenders under the Revolving Credit Facility, the Senior Secured Notes Creditors, the Pari Passu Debt Creditors, and Senior Subordinated Debt Creditors (respectively) will recover more than if such claim was released or discharged but is nevertheless less than the outstanding Super Senior Liabilities, Senior Secured Liabilities, and/or Senior Subordinated Debt Liabilities; and

(bb) serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(I) pursuant to a public auction; or

(II) where an internationally recognized investment bank or an internationally recognized firm of accountants selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement, provided that the liability of such investment bank or internationally recognized firm of accountants may be limited to the amount of its fees in respect of such engagement.

Non-Distressed Disposals

The Intercreditor Agreement will also provide for the release of the Transaction Security and the Guarantees under certain circumstances including certain permitted asset disposals. Under certain circumstances it is envisaged that the Security Agent shall effect such release without requiring the consent of the relevant secured creditors (including the Senior Secured Noteholders).

Voting and Amendments

Voting in respect of the Revolving Credit Facility, the Notes and/or future Pari Passu Liabilities will be in accordance with the relevant documents. The Intercreditor Agreement may be amended or waived or any consent may be given under it with the written agreement of the Majority Super Senior Creditors, the Senior Secured Notes Required Holders, the Senior Subordinated Debt Required Holders, the Pari Passu Debt Required Holders, the Issuer and the Security Agent or, in each case, the respective creditor representative acting in accordance with the relevant Debt Document (except for amendments to cure defects or omissions, resolve ambiguities or inconsistencies or to reflect changes of a minor, technical or administrative nature, which may in each case be effected by the Security Agent and the Issuer without the consent of any other party) *provided* that to the extent an amendment, waiver or consent only affects one class of secured party, and such amendment, waiver or consent could not reasonably be expected to materially and adversely affect the interests of the other classes of secured party, only written agreement from the affected class and the Issuer shall be required.

Notwithstanding the paragraph immediately above, an amendment or waiver relating to provisions dealing with (i) the definition of Instructing group, (ii) ranking and priority, (iii) turnover of Receipts, (iv) redistribution, (v) enforcement of Transaction Security, (vi) proceeds of disposals, (vii) application of proceeds and (viii) amendments and (ix) certain provisions relating to the instructions to and exercise of discretion by the Security Agent or the order of priority or subordination under the Intercreditor Agreement, shall not be made without the written consent of:

(a) the lenders under the Revolving Credit Facility and the other Credit Facility Documents;

(b) the Trustee;

(c) any Senior Subordinated Debt Representative (insofar as any amendment or waiver might adversely affect the rights, ranking, indemnities or protections of the Senior Subordinated Debt Representative or the Senior Subordinated Debt Creditors);

(e) in the case of any Pari Passu Liabilities constituting an issuance of debt securities, the Pari Passu Debt Representative in respect of those Pari Passu Liabilities;

(f) in the case of any Pari Passu Liabilities constituting a credit facility, the Pari Passu creditors in that tranche of Pari Passu Liabilities;

(g) each Hedge Counterparty (to the extent that the amendment or waiver would materially and adversely affect the Hedge Counterparty);

(h) the Issuer; and

(i) the Security Agent.

Existing intercompany loans

On August 2, 2013, in connection with the issuance of the Existing Senior Secured Notes, the Company, as lender, entered into an intercompany loan agreement with Servizi Ospedalieri, as borrower. This intercompany loan agreement, as amended on or about the Completion Date, will remain outstanding following the Transactions and the Company's interest in the receivables in respect thereof will form part of the Collateral securing the Notes.

In addition, the Company, as lender, has granted, in the ordinary course of business and/or in order to optimize the cash flow management of the Group, various unsecured and interest bearing intercompany loans to certain of its subsidiaries in order to support their financial requirements. The majority of these intercompany loans are automatically renewed on a yearly basis. We expect that these intercompany loans will remain outstanding following the Transactions.

Furthermore, the Company and certain of its subsidiaries have granted various unsecured and interest bearing intercompany and/or shareholder's loans to a number of project companies and/or consortium companies in connection with project financing transactions, including, *inter alios*, Arena Sanità S.p.A., Genesi Uno S.p.A., Progetto ISOM S.p.A., Sesamo S.p.A., Synchron Nuovo San Gerardo S.p.A., Terzatorre S.p.A. and Progetto Nuovo Sant'Anna S.p.A.. These intercompany and shareholders' loans are currently pledged and/or assigned by way of security in favor of the financial institutions that granted certain credit facilities to the aforementioned respective companies. We expect that these Shareholder Loans will remain outstanding following the Transaction.

Bilateral Facilities

The Company and certain of its subsidiaries are parties to various uncommitted bilateral facilities and overdraft facilities agreements with local financial institutions, pursuant to which short-term working capital, export finance and general corporate purposes facilities have been obtained to finance their operations and liquidity requirements (the "**Bilateral Facilities**"). The Bilateral Facilities are unguaranteed and unsecured obligations of the Company and/or the relevant subsidiaries. These unsecured and uncommitted credit facilities generally relate to overdraft protection and trade credit facilities, and we utilize these lines from time to time as part of our cash management. Some of these credit facilities also provide for the ability of the relevant company to request the issuance of bank guarantees (*fideiussioni bancarie*) by the relevant financial institution in connection with our day-to-day operations. In addition, the financial institutions can generally withdraw their commitments under the Bilateral Facilities at any time. As of March 31, 2017, €16.0 million was outstanding under the Bilateral Facilities. While we expect to repay certain Bilateral Facilities with the proceeds from the Notes offered hereby, we expect to continue to make use of Bilateral Facilities or similar facilities following the Transactions on an opportunistic basis to fund working capital and other purposes.

Off-balance sheet bank guarantees (*fideiussioni bancarie*) and insurance bonds (*polizze fideiussorie*)

In the ordinary course of our business and, in particular, in order to be able to participate in competitive tenders, enter into contracts with customers or receive advances or payments from them during the outsourced service arrangement, we are required to provide our customers with bank guarantees (*fideiussioni bancarie*) and/or insurance bonds (including bid, advance payment, performance or guarantee bonds and *polizze fideiussorie*) for the purpose of guaranteeing our obligations under the relevant agreements. Such guarantees are generally issued by banks or insurance companies.

As of March 31, 2017, we had obtained bank guarantees and insurance policies in an aggregate outstanding amount of approximately €226.2 million.

These off-balance sheet guarantees typically provide for an annual fee equal to a percentage of the amount of the relevant guarantee outstanding. We have not in the past been subject to claims under our guarantees or otherwise had them called by the relevant guarantor provider. However, for information regarding the potential enforcement of our performance bond pursuant to the CONSIP School Tender or the bid bond associated with a separate CONSIP tender, see "*—We are involved in ongoing litigation in respect of an antitrust matter related to a public tender and we may face significant consequences in respect thereof*" and "*Business—Legal proceedings—CONSIP School Tender Litigation.*" The relevant guarantees and obligations are not recorded as financial indebtedness on our balance sheet and are therefore accounted for as off-balance-sheet items. See "*Management's discussion and analysis of financial condition and results of operations—Off-balance sheet arrangements*."

Financial leasing

We enter into financial leases primarily for plant and equipment used by our Laundering and Sterilization Segment and for motor vehicles. Our financial leases generally contain standard termination clauses. As of March 31, 2017, the amount of future rental fees deriving from such financial leases was €4.1 million. We expect that these financial leases will remain outstanding following the Transactions.

Factoring facilities

We have historically relied on sales of trade receivables pursuant to non-recourse (*pro-soluto*) and recourse (*pro-solvendo*) factoring agreements to manage in part our working capital requirements. We expect that, following the Transactions, the Banca Farmafactoring Facility and the UniCredit Factoring Facility (both as defined below) will remain outstanding. See "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources*."

As of March 31, 2017, the receivables sold under our non-recourse factoring arrangements and not yet collected by the factor equaled €11.3 million. This amount is not treated as financial debt on our consolidated statement of financial position. As of March 31, 2017, the receivables sold under our non-recourse factoring arrangements and not yet collected by the factor equaled €13.9 million (plus €1.2 million in non-recourse factoring from prior periods relating to programs that have been terminated). This amount is treated as financial debt on our consolidated statement of financial position.

Banca Farmafactoring Facility

On February 23, 2016, the Company and Servizi Ospedalieri (the "**Assignors**") entered into a non-recourse (*pro-soluto*) factoring facility agreement with Banca Farmafactoring S.p.A. (the "**Factor**"), pursuant to which the Assignors may sell up to €100 million of certain trade receivables from entities in the National Health System per year to the Factor (the "**Banca Farmafactoring Facility**"). Under the Banca Farmafactoring Facility, the Assignors receive a cash payment corresponding to the value of the trade receivables purchase price, which is equal to the nominal value of the trade receivables minus a discount calculated on the basis of a formula set forth in the Banca Farmafactoring Facility. Under the Banca Farmafactoring Facility, the Factor may cancel its commitment in case of, among others, the breach of contractual obligations by the Assignors and/or the occurrence of certain standard events of default provided for under the Banca Farmafactoring Facility agreement. The agreement will expire in 2019. The Banca Farmafactoring Facility is secured by a first ranking pledge over certain bank accounts held by the Assignors with the Factor. At the end of June 2017, we have made sales under this facility and collections of receivables for cash proceeds of €20.0 million under the Receivables Sales. We expect that the Banca Farmafactoring Facility will remain outstanding following the Transactions. As of March 31, 2017, on a *pro forma* basis for the Receivables Sales and the Transaction, the availability under the Banca Farmafactoring committed line was €73.0 million. See footnote 2 under "Capitalization" for more information.

UniCredit Factoring Facility

On August 5, 2015, the Company entered into a recourse (*pro-solvendo*) factoring facility agreement with UniCredit Factoring S.p.A. (the "**Factor**"), pursuant to which the Company may sell up to €40 million of certain trade receivables from public entities to the Factor (the "**UniCredit Factoring Facility**"). Under the UniCredit Factoring Facility, the Company receives a cash payment corresponding to the value of the trade receivables purchase price, which is equal to the nominal value of the trade receivables minus a discount calculated on the basis of a formula set forth in the UniCredit Factoring Facility. Additionally, the Company records a liability equal to the cash received and such liability is recorded as financial indebtedness on the Company's balance sheet. Such position is then closed out only when the end-customer has effected payment against the relevant receivables, in which case the receivable remains on the balance sheet until the payment date.

Under the UniCredit Factoring Facility, the Factor may (i) cancel its commitments in case of, among others, the breach of contractual obligations by the Company and/or the occurrence of certain standard events of default provided for under the factoring agreement, and/or (ii) cancel or reduce its commitments at any time by written notice to the Company. Considering that the UniCredit Factoring Facility has an unlimited duration, each of the Factor and the Company may terminate such agreement at its discretion by written notice to the other party. We expect that the UniCredit Factoring Facility will remain outstanding following the Transactions.

Proceeds Loan

On or about the Completion Date, the Issuer will make a proceeds loan to the Company expected to be in the amount of approximately €203.0 million (the "**Proceeds Loan**") using a portion of the net proceeds from the Offering of the Notes.

The amount borrowed under the Proceeds Loan will be used by the Company, together with cash on balance sheet, to satisfy and discharge and ultimately redeem the outstanding Existing Senior Secured Notes and repay certain of its other existing indebtedness.

Interest on the Proceeds Loan will accrue at a rate that we anticipate will not be lower than the rate applicable to the Notes. The maturity date of the Proceeds Loan will be on or after the maturity date of the Notes and, save for cases in which the Notes become due and payable, are repurchased, redeemed or otherwise prepaid or repaid in full prior to their final maturity date, the Company may not prepay the amounts due under the Proceeds Loan. The Proceeds Loan will be a senior obligation of the Company. The Proceeds Loan does not provide for any undertakings or representations by the parties. The Issuer's interest in the receivables under the Proceeds Loan will be assigned by way of security on a first-ranking basis as part of the Collateral securing the Notes and the Revolving Credit Facility. The Intercreditor Agreement will provide that lenders under the Revolving Credit Facility and counterparties to certain future hedging obligations, if any, will receive proceeds from the enforcement of the security over the Proceeds Loan in priority to the holders of the Notes. as a consequence of the Merger, the Proceeds Loan will be terminated and the security interests over the Issuer's interest in the receivables in respect of the Proceeds Loan will cease to be effective.

The Proceeds Loan will be governed by Italian law.

See also "*Risk factors—Risks related to our capital structure—The rights of the Issuer to receive payments under the Proceeds Loan may be subordinated by law to the obligations of other creditors*."

Shareholder Financing

On or prior to the Completion Date, a new holding company formed above the Issuer or a special purpose vehicle or orphan issuer established by the Issuer's shareholder (such entity, if established, "**Holdco**") or, alternatively, the Issuer's direct shareholder MSC, is expected to issue or incur a financial instrument or other financing, in the form of a loan, a debt capital markets issuance via a direct private placement or marketed offering, equity (including of the Issuer) or quasi-equity or a vendor loan raised from certain Minority Shareholders or other third parties (or any combination of the foregoing), in an aggregate principal amount currently expected to be approximately €50.0 million but no more than €60.0 million in aggregate principal amount (to the extent issued in the form of debt) which will be issued, incurred, made available for drawing or released from escrow, as the case may be, on or about the Completion Date (any such transaction, the "**Shareholder Financing**").

The Shareholder Financing may be of a larger aggregate principal amount than €50.0 million (but no more than €60.0 million if issued in the form of debt), including if needed to overfund any interest payments in cash, and the lenders of such financing could include current affiliates of the Company and/or the Minority Shareholders.

The Shareholder Financing will be incurred or issued, as the case may be, without recourse to, and without any credit support in the form of security or guarantees granted by, the Issuer, the Company or any of its subsidiaries.

The Shareholder Financing may either be unsecured or secured only on assets outside of the restricted group of the Notes offered hereby and not constituting Collateral under the Indenture (including but not limited to, a pledge over shares or equity interests of Holdco).

The Shareholder Financing, if raised in the form of debt, is expected to bear interest in cash or pay-in-kind or otherwise accrue deferred interest (or a combination thereof).

The Shareholder Financing if raised in the form of debt will have a maturity after the stated maturity of the Notes. It is currently expected that the proceeds from the Shareholder Financing will be utilized directly by the Holdco or MSC or contributed to the Issuer as equity or on-lent to the Issuer initially in the form of Subordinated Shareholder Funding (as defined under "*Description of Notes*"), in each case to complete the Transactions. The "Restricted Payments" covenant of the Indenture will limit the ability of the Shareholder Financing to be repaid, redeemed or repurchased with cash distributed or otherwise on-lent from the Issuer and its subsidiaries.

See ""*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—Consummation of the Transactions is dependent upon completion of the Shareholder Financing which may not be raised on satisfactory terms, if at all, and additionally, the Shareholder Financing, if completed, may increase certain risks to the Issuer and its subsidiaries*."

Description of the Notes

You will find definitions of certain capitalized terms used in this "Description of the Notes" under the heading "Certain Definitions." For purposes of this "Description of the Notes," references to the "Issuer" refer to CMF S.p.A. prior to the Merger and MergerCo subsequent thereto, and not any of their respective subsidiaries. References to "we," "our," "us" and the "Group" refer to the Issuer and its consolidated subsidiaries.

The Issuer will issue €360.0 million aggregate principal amount of Senior Secured Notes due 2022 (the "Notes") under an indenture to be dated as of the Issue Date (the "Indenture"), among, *inter alios*, the Issuer, The Law Debenture Trust Corporation p.l.c., as trustee and legal representative of the holders of the Notes (*mandatario con rappresentanza*) under the Indenture, common representative (*rappresentante comune*) of the holders of the Notes pursuant to articles 2417 and 2418 of the Italian Civil Code and representative (*rappresentante*) pursuant to article 2414-*bis*, 3rd paragraph of the Italian Civil Code (the "Trustee"), UniCredit Bank AG, Milan Branch, as security agent (the "Security Agent"), The Bank of New York Mellon, London Branch, as paying agent and transfer agent and The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar. The Indenture will not be qualified under, incorporate or include or be subject to any provisions of the U.S. Trust Indenture Act of 1939, as amended.

Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the gross proceeds of this offering of the Notes into an escrow account (the "Escrow Account") pursuant to the terms of an escrow deed (the "Escrow Agreement") dated as of the Issue Date among the Issuer, the Trustee and The Bank of New York Mellon, London Branch, as escrow agent (the "Escrow Agent"). If the Acquisition is not consummated on or prior to November 13, 2017 (the "Escrow Longstop Date"), the Notes will be redeemed at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to but excluding the Special Mandatory Redemption Date (as defined below). See "*—Escrow of Proceeds; Special Mandatory Redemption*." Assuming the Completion Date occurs on or prior to the Escrow Longstop Date and the escrowed funds are released from the Escrow Account, the proceeds of the offering of the Notes sold on the Issue Date will be used as described under "*Use of Proceeds*."

On the Issue Date and prior to the Merger Date (as defined below), the Notes will be unguaranteed and will be obligations solely of the Issuer. Within 10 Business Days following the Merger Date, the Notes will be guaranteed by Servizi Ospedalieri S.p.A. (the "Initial Guarantor"). The Guarantee will be subject to contractual and legal limitations, and may be released under certain circumstances. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*," "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*." Within 10 Business Days following the Completion Date and prior to the Merger Date, the Notes will be secured by the Pre-Merger Collateral, (each as defined under "*—Security*"). Within 10 Business Days following the Merger Date, the Notes will be secured by the Post-Merger Collateral (as defined under "*—Security*"). See "*—Security*" for more information.

The Indenture will be unlimited in aggregate principal amount, of which €360.0 million aggregate principal amount of Notes will be issued in this Offering. We may, subject to applicable law, issue an unlimited principal amount of additional Notes having identical terms and conditions as the Notes (the "Additional Notes"). We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under "*—Certain Covenants—Limitation on Indebtedness*"). Except with respect to right of payment and optional redemption, and as otherwise provided for in the Indenture, the Notes issued in this Offering and, if issued, any Additional Notes will be treated as a single class for all purposes under the

Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, *provided*, *however*, that unless such Additional Notes are fungible with the existing Notes for U.S. federal income tax purposes, such Additional Notes will be issued with a separate ISIN or Common Code. Unless the context otherwise requires, in this "*Description of the Notes*," references to the "Notes" include the Notes and any Additional Notes that are actually issued.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of the material terms of the Intercreditor Agreement.

This "*Description of the Notes*" is intended to be an overview of the material provisions of the Notes, the Indenture, the escrow arrangements in respect of the Notes applicable on the Issue Date and the Security Documents and it refers to the Intercreditor Agreement. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture, the Escrow Agreement, the Escrow Charge, the Intercreditor Agreement and the Security Documents for complete descriptions of the obligations of the Issuer and your rights. Copies of the documents indicated are available from us upon request as described under the heading "*Where you can find additional information*" in the Offering Memorandum.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. Neither the Notes, nor the Guarantee (when granted) have been, or will be, registered under the Securities Act and the Notes are subject to certain transfer restrictions.

General

The Notes

The Notes will, upon issuance:

- be general senior obligations of the Issuer;
- (i) on the Issue Date, be secured by a first-ranking security interest over the Escrowed Property (as defined herein) and (ii) within 10 Business Days following the Completion Date, be secured by the Pre-Merger Collateral as set forth under "*—Security*," on a *pari passu* basis with the interests granted in favor of the Revolving Credit Facility, except that holders of the Notes will receive proceeds from enforcement of the Collateral (other than the Escrowed Property which will solely secure the Notes) and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Revolving Credit Facility and certain Hedging Obligations (if any), have been repaid in full;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including Indebtedness Incurred under the Revolving Credit Facility;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- rank effectively senior to any existing and future indebtedness of the Issuer that is unsecured to the extent of the value of the Collateral;
- be effectively subordinated to any existing or future Indebtedness of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such Indebtedness; and
- be structurally subordinated to any existing or future Indebtedness of the Issuer's Subsidiaries that do not guarantee the Notes, including obligations to trade creditors.

Following the Merger, the Notes will:

- be general senior obligations of MergerCo;
- be secured by the Post-Merger Collateral as set forth under "—*Security*"; and
- within 10 Business Days following the Merger Date, be unconditionally guaranteed on a senior basis by the Initial Guarantor, subject to the limitations described herein and in "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*," "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Guarantee

The Guarantee of the Initial Guarantor will, upon issuance:

- be a general obligation of the Initial Guarantor;
- rank *pari passu* in right of payment with any existing and future Indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Guarantee, including that Guarantor's obligations under the Revolving Credit Facility Agreement and certain Hedging Obligations;
- rank senior in right of payment to all existing and future indebtedness of that Guarantor that is expressly subordinated in right of payment to such Guarantee;
- be effectively subordinated to any existing and future indebtedness of that Guarantor that is secured by property or assets that do not secure such Guarantee, to the extent of the value of the property or assets securing such other indebtedness;
- be structurally subordinated to any existing or future indebtedness, including obligations to trade creditors, of the subsidiaries of such Guarantor that are not Guarantors; and
- be subject to the limitations described herein and in "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*," "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

Principal and Maturity

The Issuer will issue €360.0 million in aggregate principal amount of Notes on the Issue Date (the "Initial Notes"). The Notes will mature on June 15, 2022. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue at the rate of 9.00% per annum. Interest on the Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on June 15 and December 15, commencing on December 15, 2017;
- be payable to the holder of record of such Notes on the Business Day immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

The rights of Holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to the Notes represented by one or more Global Notes registered in the name of or held by a nominee of a common depositary for Euroclear and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest and premium, Additional Amounts if any, on any certificated securities ("Definitive Registered Notes") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes*."

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes. The initial Paying Agent will be The Bank of New York Mellon, London Branch (the "Principal Paying Agent").

The Issuer will also maintain a registrar (the "Registrar") and a transfer agent (the "Transfer Agent"). The initial Registrar will be The Bank of New York Mellon SA/NV, Luxembourg Branch and the initial Transfer Agent will be The Bank of New York Mellon, London Branch. The Registrar and Transfer Agent will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer.

The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Luxembourg Stock Exchange (the "Exchange") and the rules of the Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by the rules of the Exchange, on the official website of the Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Guarantee

Within 10 Business Days following the Merger Date, the obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will (subject to the Agreed Security Principles) be guaranteed on a senior secured basis by the Initial Guarantor. The Initial Guarantor will also be a guarantor under the Revolving Credit Facility.

The Guarantee will be subject to contractual and legal limitations, and may be released under certain circumstances. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*," "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

For the twelve months ended March 31, 2017, the Company (as defined below) and the Initial Guarantor collectively generated 80.7% of the Group's total revenue and 94.6% of the Group's EBITDA (gross of intercompany balances and consolidation eliminations), respectively, and, as of March 31, 2017, constituted 84.1% of the Group's total assets (gross of intercompany balances and consolidation eliminations). As of March 31, 2017, after giving effect to the Transactions, the

Group would have had €343.9 million of net debt (€4.1 million of which was represented by financial debt other than the Notes consisting of financial leasing secured by related equipment). We also expect to have €50.0 million available for drawing under the Revolving Credit Facility on the Completion Date. In addition, to the extent provided below under "*—Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary that guarantees the Revolving Credit Facility in the future or certain other Indebtedness permitted under the Indenture shall enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Notes and the Revolving Credit Facility. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, retention of title claims and similar principles.

The obligations of any Guarantor will be contractually limited to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to any Guarantor and its shareholders, directors and general partners. In particular, the Guarantee of the Initial Guarantor, as a consequence of applicable Italian corporate law limitations, will not exceed at any time, an amount equal to the aggregate principal amount of any intercompany loans, or other financial support in any form (such term, for the avoidance of doubt, not including equity contributions), existing as of the Completion Date or made available from time to time to that Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by the Issuer (whether directly or indirectly), as resulting from time to time from the latest financial statements (*bilancio di esercizio*) of that Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) duly approved by the shareholders' meeting of that Guarantor and/or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code, as the case may be, in each case, net of any proceeds already received pursuant to the enforcement of its guarantee under the Revolving Credit Facility. In any event, for the sole purposes of complying with article 1938 of the Italian Civil Code, the maximum amount that a Guarantor may be required to pay in respect of its obligations as a Guarantor under the Indenture shall not exceed €432,000,000. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—The Notes Guarantee of Servizi Ospedalieri, when granted following the Merger, will be significantly limited by applicable laws and are subject to certain limitations and defenses*" and "*Risk factors—Risks related to the Notes, the Note Guarantee and the Collateral—The insolvency laws of Italy may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar*."

As of the Issue Date, the Notes will constitute the Issuer's principal liabilities and the Issuer's rights to the Escrow Account will constitute its principal asset as the Issuer will have no subsidiaries or other operations of its own. See "*Risk factors—Risks related to our capital structure—As of the Issue Date and prior to the Completion Date, the Issuer will have no assets other than its rights to the Escrow Account, and following the Completion Date and prior to the Merger, the Issuer will be dependent on payments from its subsidiaries in order to be able to make payments on the Notes which will be obligations solely of the Issuer, not guaranteed by any subsidiary and structurally subordinated to all of the debt and liabilities of the subsidiaries of the Issuer*," *Risk factors—Risks related to our capital structure—The Issuer does not currently control the Company or its subsidiaries and affiliates, and the Issuer will not control them until the consummation of the Acquisition*" and "*Risk factors—Risks related to our capital structure—As of the Issue Date and prior to the Completion Date, the governance of the Company and its subsidiaries will be subject to the 2016 MFM Shareholders' Agreement which may cause deadlocks to occur in our general shareholders' assembly and/or Board of Directors' decision-making process, which in turn may delay or prevent critical decisions from being made*."

As of the Completion Date, the Issuer's sole activity (other than the Transactions) will be holding the equity interests in its Subsidiaries, namely the Company and its receivables in respect of the Proceed Loan, and, therefore, the Issuer will depend on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. As of the Completion Date, holders of the Notes will not have any direct claim on the cash flow or assets of the Issuer's Subsidiaries and the Issuer's Subsidiaries will not have any obligation, contingent or otherwise, to pay amounts due under the Notes or to make funds available to the Issuer for those purposes. Following the Merger, MergerCo will be a principal holding company of the Group as well as an operating company carrying out facility management activities. In addition, no later than 10 Business Days following the Merger Date, the Initial Guarantor, an operating company and Subsidiary of the Company, will provide a Guarantee of the Notes. Notwithstanding the foregoing, a portion of the operations of MergerCo will still be conducted through its Restricted Subsidiaries that will not be Guarantors of the Notes. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and any Guarantor, including holders of the Notes. The Notes and the Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Initial Guarantor) and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any). As of March 31, 2017, after giving effect to the Transactions, the subsidiaries of the Issuer (including the Company and the Initial Guarantor) would have had €4.1 million of other indebtedness, consisting of financial leasing secured by the related equipment. Although the Indenture will limit the Incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness.*"

Releases of Guarantees

The Guarantee of any Guarantor will terminate and release:

- upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of such Guarantor (other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;
- upon the designation in accordance with the Indenture of any Guarantor as an Unrestricted Subsidiary;
- upon payment in full of principal, interest and all other obligations on the Notes or upon defeasance or discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*";
- as described in the first paragraph of the covenant described below under "*—Certain Covenants—Additional Guarantees*";
- as a result of a transaction permitted by "*—Merger and Consolidation—Guarantors*";
- upon the solvent liquidation or winding up of a Guarantor; or
- in connection with a Permitted Reorganization.

Upon the request of the Issuer and at the cost of the Issuer, the Trustee shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by Trustee without the consent of the Holders or any other action or consent on the part of the Trustee.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the initial purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of the offering of the Notes sold on the Issue Date into the Escrow Account. The Escrow Account will be pledged on a first-ranking basis in favor of the Trustee for the benefit of the holders of the Notes, pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the "Escrow Charge"). The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "Escrowed Property."

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer (the "Release"), the Escrow Agent and the Trustee shall have received from the Issuer, at a time that is on or before the Escrow Longstop Date, an Officer's Certificate, upon which both the Escrow Agent and the Trustee shall rely, without further investigation, to the effect that:

- concurrently with or promptly after the release of the funds from the offering from the Escrow Account, the Shareholder Financing will be available to the Issuer or its affiliates (as the case may be) and the Contribution and the Refinancing will occur and the Acquisition will be consummated substantially on the terms described in the Offering Memorandum, except for any changes or modifications that will not, individually or when taken as a whole, have a material adverse effect on the holders of the Notes;
- after consummation of the Acquisition, the Issuer will directly own all of the shares of the Company; and
- as of the Completion Date and concurrently with the release of the funds from the Offering, no Event of Default as described clause (5) under "*—Events of Default*" with respect to the Issuer shall have occurred and in any case be continuing.

The Release shall occur promptly upon the satisfaction of the conditions set forth above (the date of such satisfaction, the "Completion Date"). Upon the Release, the Escrow Account shall be reduced to zero, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement.

In the event that (a) the Completion Date does occur on or prior to the Escrow Longstop Date, (b) in the reasonable judgment of the Issuer, the Acquisition will not be consummated by the Escrow Longstop Date, (c) the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date, or (c) a Default or Event of Default arises under clause (5) of the first paragraph under the heading titled "*—Events of Default*" on or prior to the Escrow Longstop Date with respect to the Issuer (the date of any such event being the "Special Termination Date"), the Issuer will redeem all of the Notes (the "Special Mandatory Redemption") at a price (the "Special Mandatory Redemption Price") equal to 100% of the aggregate issue price of the Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to, but not including, the Special Mandatory Redemption Date (as defined below) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Written notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee, Paying Agent and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the "Special Mandatory Redemption Date"). One Business Day prior to the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Paying Agent for payment to each Holder on the Special Mandatory Redemption Date the Special Mandatory Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders, the Escrow Agent will deliver any excess Escrowed Property (if any) to the Issuer.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, MSC will be required to fund the accrued and unpaid interest, and Additional Amounts, if any, owing to the holders of the Notes, pursuant to contribution agreement it will provide to the Escrow Agent and Trustee. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral—If consummation of the Acquisition is delayed beyond the Escrow Longstop Date, or if the other conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes.*"

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the Holders of the Notes a security interest over the Escrow Account. Receipt by the Trustee of either an Officer's Certificate for the release or a notice of Special Mandatory Redemption (provided funds sufficient to pay the Special Mandatory Redemption Price are in the Escrow Account) shall constitute deemed consent by the Trustee for the release of the Escrowed Property from the Escrow Charge.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Luxembourg Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange as soon as practicable that the Special Mandatory Redemption will occur and any relevant details relating to such Special Mandatory Redemption.

Transfer and Exchange

The Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes"). The 144A Global Note will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.
- Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the 144A Global Notes, the "Global Notes"). The Regulation S Global Note will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("Book-Entry Interests") will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "144A Book-Entry Interests") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interests") denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the Issue Date of the Notes, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to US persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the holder of a Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the Issue Date, the Issuer has no Subsidiaries. As of the Completion Date, all of the Issuer's Subsidiaries are expected to be Restricted Subsidiaries. However, in the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Security

General

On the Issue Date and prior to the Completion Date, the Notes will be secured by a first-ranking security interest in the Escrowed Property. See "*—Escrow of Proceeds; Special Mandatory Redemption*."

Within 10 Business Days following the Completion Date and prior to the Merger Date, the Notes will be secured, subject to certain perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first-priority basis over the following property, rights and assets:

(1) a first-ranking share pledge over all of the shares of Manutencoop Facility Management S.p.A. (the "Company") (the "Company Share Pledge"); and

(2) a first-ranking security assignment over the receivables in respect of an intercompany loan (the "Newco Proceeds Loan") by the Issuer to the Company;

(collectively, the "Pre-Merger Collateral").

Following the Completion Date, we intend to merge the Issuer with the Company. Following the Merger, the resulting entity, MergerCo, will assume the obligations of the Issuer under the Notes and all references to "Issuer" in this Description of the Notes shall be to "MergerCo" and all references to the Company Share Pledge shall be to the MergerCo Share Pledge, except where otherwise indicated. Concurrently with the Merger, the security interest in the Issuer's rights under the Newco Proceeds Loan will be released.

Following the Merger and no later than 10 Business Days following the Merger Date, the Notes will be secured, subject to certain perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first-priority basis over the following property, rights and assets:

(1) the Company Share Pledge as acknowledged and confirmed to secure the Notes with the shares of MergerCo (the "MergerCo Share Pledge");

(2) a first-ranking share pledge over all of the shares of the Initial Guarantor; and

(3) a first-ranking security assignment over the receivables in respect of certain existing intercompany loans by MergerCo to its Restricted Subsidiaries existing as of the Issue Date

(collectively, the "Post-Merger Collateral").

Each of the Issuer and, subsequent to the Merger, MergerCo shall take such necessary actions and shall cause its Restricted Subsidiaries to take such necessary actions so that the Post-Merger Collateral shall be, to the extent legally possible and subject to the Agreed Security Principles, fully effective no later than the date that is 90 days after the date that such Post-Merger Collateral is granted.

Other than the Escrowed Property which will solely secure the Notes, the Collateral will also secure on a first-ranking basis the Revolving Credit Facility. In addition, the Revolving Credit Facility will also be secured by a special lien (*privilegio speciale*) granted by the the Company over its movable assets.

Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Covenants—Liens*," the Issuer and following the Merger, MergerCo, will be permitted to grant security over the Collateral in connection with future issuances of Indebtedness of, as applicable, the Issuer or MergerCo, or Indebtedness of the Restricted Subsidiaries, including any Additional Notes issued by the Issuer or MergerCo, in each case, as permitted under the Indenture and the Intercreditor Agreement. See "*Risk factors—Risks related our capital structure*."

Any other security interests that may in the future be granted to secure obligations under the Notes, any Guarantees and the Indenture would also constitute "Collateral." All Collateral will be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

Notwithstanding the foregoing and the provisions of the covenant described below under "*—Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness*," certain property, rights and assets (other than the Collateral described in the first and second paragraphs of this section) may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. Pursuant to the Agreed Security Principles, a guarantee or security may not be given, or may be limited, due to, among other things: general legal and statutory limitations, regulatory requirements or restrictions, financial assistance, corporate benefit, fraudulent preference, "earnings stripping," "controlled foreign corporation" and "thin capitalization" rules, tax restrictions, retention of title claims, capital maintenance rules and similar principles; the applicable cost, which shall not be disproportionate to the benefit to the lenders of obtaining such guarantee or security; stamp duty, notarization, registration or other applicable fees, taxes and duties where the benefit to the lenders of increasing the guaranteed or secured amount is disproportionate to the level of such fee, taxes and duties; where there is material incremental cost involved in creating security over all assets owned in a particular category; where giving a guarantee or security would be either impossible or impractical or would unduly disrupt the business of the relevant person concerned to create security over certain categories of assets; where assets are subject to contracts, leases, licenses, or other third party arrangements which may prevent those assets from being charged; or where it is not within the legal capacity of the relevant person or would conflict with fiduciary duties or contravene legal prohibitions or regulatory conditions or would result in (or in a risk of) personal or criminal liability on the part of any officer.

As described above, all of the Collateral (other than the Escrowed Property which will solely secure the Notes) will also secure the liabilities under the Revolving Credit Facility as well as certain future Hedging Obligations and any Additional Notes and may also secure certain future indebtedness; *provided*, *however*, that the lenders under the Revolving Credit Facility and counterparties to certain future Hedging Obligations will receive the proceeds from the enforcement of such Collateral in priority to the holders of the Notes and any Additional Notes. See "*—Priority*" below. See also "*Risk Factors—Risks related to the Notes, the Notes Guarantee and the Collateral—Creditors under the Revolving Credit Facility and certain future hedging obligations, if any, and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes*." The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes.

No appraisals of the Collateral have been made in connection with this Offering. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks related to the Notes, the Notes Guarantee and the Collateral—The Notes will be secured only to the extent of the value of the assets that have been granted as security for the Notes*." and "*Risk factors—Risks related to our capital structure—Failure to complete the Merger within 12 months following the Completion Date will constitute an event of default under the Indenture, and prior to the consummation of the Merger, you will not have the benefit of all the Collateral or any credit support from the Company or Servizi Ospedalieri*."

Priority

The relative priority with regard to the security interests in the Collateral (other than the Escrowed Property which will solely secure the Notes) that are created by the Security Documents (the "Security Interests" and each a "Security Interest") as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain future Hedging Obligations (if any), and (c) the Trustee, the Security Agent and the holders of the Notes under the Indenture, respectively, is established by the terms of the Intercreditor Agreement, the Indenture, the Security Documents and the security documents relating to the Revolving Credit Facility, and such Hedging Obligations (if any), which provide, among other things, that the obligations under the Notes will receive proceeds on enforcement of security over the Collateral only after the claims of the Revolving Credit Facility Agreement and such future Hedging Obligations and any future Indebtedness permitted to be secured on a super priority basis in accordance with the terms of the Indenture and the Intercreditor Agreement are satisfied.

See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral (other than the Escrowed Property) may be pledged or assigned to secure other Indebtedness. See "*—Release of Liens*," "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Security Documents

Under the Security Documents, security will be granted over the Collateral to secure, *inter alia*, the payment when due of the Issuer's payment obligations under the Notes and the Indenture. The Security Documents will be entered into among, *inter alios*, the relevant security provider, the Security Agent (also as beneficiary of the parallel debt under the Intercreditor Agreement), and the Trustee acting for itself and in its capacity as the Trustee under the Indenture, as Security Representative (as defined herein) and additionally as common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code and representative (*rappresentante*) pursuant to article 2414-*bis*, 3rd paragraph of the Italian Civil Code.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee (including in its role as Security Representative) and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral, except through the Trustee (including in its role as Security Representative) under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent for the enforcement of security over the Collateral. Under the Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain hedging agreements in relation to the Security Interests in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the relevant Collateral until all obligations under the Notes and the Indenture have been discharged. However, please see the section of this Offering Memorandum entitled "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*." The validity and enforceability of the Security Interests will be subject to, *inter alia*, the limitations described in "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*" and "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*." The Security Documents will provide that the rights under the Security Documents and the Indenture must be exercised by the Security Agent. The Holders may only act through the Trustee (including in its role as Security Representative), who will instruct the Security Agent in accordance with the terms of the Indenture.

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*."

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement will restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility. These limitations are described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations*." The ability to enforce may also be restricted by similar arrangements in relation to future indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to Hedging Obligations secured by the Collateral and the Trustee (including in its role as Security Representative) have, and by accepting a Note, each Holder will be deemed to have, appointed, also for the purposes of Article 1704 (*mandato con rappresentanza*) the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that the Issuer and the Trustee will be authorized (without any further consent of the holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Indenture will also provide that each holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreements;

(2) agreed to be bound by the provisions of the Intercreditor Agreement and the Security Documents;

(3) agreed to, and accepted, the appointment of The Law Debenture Trust Corporation p.l.c. as common representative (*rappresentante comune*) of the Holders pursuant to articles 2417 and 2418 of the Italian Civil Code;

(4) agreed to, and accepted, the appointment of The Law Debenture Trust Corporation p.l.c. as representative (*rappresentante*) of the Holders for the purposes of Article 2414-*bis*, third paragraph of the Italian Civil Code;

(5) agreed and acknowledged that the Security Agent will administer the Collateral in accordance with the Intercreditor Agreement, the Indenture and the Security Documents; and

(6) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement.

Please see the sections entitled "*Risk Factors—Risks related to the Notes, the Notes Guarantee and the Collateral—Holders of the Notes may not control certain decisions regarding the Collateral*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under "*—Certain Covenants—Additional Intercreditor Agreements*."

Release of Liens

The Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

(1) with respect to the Liens securing the Escrowed Property, in accordance with the terms of the Escrow Agreement and the Escrow Charge;

(2) in connection with any sale or other disposition of Collateral (other than the Company Share Pledge or MergerCo Share Pledge) to (a) any Person other than the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Indenture or (b) any Restricted Subsidiary; *provided* that, in the case of this clause 1(b), the relevant property and assets remain subject to, or otherwise become subject to a Lien in favor of the Notes following such sale or disposal;

(3) in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(4) as described under "*—Amendments and Waivers*";

(5) upon payment in full of principal, interest and all other obligations on the Notes or defeasance or discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(6) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(7) as otherwise permitted in accordance with the Indenture or the Intercreditor Agreement;

(8) in the case of a merger, consolidation or other transfer of assets in compliance with the covenant described below under "*Merger and Consolidation*." In addition, the Security Interests created by the Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under "*—Certain Covenants—Impairment of Security Interest*";

(9) (i) in connection with an Initial Public Offering of the Capital Stock of MergerCo, the release, at the option of the Issuer, of any Security Interests over such Capital Stock being offered or sold within a reasonable time prior to such Initial Public Offering and (ii) following an Initial Public Offering of MergerCo, in connection with the offering or sale of Capital Stock of MergerCo, the release of any Security Interests over such Capital Stock being offered or sold within a reasonable time prior to such offering or sale; *provided* that, in each case, such Security Interests so released shall, as soon as reasonably practicable, be granted in favor of the Notes in the event that the Initial Public Offering or other offering or sale, as the case may be, does not complete for any reason;

(10) in connection with the Merger, *provided* that subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, the MergerCo Share Pledge is granted in favor of the Notes; or

(11) in connection with a Permitted Reorganization.

At the request of the Issuer and at the cost of the Issuer, the Security Agent and the Trustee (if required) will take all necessary action required to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described below and except as described under "*—Redemption for Taxation Reasons*," the Notes are not redeemable until June 15, 2020.

On and after June 15, 2020, the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount of Notes redeemed) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date that is on or prior to the applicable redemption date), if redeemed during the periods beginning on the dates indicated below:

Year	Redemption Price
June 15, 2020 and thereafter	104.500%
June 15, 2021 and thereafter	102.250%
December 15, 2021 and thereafter	100.000%

At any time prior to June 15, 2020, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of Notes issued under the Indenture, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 109.000% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date that is on or prior to the applicable redemption date), with the net cash proceeds of an Equity Offering; *provided* that:

(1) at least 60% of the aggregate principal amount of the Notes originally issued under the Indenture remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 120 days of the date of the closing of such Equity Offering.

In addition, prior to June 15, 2020, the Issuer may redeem all or, from time to time, a part of the Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date that is on or prior to the applicable redemption date).

Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent. If such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

General

We may repurchase the Notes at any time and from time to time in the open market or otherwise. Notice of redemption will be provided as set forth under "*—Selection and Notice*" below.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Exchange and the rules of the Exchange so require, inform the Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

Sinking Fund

Other than in respect of a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Redemption at Maturity

On June 15, 2022, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to, but not including, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date that is on or prior to the applicable redemption date).

Selection and Notice

If less than all of any series of Notes is to be redeemed at any time, the Principal Paying Agent or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a *pro rata* basis by use of a pool factor; *provided, however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Trustee, the Principal Paying Agent nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

For so long as the Notes are listed on the Exchange and the rules of the Exchange so require, the Issuer shall publish the notice of redemption in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by the rules of the Exchange, on the official website of the Exchange. In addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, the Issuer shall mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. While in global form, notices to Holders may be delivered via Euroclear and Clearstream in lieu of notice via registered mail.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to, but not including, the date fixed for redemption (a "Tax Redemption Date") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date that is on or prior to the Tax Redemption Date) and all Additional Amounts (as defined below under "Withholding Taxes"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in, an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a "Change in Tax Law"),

a Payor (as defined below) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts with respect to the Notes or any Guarantee (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be announced and become effective (or, in the case of an amount or change described in clause (2) above, become effective or be promulgated, as applicable) on or after the Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the Issuer or a successor Person, where applicable, will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that the relevant Payor cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the relevant Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor or a successor of any of them (each, a "Payor") in respect of the Notes or with respect to any Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) Italy or any political subdivision or governmental Authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note is made by or on behalf of a Payor (including the jurisdiction of the Paying Agent), or any political subdivision or governmental authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which a Payor is organized, engaged in business for tax purposes, or otherwise considered to be a resident, or have a permanent establishment, for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "Relevant Taxing Jurisdiction"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor with respect to any Note or any Guarantee, including payments of principal, purchase price, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments, after such withholding, or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over, the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen of, or carrying on a business for tax purposes or maintaining a permanent establishment, in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Guarantee;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor or any other person through whom payment can be made addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction would be payable to the Relevant Taxing Jurisdiction), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax

but, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed as a result of the presentation of the Note for payment (where presentation is permitted or required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or with respect to any Guarantee;

(5) any estate, inheritance, gift, value added, sales, use, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes imposed, withheld or deducted pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise pursuant to Sections 1471 through 1474 of the Code (or any amended or successor version of such sections that is substantially comparable), any current or future regulations or agreements thereunder, official interpretations thereof, any intergovernmental agreement entered into in connection therewith, or any law or regulation (or any official interpretation thereof) implementing an intergovernmental approach thereto;

(7) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("Decree No. 239") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997) ("Decree No. 461") and any related implementing regulations; *provided* that:

  (i) Additional Amounts shall be payable in circumstances where the procedures required under Decree No. 239 or Decree No. 461 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due to the actions or omissions of the Payor or their agents; and

  (ii) for the avoidance of doubt, (A) no Additional Amounts shall be payable with respect to any Taxes to the extent that such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which are subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy (the "white list") and (B) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of the approval of any decree or regulation that will be issued pursuant to Article 11(4)(c) of Decree No. 239 which may amend the list of the countries which allow for a satisfactory exchange of information with Italy, whereby such holder's country of residence does not appear on the new list; or

(8) any combination of the items (1) through (7) above.

In addition, no Additional Amounts shall be paid with respect to a Holder that is not the beneficial owner of the Notes, to the extent that the beneficial owner would not have been entitled to Additional Amounts by reason of any of clauses (1) to (8) inclusive above had such beneficial owner held such Notes directly.

The Payor will (i) make or cause to be made any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not reasonably available, other reasonable evidence of such payments as soon as reasonably practicable to the Trustee and copied to the Paying Agent. Such copies or other evidence shall be made available to the Holders upon request. The Payor will attach to each such certified copy or other evidence of such payments a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy or other evidence was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding tax paid per €1,000 principal amount of the Notes. If requested by the Trustee, the Payor will provide to the Trustee such information if in the possession of the Payor (and not otherwise in the possession of the Trustee) to enable the Trustee to determine the amount of withholding taxes attributable to any particular holder.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agents shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary without independent investigation or verification.

Wherever in the Indenture, the Notes or this "Description of the Notes" there is mentioned, in any context:

(1) the payment of principal;

(2) redemption prices or purchase prices in connection with a redemption or purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Guarantee, such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and indemnify the Holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, issuance, registration or enforcement of any Notes, any Guarantee, the Indenture, the Security Documents or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this Offering other than the initial resale by the initial purchasers of the Notes) or the receipt of any payments with respect thereto (limited, solely in the case of the receipt of any payments with respect thereto, to taxes not excluded under clauses (1) through (3) or (5) through (7) above or any combination thereof) or any such Taxes, charges or similar levies imposed by any Relevant Taxing Jurisdiction as a result of, or in connection with, the enforcement of any of the Notes, any Guarantee or any other document referred to herein.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes or any Guarantee is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein having the power to tax.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "Change of Control," each Holder will have the right to require the Issuer to repurchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date that is on or prior to the date of purchase); *provided*, *however*, that the Issuer shall not be obligated to repurchase the Notes as described under this heading, "Change of Control," in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes and given notice of redemption as described under "*—Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "Change of Control Offer") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date that is on or prior to the date of purchase) (the "Change of Control Payment");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) and the record date (the "Change of Control Payment Date");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Principal Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Principal Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Exchange and the rules of the Exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Exchange.

Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility. In addition, certain events that may constitute a change of control under the Revolving Credit Facility and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk factors—Risks related to the Notes, the Note Guarantee and the Collateral—The Issuer may not be able to repurchase the Notes upon the occurrence of a change of control.*"

The definition of "Change of Control" includes a disposition in one or a series of related transactions, of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person the Issuer and its Restricted Subsidiaries. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any Guarantor may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 3.00 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("Permitted Debt"):

(1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of €100.0 million and 96% of Consolidated EBITDA, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture; or

(b) without limiting the covenant described under "*—Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, *however*, that:

(a) in the case of Indebtedness owing to and held by any Restricted Subsidiary that is not a Guarantor (except in respect of intercompany current liabilities Incurred in the ordinary course of business in connection with cash management positions of the Issuer and its Restricted Subsidiaries), such Indebtedness shall be unsecured and expressly subordinated in right of payment to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, and the respective Guarantee, in the case of a Guarantor to the extent required by the Intercreditor Agreement; and;

(b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary; and

(c) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes) outstanding on the Issue Date, the related Guarantee to be granted within 10 Business Days following the Merger Date, and any related "parallel debt" obligations under the Intercreditor Agreement and the Security Documents, (b) any Indebtedness of the Issuer outstanding on the Issue Date and any Indebtedness of the Company and its Subsidiaries (other than Indebtedness of the Issuer and its Restricted Subsidiaries Incurred under the Revolving Credit Facility and Indebtedness described in clause (3) of this paragraph) outstanding on the Completion Date after giving effect to the Transactions (as described in "*Use of Proceeds*" in this Offering Memorandum, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clauses (5) and (13) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (d) Management Advances;

(5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided, however,* with respect to this clause (5), that at the time of such acquisition or other transaction (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio in the first paragraph of this covenant after giving *pro forma* effect to the relevant acquisition and the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of €10.0 million and 10% of Consolidated EBITDA; *provided* that the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 270 days thereafter;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, bid bond, indemnity, appeal, surety, judgment, appeal, advance payment, customs, VAT, Taxes, Tax Sharing Agreements or other Tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the

ordinary course of business or in respect of any governmental requirement, *provided, however,* that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements, in each case, in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in the case of a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries;

(d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business; and

(e) Indebtedness represented by guarantees of pension fund obligations of the Issuer or any Restricted Subsidiary required by law or regulation.

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €50 million and 48% of Consolidated EBITDA; *provided, however* that the aggregate principal amount of outstanding Indebtedness (excluding any interest paid in kind) Incurred by Restricted Subsidiaries that are not Guarantors pursuant to this clause (11) and, without double counting, all Refinancing Indebtedness in respect thereof Incurred by Restricted Subsidiaries that are not Guarantors shall not exceed an amount equal to €25.0 million at any one time outstanding measured at the time of the Incurrence of any such Indebtedness;

(12) [*Reserved*];

(13) Indebtedness of the Issuer and any Guarantor in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the

issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, the Contribution or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, the Contribution, a Shareholder Financing Contribution or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*Certain Covenants—Limitation on Restricted Payments*" to the extent the Issuer or a Guarantor Incurs Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the fourth paragraph of the covenant described below under "*—Certain Covenants—Limitation on Restricted Payments*" in reliance thereon; and

(14) customer deposits and advance payments received in the ordinary course of business from customers for goods and services purchased in the ordinary course of business.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Completion Date under the Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant, and may not be reclassified;

(3) guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11) or (13) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS; and

(8) for the purposes of determining "Consolidated EBITDA" (i) *pro forma* effect shall be given to Consolidated EBITDA on the same basis for calculating the Consolidated Net Leverage Ratio

for the Issuer and its Restricted Subsidiaries and (ii) in relation to clause (1) of the second paragraph of this covenant, Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or new Indebtedness is Incurred (in the case of term facilities) and for the period of the most recent four consecutive fiscal quarters ending prior to such date for which such internal consolidated financial statements of the Issuer are available.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness.*" Except as otherwise specified, the amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness,*" the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Issuer, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Completion Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Neither the Issuer nor any Guarantor will Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Guarantee, if any, on substantially identical terms; *provided, however,* that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

(a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in Subordinated Shareholder Funding; and

(b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to the scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");

(4) make any payment (other than by capitalization of interest as additional Subordinated Shareholder Funding) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person,

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "Restricted Payment"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (9), (10), (11), (14) and (15) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (w) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (z) the Contribution, Shareholder Financing Contribution, Excluded Contributions or Parent Debt Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (y) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph, and (z) the Contribution, Shareholder Financing Contribution, Excluded Contributions or Parent Debt Contributions; and

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment"; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary; *provided*, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clause (iv), (v) or (vi)).

The fair market value of property or assets other than cash covered by the preceding two sentences shall be the fair market value thereof as determined in good faith by an officer of the Issuer, or, if such fair market value exceeds €10.0 million, by the Board of Directors of the Issuer.

The foregoing provisions will not prohibit any of the following (collectively, "Permitted Payments"):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through the Contribution, a Shareholder Financing Contribution an Excluded Contribution or a Parent Debt Contribution) of the Issuer; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) and (c)(iii) of the first paragraph of this covenant;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "*—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (a) €2.0 million, *plus* €1.0 million multiplied by the number of calendar years that have commenced since the Issue Date, *plus* (b) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares or a Parent Debt Contribution or the Contribution or a Shareholder Financing Contribution) of the Issuer from, the issuance or sale to Management Investors of Capital Stock, to the extent such Net Cash Proceeds have not otherwise been designated as Excluded Contributions and are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*";

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or disclosed in the Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, a Parent Debt Contribution or the Contribution

or a Shareholder Financing Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) 6% of the Market Capitalization and (ii) 6% of the IPO Market Capitalization, *provided* that in the case of (b), after giving *pro forma* effect to such dividends, distributions, loans or advances, the Consolidated Net Leverage does not exceed 2.75 to 1.0.

(11) from the date that is 12 months following the Issue Date, so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of (i) €5.0 million and (ii) 5% of Consolidated EBITDA;

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (13);

(14) so long as no Default or Event of Default has occurred and is continuing (or would result from), any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio does not exceed 2.5 to 1.0 on a *pro forma* basis after giving effect to any such Restricted Payment;

(15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided*, *however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or the Contribution or a Shareholder Financing Contribution or a Parent Debt Contribution or, in the case of Designated Preference Shares by such Parent or an Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, from such sale of Designated Preference Shares or such contribution will be excluded from clause (c)(ii) and (c)(iii) of the first paragraph of this covenant;

(16) [*Reserved*];

(17) dividends, loans, advances, payments or other distributions in amounts required for a direct or indirect Parent of the Issuer to pay interest on Parent Senior Debt the net cash proceeds of which have been contributed to the Issuer or any of its Restricted Subsidiaries as a Parent Debt Contribution and that has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under "*—Limitation on Indebtedness*";

(18) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries; and

(19) any Restricted Payment to the extent described under "*Use of Proceeds*" in the Offering Memorandum.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

For the purposes of calculating "Consolidated EBITDA" *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Completion Date (or the Issue Date with respect to the Issuer) or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "Initial Lien"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Guarantee of the Notes in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.
Any such Lien created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*."

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary, *provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility); (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date; and (c) other agreement or instrument with respect to the Company and its Subsidiaries, in each case, in effect at or entered into on the Completion Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets

(other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Issuer (as defined under "*—Merger and Consolidation*"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Issuer;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "Initial Agreement") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer);

(4) any encumbrance or restriction:

    (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

    (b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

    (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders of the Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) or where the Issuer determines that such encumbrance or restriction will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes or (b) constituting an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Recourse Factoring or Securitization that, in the good faith determination of the Board of Directors or a member of Senior Management of the Issuer, are necessary or advisable to effect such Recourse Factoring or Securitization; or

(13) any encumbrance or restriction existing by reason of any lien permitted under "*—Limitation on Liens*."

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Issuer's Board of Directors); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

(i) cash (including any Net Cash Proceeds received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

(ii) Cash Equivalents;

(iii) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's or such Restricted Subsidiary's consolidated balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;

(iv) Replacement Assets;

(v) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

(vi) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(vii) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of €10.0 million and 10% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(viii) a combination of the consideration specified in clauses (i) through (vii) of this paragraph (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Cash Proceeds of the Asset Disposition, within 360 days (or 540 days in the circumstances described in clause (8) below) of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Cash Proceeds, may be used by the Issuer or such Restricted Subsidiary to:

(1) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof; (ii) unless included in (1)(i), prepay, repay, purchase or redeem Notes or Indebtedness that is secured by a Lien on the Collateral that is not subordinated in right of payment to the Notes at a price of no more than 100% of the principal amount of the Notes or such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that the Issuer shall prepay, repay, purchase or redeem Public Debt (other than the Notes) pursuant to clause (ii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum total aggregate principal amount of the Notes outstanding *plus* the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(2) purchase Notes pursuant to an offer to all holders of the Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date that is on or prior to the date of purchase);

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Cash Proceeds pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof, *provided* that, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated, (y) the 180th day following the expiration of the aforementioned 360 day period, if the investment has not been consummated by that date.

The amount of such Net Cash Proceeds not so used as set forth in the foregoing paragraph constitutes "Excess Proceeds." Pending the final application of any such Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

On the 361st day (or the 541st day if a binding commitment as described in clause (8) is entered into) after an Asset Disposition, or at such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds €20.0 million, the Issuer will be required within 10 Business Days thereof to make an offer ("Asset Disposition Offer") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be repaid or purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "Asset Disposition Offer Period"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be repaid or purchased by it pursuant to this covenant (the "Asset Disposition Offer Amount") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "Affiliate Transaction") involving aggregate value in excess of €5.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate;

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €10.0 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above; and

(3) in the event such Affiliate Transaction involves an aggregate consideration in excess of €25.0 million, the Issuer has received a written opinion (a "Fairness Opinion") from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Issuer and its Restricted Subsidiaries or that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (11) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees,

directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction) or between or among Restricted Subsidiaries;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary of the Issuer or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions and the Merger, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement, understanding or instrument in effect as of or on the Issue Date or, in the case of the Company and its Subsidiaries, the Completion Date, as applicable, including but not limited to transactions that are described in "*Related Party Transactions*" in the Offering Memorandum, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €3.0 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for

financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors in good faith;

(12) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(13) any transaction effected in connection with any Recourse Factoring or Securitization;

(14) investments by any Permitted Holder in securities of the Issuer or any of the Issuer's Restricted Subsidiaries (and the payment of reasonable out of pocket expenses of the Permitted Holder in connection therewith) so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favorable terms and (iii) the investment constitutes less than 5% of the proposed issue amount of such class of securities;

(15) any participation in a public tender or exchange offers for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arms' length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer;

(16) the repurchase or other retirement for value of Equity Interests in Restricted Subsidiaries in connection with any put/call agreements entered into by such Restricted Subsidiary with management or directors of such Restricted Subsidiary in the ordinary course of business and otherwise in compliance with clause (1) of the first paragraph of this covenant; and

(17) transactions with customers, clients, suppliers, Associates (including joint venture partners) or purchasers or sellers of goods or services or lessors or lessees of property or providers of employees or other labor, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Issuer or its Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Issuer or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ended December 31, 2017, annual reports containing, to the extent applicable: (i) an operating and financial review of the audited financial statements, including a discussion of the results of operation, financial condition, consolidated EBITDA and liquidity and capital resources; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include provision of a full income statement or balance sheet to the extent not reasonably available, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates; *provided, further* that if such *pro forma* financial information is not reasonably available, the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a description of the business, management and

shareholders of the Issuer, all material affiliate transactions; and a description of all material debt instruments; and (v) a description of material operational risk factors and material subsequent events; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the audited financial statements;

(2) within 60 days (or in the case of the fiscal quarter ending June 30, 2017, 75 days) following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the quarter ended June 30, 2017, quarterly financial statements containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, consolidated EBITDA and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's website and if and so long as the Notes are listed on the Official List of the Exchange and admitted to trading on the Euro MTF Market thereof and to the extent that the rules and regulations of the Exchange so require, by posting such reports on the official website of the Exchange.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.

Notwithstanding the foregoing, the Issuer may satisfy its obligations under clauses (1) and (2) of the first paragraph of this covenant by delivering the corresponding consolidated annual and quarterly reports of any Parent or, for all periods prior to the effectiveness of the Merger Date, the Company. To the extent that material differences exist between the management, business, assets, shareholding or results of operations or financial condition of the Parent or the Company, as applicable, that is the reporting entity, the annual and quarterly reports shall include an explanation and an unaudited reconciliation of such material differences.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "*Reports*" covenant will include a (i) reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries, together with an unaudited reconciliation to the financial information of the Issuer and its subsidiaries, which reconciliation shall include the following items: revenues, consolidated EBITDA, net income, cash, total assets, total debt, shareholder equity, capital expenditures and interest expense.

For the purposes of this covenant, IFRS shall be deemed to be IFRS as in effect from time to time, without giving effect to the proviso in the definition thereof.

All reports provided pursuant to this "*Reports*" covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one transaction or a series of related transactions to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Issuer") will be a Person organized and existing under the laws of any member state of the European Union, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Issuer would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under

"*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness*."

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "Merger and Consolidation" covenant) shall not apply to (i) any transactions which constitute an Asset Disposition if the Issuer has complied with the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*"; (ii) the creation of a new subsidiary as a Restricted Subsidiary of the Issuer; or (iii) the Merger.

Guarantors

No Guarantor (other than a Guarantor whose guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the assets of the assets of such Guarantor and its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it unless:

   (A) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor;

   (B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of a Guarantor under its Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee); and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Notes Indenture, *provided however*, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (A) and (B) (1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this "*Merger and Consolidation*" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading "*—The Issuer*" shall apply to such transaction (iv) the Merger; and (v) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, *however*, that clauses (1), (2) and (4) under the heading "*—The Issuer*" or clauses (3)(A) and (3)(B) under the heading "*—Guarantors*," as the case may be, shall apply to any such transaction.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to list the Notes upon their issuance on the Official List of the Exchange and admit the Notes to trading on the Euro MTF Market thereof and to maintain such listing and admission to trading so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it is unable to list or it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Official List of the Exchange and withdrawal from trading of the Notes on the Euro MTF Market, and thereafter use its commercially reasonable efforts to maintain, a listing of such Notes on another internationally recognized stock exchange or exchange regulated market in western Europe.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "Reversion Date"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "*—Limitation on Restricted Payments*";

(2) "*—Limitation on Indebtedness*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) "*—Additional Guarantees*";

(6) "*—Limitation on Sales of Assets and Subsidiary Stock*"; and

(7) the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation*,"

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*." In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption has been satisfied, *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interests with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interests with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens and may effect a Permitted Reorganization and the Collateral may be discharged and released and retaken, if applicable, in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement and (ii) the applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, from time to time to cure any ambiguity, mistake, omission, defect or inconsistency therein; *provided*, *however*, that in the case of clause (i) above, except with respect to any discharge or release in accordance with the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Documents may not be amended, extended, renewed, restated, supplemented, released and retaken, if applicable, or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee and the Security Agent, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee and the Security Agent from an Independent

Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee and the Security Agent, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall guarantee the Indebtedness outstanding under the Revolving Credit Facility, any Credit Facility or any other Public Debt, in each case of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will provide a Guarantee, which Guarantee will be senior to or pari passu with such Restricted Subsidiary's guarantee of such other Indebtedness; *provided*, *however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Guarantee is contrary to the Agreed Security Principles or could give rise to or result in:

(1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction;

(2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or

(3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary.

Future Guarantees granted pursuant to this provision shall be released as set forth under "*—Releases of the Guarantees*." A Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Guarantees and the Security Interests and the liability of any Guarantor will be subject to the limitations as described and set out in "*Risk factors—Risks related to the Notes, the Notes Guarantee and the Collateral*" and "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations.*"

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any Indebtedness permitted pursuant to the covenant described under "*—Limitation on Indebtedness*," the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "Additional Intercreditor Agreement") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interest; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*Amendments and Waivers*" or as permitted by the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*."

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor

Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices or at the offices of the listing agent.

Completion of Merger

Prior to completion of the Merger, the Issuer shall hold 100% of the Capital Stock and Voting Stock of the Company. The Issuer shall use, and shall cause the Company to use, reasonable best efforts to implement the Merger on terms complying with Section 2501-bis (et seq.) of the Italian Civil Code as soon as practicable following the Completion Date and in any case within 12 months thereof. Promptly following the completion of the Merger, the Issuer shall, and shall cause (to the extent necessary) the Company to deliver to the Trustee each of the Merger Condition Precedent Documents in connection with the consummation of the Merger. Subject to compliance with the covenant under "*—Merger and Consolidation*" and the Indenture generally, the Indenture will provide that each holder of the Notes, by accepting a Note will be deemed to agree, for the purposes of Section 2503-bis (et seq.) of the Italian Civil Code, to the consummation of the Merger and the assumption by MergerCo of all obligations of the Issuer in respect of the Notes, the Indenture, the Intercreditor Agreement and the Security Documents in accordance with the terms of the Indenture upon completion of the Merger and that all references to "Issuer" in the Indenture "MergerCo" and all references to the "Company Share Pledge" in the Indenture shall be to the "MergerCo Share Pledge", except where otherwise indicated.

Limitations on the Issuer's activities prior to the Merger

Prior to the Merger, the Issuer will not (a) own any material assets or property other than, prior to the Completion Date, its rights to the Escrow Account, and following the Completion Date, the Capital Stock of Manutencoop Facility Management S.p.A. and intercompany Indebtedness relating to the proceeds of the Notes or the proceeds of any Shareholder Financing and (b) engage in any business activity or undertake any other activity; *provided* that prior to the Merger, the Issuer may (i) exercise and perform its rights and obligations under and in connection with the Transactions (including matters associated with the Shareholder Financing) and any related documents, including the issuance of the Notes, the release of the Escrowed Property in accordance with the Escrow Agreement and Escrow Charge, the signing of all documents and deeds to memorialize and complete the Contribution and the Acquisition, the signing of the Revolving Credit Facility and the Intercreditor Agreement, and the consummation of the Merger, (ii) enter into, hold and utilize facilities or services related to treasury, cash management and cash pooling arrangements in the ordinary course of business, (iii) provide administrative services, treasury and financing (other than the Incurrence of Indebtedness except as otherwise provided hereunder), managerial, legal, accounting, strategic and advisory services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets necessary to provide such services, including, but not limited to: (A) in connection with any litigation, arbitration or similar proceedings or investigation; or (B) in connection with any management or employee benefit or incentive schemes, (iv) to the extent not otherwise prohibited by the Indenture, pay dividends and make distributions (including assets and properties) and other payments to direct shareholders to the extent received in a transaction undertaken in accordance with the terms of the Indenture and as permitted or not prohibited under the applicable Security Documents or any other security documents to which the Issuer is a party for the pledge of assets permitted to be secured under the Indenture, (v) conduct any activities directly related to or reasonably incidental to the establishment and maintenance of the Issuer's corporate existence, (vi) issue equity interests or Subordinated Shareholder Funding, including in connection with a Shareholder Financing or (vii) (A) reasonably related to the foregoing including but not limited to matters associated with any Shareholder Financing and (B) other activities not specifically enumerated above that are *de minimis* in nature; *provided further* that, in addition to the foregoing, the Issuer may from time to time receive in a transaction otherwise permitted under the Indenture and the Security Documents properties and assets (including cash, Cash Equivalents, shares of Capital Stock of another Person and/or Indebtedness and other obligations) for the purpose of transferring such properties and assets to any Parent, any Subsidiary or any other Person in accordance with the terms of the Indenture.

Following the Merger Date, the first paragraph of this covenant "*Limitations on the Issuer's activities prior to the Merger*" in this "*Description of Notes*" will no longer apply or have any effect.

Post-Issue Date Guarantee and Collateral

Subject to the Agreed Security Principles, the Issuer shall ensure that:

(i) (a) within 10 Business Days following the Completion Date and prior to the Merger Date, each of the Security Documents required to create security interests in the Pre-Merger Collateral shall be entered into as appropriate and cause the relevant entity to deliver such agreements, instruments, certificates and opinions of counsel that may be required in connection therewith and (b) within 10 Business Days following the Merger Date, each of the Security Documents required to create security interests in the Post-Merger Collateral shall be entered into as appropriate and cause the relevant entity to deliver such agreements, instruments, certificates and opinions of counsel that may be required in connection therewith; and

(ii) within 10 Business Days following the Merger Date, the Initial Guarantor shall become a Guarantor by delivering a supplemental indenture to the Trustee.

Financial Calculations for Limited Condition Acquisitions.

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with a Limited Condition Acquisition, the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements for such Limited Condition Acquisition are entered into and such baskets or ratios shall be calculated on a *pro forma* basis after giving effect to such Limited Condition Acquisition and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such Limited Condition Acquisition (and not for purposes of any subsequent availability of any basket or ratio). For the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated EBITDA of the Issuer or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Acquisition, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition and the related transactions are permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Acquisition or related transactions; *provided further* that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Indebtedness and the use of proceeds thereof) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such Limited Condition Acquisition.

Events of Default

Each of the following is an "Event of Default" under the Indenture:

(1) default in any payment of interest on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default:

    (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("payment default"); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the "cross acceleration provision"),

    and, in each case, either (i) the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25.0 million or more or (ii) to the extent any such Indebtedness is Incurred pursuant to clause (1) or (6) of the second paragraph of the "*—Limitation on Indebtedness*" covenant and secured by Collateral that is granted the benefit of super senior priority rights on the proceeds of enforcement of Collateral under the Intercreditor Agreement, upon any instruction by an instructing group to commence enforcement of the Collateral in accordance with the terms thereof;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "bankruptcy provisions");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €25.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "judgment default provision");

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture and except through the gross negligence or willful misconduct of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €10.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days; and

(8) any Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Guarantee and any such Default continues for 10 days.

However, a default under clauses (3), (4) or (6) above will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security (including by way of prefunding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of prefunding) satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. Prior to the occurrence of an Event of Default, the Trustee will have no obligation to monitor compliance by the Issuer with the Indenture. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "Initial Default") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "—*Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of prefunding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of Holders holding not less than 75% of the then outstanding principal amount of the Notes affected, then outstanding, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under "*—Optional Redemption*";

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any Holder to institute suit for the enforcement of the payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor;

(7) make any change in the provision of the Indenture described under "*Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Intercreditor Agreement, any applicable Additional Intercreditor Agreement, the Indenture or the applicable Security Documents;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;

(3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or "*Certain Covenants—Additional Guarantees*," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility, in any property which is required by the Security Documents or the Revolving Credit Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of security interest*" is complied with;

(10) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*;" or

(11) to make any and all amendments and modifications to the Notes Documents, or the Escrow Agreement and the Escrow Charge as necessary (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) to give effect to the incurrence or issuance of the Shareholder Financing (as defined in the Offering Memorandum), including the insertion of a new holding company between MSC and the Issuer, as well as the downstreaming and/or contribution and/or on-lending (as applicable) of the proceeds therefrom in the form of equity or Subordinated Shareholder Funding (or a combination thereof), as may be necessary, to consummate the Transactions, *provided that* no upstream credit support in the form of guarantees or security is provided in respect of the Shareholder Financing by the Issuer and its Restricted Subsidiaries; *provided further* that such amendments or modifications do not adversely affect the rights or benefits of any of the Holders in any material respect under the Notes Documents, the Escrow Agreement and the Escrow Charge; *provided further* that such amendments or modifications will not impose any personal obligations on the Trustee or Escrow Agent or, in the opinion of the Trustee or Escrow Agent, as applicable, adversely affect the rights, duties, liability, indemnities or immunities of the Trustee or Escrow Agent under the Notes Documents, Escrow Agreement or Escrow Charge.

In formulating its decision on such matters, the Trustee and the Security Agent shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For so long as the Notes are listed on the Exchange and the rules of the Exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by the rules of the Exchange, on the website of the Exchange.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Meeting of Holders of Notes

All meetings of holders of the Notes will be held in accordance with Italian applicable laws and regulations.

In addition to and without prejudice to the provisions described above under the caption "—*Amendments and Waivers*," in accordance with the provisions set forth under the Italian Civil Code, the Indenture will include provisions for the convening of meetings of the holders of the Notes to consider any matter affecting their interests, including, without limitation, the modification or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. A meeting may be convened either (i) by the Board of Directors of the Issuer, (ii) by the Noteholders' Representative (as defined below) or (iii) upon request by holders of at least 5.0% of the aggregate principal amount of the outstanding Notes.

In accordance with the Italian Civil Code, the vote required to pass a resolution by a meeting of the Holders of Notes will be (i) in the case of the first meeting, one or more persons that hold or represent Holders of more than one half of the aggregate principal amount of the outstanding Notes, and (ii) in the case of the second and any further adjourned meeting, one or more persons that hold or represent Holders of at least two-thirds of the aggregate principal amount of the Notes so present or represented at such meeting. Any such second or further adjourned meeting will be validly held if there are one or more persons present that hold or represent Holders of more than one-third of the aggregate principal amount of the outstanding Notes; *provided, however,* that the Issuer's bylaws may provide for a higher quorum (to the extent permitted under Italian law). Certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3 of the Italian Civil Code (namely, the amendment of the economic terms and conditions of the Notes) may only be approved by an extraordinary resolution passed at a meeting of holders of the Notes (including any adjourned meeting) by one or more persons present that hold or represent holders of not less than one-half of the aggregate principal amount of the outstanding Notes.

With respect to the matters set forth in the second paragraph under "—*Amendments and Waivers*," and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of the aggregate principal amount of Notes otherwise required by Article 2415 of the Italian Civil Code to pass an extraordinary resolution with respect to such matters from 50% to 75% of the aggregate principal amount of the outstanding Notes. See "*Risk factors—Risks related to the Notes and the capital structure—The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders with the vote of either 75% or 50% of the outstanding Notes*." Any resolution duly passed at any such meeting shall be binding on all the holders of the Notes, whether or not such holder was present at such meeting or voted to approve such resolution. To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of holders of the Notes can be challenged by Holders pursuant to Articles 2377 and 2379 of the Italian Civil Code.

The Indenture will provide that the provisions described under this "—*Meeting of Holders of Notes*" will be in addition to, and not in substitution of, the provisions described under the caption "—*Amendments and Waivers*." As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this "—*Meeting of Holders of Notes*" must also comply with the other provisions described under "—*Amendments and Waivers*."

Security Representative and Noteholders' Representative

Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of the Notes of the initial appointment as of the Issue Date of The Law Debenture Trust Corporation p.l.c., as representative (*rappresentante*) pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code (the "Security Representative") in order to create and grant in its favor security interests and guarantees securing and guaranteeing the Notes and entitle it to exercise in the name and on behalf of the holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to such security interests and guarantees. Pursuant to the terms of the Indenture each holder of the Notes from time to time, by accepting a Note, shall be deemed to have agreed to, and accepted, the appointment of The Law Debenture Trust Corporation p.l.c. as Security Representative.

Moreover, a representative of the holders of the Notes (*rappresentante comune*) (the "Noteholders' Representative") may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the holders of the Notes in order to represent the interests of the holders of the Notes pursuant to Article 2418 of the Italian Civil Code as well as to give effect to resolutions passed at a meeting of the holders of the Notes. Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of the Notes of the initial appointment as of the Issue Date of The Law Debenture Trust Corporation p.l.c., as the Noteholders' Representative. If the Noteholders' Representative is not appointed by a meeting of the holders of the Notes, the Noteholders' Representative shall be appointed by a decree of the Court where the Issuer has its registered office upon request by one or more holders of the Notes or upon request by the directors of the Issuer. The Noteholders' Representative remains appointed for a maximum period of three financial years but may be subsequently reappointed thereafter.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and any Guarantor under the Notes and the Indenture ("legal defeasance") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and any Guarantors' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) of "*—Certain covenants—Merger and consolidation*") and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("covenant defeasance").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "—

Certain Covenants—Merger and Consolidation"), (4), (5) (with respect only to the Issuer and Significant Subsidiaries), (6), (7) or (8) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "defeasance trust") with the Trustee (or another entity designated by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof sufficient for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that holders of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the Issue Date);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated by the Trustee for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Principal Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee to apply the funds deposited towards the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "Satisfaction and Discharge" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

The Law Debenture Trust Corporation p.l.c. is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee is aware, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) fails to meet certain eligibility requirements or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

For so long as any of the Notes are listed on the Exchange and the rules of the Exchange so require, notices of the Issuer with respect to the Notes will be published in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by the rules of the Exchange, on the website of the Exchange (*www.bourse.lu*). In addition, for so long as any Notes are represented by Global Notes, all notices to holders of the Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. In the case of Global Notes, such notice shall be deemed to have been delivered on the date the Principal Paying Agent sends the notice to Euroclear and Clearstream.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made;

provided that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. For so long as any Notes are represented by Global Notes, notices to holders of the Notes may be delivered via Euroclear and Clearstream in lieu of notice via registered mail.

Prescription

Claims against the Issuer and any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and any Guarantor under or in connection with the Notes and any Guarantees including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and any Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and any Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and any Guarantor's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application has been made to list the Notes upon their issuance on the Official List of the Exchange and to admit the Notes to trading on the Euro MTF Market thereof. There can be no assurance that the application to list the Notes on the Official List of the Exchange and to admit the Notes on the Euro MTF Market will be approved and settlement of the Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since a significant portion of the assets of the Issuer and the Initial Guarantor are located outside the United States, any judgment obtained in the United States against the Issuer or the Initial Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and the Initial Guarantor will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture will provide that the Issuer and the Initial Guarantor will appoint The Law Debenture Corporate Services Inc. as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Acquisition*" has the meaning under the heading "*Summary*" in the Offering Memorandum including as may be modified to reflect changes or other modifications related to the Shareholder Financing.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Revolving Credit Facility, as of the Completion Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"*Applicable Premium*" means, with respect to any Note the greater of: (a) 1% of the principal amount of such Note; and (b) on any redemption date, the excess (to the extent positive) of: (A) the present value at such redemption date of (1) the redemption price of such Note at June 15, 2020 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "*Optional Redemption*"), *plus* (2) all required interest payments due on such Note to and including June 15, 2020 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date *plus* 50 basis points and assuming that the rate of interest on the Note for the period from the redemption date through June 15, 2020 will equal the rate of interest on the Notes in effect on the date on which the applicable notice of redemption is given; over (B) the outstanding principal amount of such Note, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee or any Paying Agent or Registrar.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) of less than €7.5 million;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale, transfer, disposition, discount, lease or factoring (with or without recourse) or other transfer of accounts receivable, inventory or notes receivable or related assets in connection with any factoring, receivables or securitization financing, including any Recourse Factoring or Securitization, or in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) [*Reserved*];

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person) related to such assets, *provided* that the Board of Directors shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole); *provided further* that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed €20.0 million;

(19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale of by a Restricted Subsidiary of Preferred Stock or Disqualified Stock that is permitted by the covenant described above under "*—Limitation on Indebtedness*" or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors;

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "*—Limitation on Sales of Assets and Subsidiary Stock*" covenant; and

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof and with respect to the Issuer prior to the Merger, the Issuer's sole director; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). The obligations of the "Board of Directors of the Issuer" under the Indenture may be exercised by the Board of Directors of a Restricted Subsidiary or a Parent pursuant to a delegation of powers of the Board of Directors or sole director, as the case may be, of the Issuer.

"*Bund Rate*" means, as of any computation date, the rate per annum equal to the yield to maturity at such redemption date of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to June 15, 2020; *provided, however,* that if the period from the redemption date to June 15, 2020 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to June 15, 2020 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy or London, United Kingdom are authorized or required by law to close and, with respect to payments to be made under the Indenture.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof (a "*Deposit*") or cash in credit balance or deposit which are freely transferable or convertible within 90 days issued or held by any lender party to the Revolving

Credit Facility or by any bank or trust company (a) if at any time since January 1, 2010 the Company or any of its Subsidiaries held Deposits with such bank or trust company (or any branch or subsidiary thereof), (b)whose commercial paper is rated at least "A-3" or the equivalent thereof by S&P or at least "P-3" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (c) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-3" or the equivalent thereof by S&P or "P-3" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, a Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (7) of this definition; and

(9) for purposes of clause (2) of the definition of "Asset Disposition," the marketable securities portfolio owned by the Company and its Subsidiaries on the Issue Date.

"*Change of Control*" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer, *provided* that for the purposes of this clause, (x) no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent; and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any "person" or "group of related persons" is the "beneficial owner" (as so defined) unless that person or group is not an Affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related

transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

"*Clearstream*" means Clearstream Banking S.A. as currently in effect or any successor securities clearing agency.

"*Collateral*" means (i) on the Issue Date, the security interests in the Escrowed Property; (ii) on and following the Completion Date but prior to the Merger Date, the Pre-Merger Collateral, (iii) on and following the Merger Date, the Post-Merger Collateral and (iii) any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Guarantee.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Consolidated EBITDA*" for the period of the four most recent fiscal quarters ending prior to the relevant date of measurement for which internal consolidated financial statements are available, means, without duplication, the Consolidated Net Income for such period, *plus* the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense and provisions or accruals for bad debt and accruals to provisions for risk and charges and for trade receivables (without double counting);

(4) consolidated amortization or impairment expense;

(5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence, issuance, redemption or refinancing of any Indebtedness permitted by the Indenture or any amendment, waiver, consent or modification to any document governing any such Indebtedness (whether or not successful) (including any such fees, expenses or charges related to the Transactions and the Merger (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*";

(8) other non-cash charges, write-downs, expenses or items reducing Consolidated Net Income (without double counting and excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) and other items classified by the Issuer as special, extraordinary, exceptional, unusual or nonrecurring items *less* other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);

(9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;

(10) payments received or that become receivable with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;

(11) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Recourse Factoring or Securitization or other factoring or receivables financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period; and

(12) the amount of any restructuring charges or reserves, start-up or initial costs for any project or new production line, division or new business line or other business optimization expenses or reserves, including, without limitation, costs or reserves associated with legal or financial advisor costs.

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, *plus* or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount but excluding amortization of debt issuance costs, fees and expenses and the expensing of any finance costs;

(3) non-cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(6) the consolidated interest expense that was capitalized during such period; and

(7) interest actually paid by the Issuer or any Restricted Subsidiary under any guarantee of Indebtedness or other obligation of any other Person, minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS, (iv) any Additional Amounts with respect to the Notes included in interest expense under IFRS or other similar tax gross up on any Indebtedness included in interest expense under IFRS, and (v) any commissions, discounts, yield and other fees and charges related to Non-Recourse Factoring or Securitization.

Consolidated Interest Expense shall not include (i) any interest expenses relating to Subordinated Shareholder Funding or (ii) any commissions, discounts, yield and other fees and charges related to any Non-Recourse Factoring or Securitizations.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants Limitation on Restricted Payments*," any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date or the Completion Date, as applicable, with respect to a Restricted Subsidiary (including pursuant to the Revolving Credit Facility and the Intercreditor Agreement), and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date or the Completion Date, as applicable, , and (d) restrictions specified in clause (11) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions, the Merger or any investments), acquisition costs, start-up costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental or other investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any

pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of, merger or consolidation with, another Person or business or resulting from any reorganization or restructuring or Incurrence of Indebtedness involving the Issuer or its Restricted Subsidiaries;

(12) any goodwill or other intangible asset impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Net Leverage*" means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) *less* cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "Calculation Date"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided*, *however*, that (other than in connection with making any Restricted Payment pursuant to clause (14) of the third paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments*") the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds

Incurred pursuant to the provisions described in the second paragraph under "*—Limitation on Indebtedness*."

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(1) acquisitions and Investments (each, a "Purchase") that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include reasonably anticipated expense and cost reduction synergies and cost savings) as if they had occurred on the first day of the reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including reasonably anticipated expense and cost reduction synergies and cost savings) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account reasonably anticipated expense and cost reduction synergies and cost savings resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period;

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness), and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Net Leverage shall be determined in accordance with IFRS; and

(7) the reasonably anticipated full run rate effect of expense and cost reduction synergies and cost savings (as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting) projected to result from actions taken by the Issuer or its Restricted Subsidiaries shall be included as though such synergies and cost savings had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, *provided* that such synergies and cost savings (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any costs savings and expense and cost reduction synergies already included for such period.

For the purposes of the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, calculations will be determined in accordance with the terms set forth above.

"*Consolidated Senior Secured Net Leverage*" means the sum of the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) *less* cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Senior Secured Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Net Leverage Ratio.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

  (a) for the purchase or payment of any such primary obligation; or

  (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Contribution*" has the meaning under the heading "*Summary—The Transactions*" in the Offering Memorandum including as may be modified to reflect changes or other modifications related to the Shareholder Financing.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder,

(3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, *less* the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under "*—Certain Covenants–Limitation on Restricted Payments*."

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Restricted Payments*." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Offering*" means (x) a sale of Capital Stock of the Issuer or a Restricted Subsidiary (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions and other than offerings to the Issuer or any Restricted Subsidiary), or (y) the sale of Capital Stock by any Person (other than to the Issuer or a Restricted Subsidiary), the proceeds of which are contributed as Subordinated

Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, the Contribution, a Shareholder Financing Contribution or a Parent Debt Contribution) of the Issuer or any of its Restricted Subsidiaries.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Board of Directors or a member of Senior Management of the Issuer) on the date of such determination.

"*Euroclear*" means Euroclear Bank SA/NV or any successor securities clearing agency.

"*European Government Obligations*" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*European Union*" means all members of the European Union as of January 1, 2004. For the avoidance of doubt, all references to a "member" of the European Union shall include the United Kingdom.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer after the Issue Date (i) as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or a Shareholder Financing Contribution or the Contribution or a Parent Debt Contribution) of the Issuer or (ii) from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares or the Contribution or a Parent Debt Contribution or a Shareholder Financing Contribution) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" wherever such term is used in this "*Description of the Notes*" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Notes*" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fixed Charge Coverage Ratio*" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of reasonably anticipated expense and cost reduction synergies and cost savings, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) of the second paragraph of the covenant under "*—Certain Covenants—Limitation on Indebtedness*") the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*."

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments (each, a "Purchase") that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of reasonably anticipated expense and cost reduction synergies and cost savings, as if they had occurred on the first day of the four-quarter reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including reasonably anticipated expense and cost reduction synergies and cost savings) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness);

(7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS; and

(8) the reasonably anticipated full run rate effect of expense and cost reduction synergies and cost savings (as determined in good faith by a responsible accounting or financial Officer) projected to result from actions taken by the Issuer or its Restricted Subsidiaries shall be included as though such synergies and cost savings had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, provided such synergies and cost savings (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any costs savings and expense and cost reduction synergies already included for the period.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; *plus*

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on equity interests payable to the Issuer or a Restricted Subsidiary.

"*guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided*, *however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantee*" means a guarantee of the Issuer's obligations under the Notes.

"*Guarantor*" means (i) the Initial Guarantor and (ii) any Restricted Subsidiary that Guarantees the Notes from time to time.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Indenture, all ratios and calculations contained in the Indenture shall be computed in accordance with IFRS; *provided* that at any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election. Notwithstanding the foregoing, for purposes of any calculations pursuant to the Indenture, IFRS shall be deemed to treat operating leases in a manner consistent with the treatment thereof under IFRS as in effect on the Issue Date, notwithstanding any modifications or interpretative changes thereto that may occur after the Issue Date.

"*Incur*" means issue, create, assume, enter into any guarantee of, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments, *plus* the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence);

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) guarantees by such Person of the principal component of Indebtedness of other Persons to the extent guaranteed by such Person;

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time); and

(10) representing any Recourse Factoring or Securitization.

The term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) obligations under any license, permit or other approval (or guarantees given in respect of such obligations) Incurred prior to the Issue Date or the Completion Date, as applicable, or in the ordinary course of business or (v) any asset retirement obligations.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(4) payments or other transactions or obligations pursuant to any Tax Sharing Agreement; *provided*, *however*, that such payments, and the value of such transactions or obligations, shall not exceed the amount of tax that the Issuer or such Restricted Subsidiaries would owe, without taking into account such Tax Sharing Agreement; or

(5) obligations under or in respect of any Non-Recourse Factoring or Securitization.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Guarantor*" means upon the issuance of its Guarantee of the Notes following the Merger Date, Servizi Ospedalieri S.p.A. and its successors and assigns.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the "IPO Entity") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the intercreditor agreement dated on or about the Issue Date, by and among, *inter alios*, the Issuer, UniCredit Bank AG, Milan Branch, as facility agent and the Security Agent and The Law Debenture Trust Corporation p.l.c. as the Trustee, as amended from time to time.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*."

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB-" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall occur when all of the Notes receive both of the following:

(1) a rating of "BBB-" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Entity*" has the meaning given to it in the definition of Initial Public Offering.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means July 6, 2017.

"*Issuer*" means CMF S.p.A. and any of its successors or assigns and, subsequent to the Merger, MergerCo, or any of its successors or assigns.

"*Italian Civil Code*" means the Italian civil code, enacted by Royal Decree No. 262 of March 16, 1942, as subsequently amended and supplemented.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Limited Condition Acquisition*" means any acquisition, including by way of merger, amalgamation or consolidation, by the Issuer or one or more of its Restricted Subsidiaries the consummation of which is not conditioned upon the availability of, or on obtaining, third-party financing; *provided* that Consolidated EBITDA, other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition and the related transactions, shall not include any Consolidated EBITDA of or attributable to the target company or assets involved in any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

"*Management Advances*" means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €1.0 million in the aggregate outstanding at any time.

"*Management Investors*" means (i) other members of the management team of the Issuer or its Subsidiaries or Associates who subsequently invest directly or indirectly in the Issuer from time to time and (ii) any entity that may hold shares transferred by departing members of the management team of the Issuer or its Subsidiaries or Associates for future redistribution to the management team of the Issuer or its Subsidiaries or Associates.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Merger*" means the merger of the Issuer with the Company, as described under "*Summary—The Merger*" or any other substantially similar form of merger which will be resolved upon by and exclusively involve the Issuer and the Company, following the Completion Date.

"*Merger Condition Precedent Documents*" means (1) an excerpt issued by the registry of companies (*registro delle imprese*) of the place of incorporation of the Issuer, showing that the deed of merger (*atto di fusione*) relating to the Merger has been duly filed with and recorded into the same registry; and (2) a certified true copy (*copia autenticata*) of the shareholders resolutions passed by each of the Issuer and the Company to approve the Merger, showing that the Merger will be effective (*efficace*) as from the date referred to under article 2504-bis, second paragraph, first sentence, of the Italian Civil Code.

"*Merger Date*" means the date upon which the Merger is to be effected between the Issuer and the Company, as described under "*Summary—The Merger*."

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds,*" with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"*New Holdco*" has the meaning attributed to it in the definition of "Permitted Parent Reorganization."

"*Non-Recourse Factoring or Securitization*" means factoring receivables or securitization financings that do not constitute Recourse Factoring or Securitization.

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Offering*" means the offering of the Notes hereby.

"*Offering Memorandum*" means this offering memorandum in relation to the Notes.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors or sole director of such Person, the Chief Executive Officer, the President, the Chief Financial Officer or similar role, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries. Any such Opinion of Counsel may be subject to customary assumptions, qualifications and exclusions.

"*Parent*" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Debt Contribution*" means a contribution (in each case, other than through the issuance of Disqualified Stock or Designated Preference Shares or an Excluded Contribution or the Contribution or a Shareholder Financing Contribution) to the Issuer or any of its Restricted Subsidiaries in the form of equity, funding the issuance or sale of Capital Stock of the Issuer or any Restricted Subsidiary or Subordinated Shareholder Funding or otherwise on lent as a proceeds loan to the Issuer or any of its Restricted Subsidiaries pursuant to which dividends, loans, advances, payments or other distributions may be made pursuant to clause (17) of the third paragraph under "*—Certain Covenants—Limited on Restricted Payments*".

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary or any Shareholder Financing, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any Taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary

course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €1.0 million in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries *provided*, *however*, that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its consolidated Subsidiaries would be required to pay in respect of such taxes for such fiscal year were the Issuer and each of these Subsidiaries to pay such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and such Subsidiaries; and

(8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness:

  (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

  (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

  (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Pari Passu Indebtedness*" means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

"*Parent Senior Debt*" means Indebtedness of a direct or indirect Parent of the Issuer incurred as "Senior Subordinated Debt" under the Intercreditor Agreement or a similar definition in any Additional Intercreditor Agreement.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permissible Jurisdiction*" means any member state of the European Union (excluding Greece).

"*Permitted Collateral Liens*" means Liens on the Collateral:

(a) that are described in one or more of clauses (2), (3), (4), (5), (8), (9), (11), (12), (18), (20), (23) and (29) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interest in the Collateral;

(b) to secure:

  (i) the Initial Notes and related Guarantees;

  (ii) Indebtedness permitted to be Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

  (iii) Indebtedness described under clause (1) of "*—Permitted Debt*," which Indebtedness may have super seniority priority status in respect of the proceeds from the enforcement of the Collateral not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Completion Date pursuant to the Intercreditor Agreement;

(iv) Indebtedness described under clause (2) of "*—Permitted Debt*" and to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(v) Indebtedness described under clause (5)(ii) of "*—Permitted Debt*" Incurred by the Issuer or a Guarantor, *provided that*, at the time of the acquisition or other transaction pursuant to which such Indebtedness is Incurred and after giving *pro forma* effect to the Incurrence of such Indebtedness and the application of the proceeds thereof, (a) the Issuer would have been able to Incur €1.00 of Senior Secured Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Consolidated Senior Secured Net Leverage Ratio would have been no greater than it was prior to giving *pro forma* effect to such acquisition or transaction, the Incurrence of such Indebtedness and the application of the proceeds thereof;

(vi) Indebtedness described under clause (6) of "*—Permitted Debt*" and such Indebtedness, in respect of Currency Agreements and Interest Rate Agreements only, may have super senior priority status in respect of the proceeds from the enforcement of the Collateral not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Completion Date pursuant to the Intercreditor Agreement;

(vii) Indebtedness described under clauses (7) (other than with respect to Capitalized Lease Obligations) and provided that any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property), (11) or (13) of "*—Permitted Debt*";

(viii) Indebtedness on a junior basis to the Notes; and

(ix) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (viii); and

(c) Incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries with respect to obligations that in total do not exceed €5.0 million at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money or business) and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Issuer's or such Restricted Subsidiary's business.

provided, that each of the secured parties to any such Indebtedness set forth in (b) or (c) (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided further,* that subject to the Agreed Security Principles, all property and assets (including, without limitation, the Collateral) of the Issuer or any Restricted Subsidiary securing such Indebtedness (including any Guarantees thereof) or Refinancing Indebtedness secure the Notes and related Guarantees and the Indenture on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (b)(iii) and (b)(vi) above.

"*Permitted Holders*" means, collectively, (1) Manutencoop Società Cooperativa, for as long as it remains a "*società cooperative*" (cooperative company) in accordance with applicable provisions of Italian law, with express exclusion of any of its successor entities or assigns (the "Initial Investor"), (2) the Management Investors, (3) any Related Person of any Persons specified in clause (1) or (2), (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (4) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (or any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investor and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies held by such group. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture, will thereupon and thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and Investments made in connection with any Recourse Factoring or Securitization and any related Indebtedness;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances and any advances or loans not to exceed €1.0 million at any one time outstanding to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock (other than Disqualified Stock) of the Issuer or a Parent of the Issuer;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date (or the Completion Date with respect to the Company and its Subsidiaries) and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date (or the Completion Date with respect to the Company and its Subsidiaries) or (ii) as otherwise permitted under the Indenture;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to

exceed the greater of €30 million and 29% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);

(15) guarantees not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) Investments in Associates in an aggregate amount when taken together with all other Investments made pursuant to this clause (16) that are at any time outstanding not to exceed €50.0 million; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the Indenture, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(17) Investments in loans under the Revolving Credit Facility, the Notes and any Additional Notes; and

(18) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation.

"*Permitted Liens*" means, with respect to any Person:

(1) (a) Liens on assets or property pursuant to a "*privilegio speciale*" (or similar successor principles under Italian law providing for floating charges over movable assets to the extent that that such successor floating charges may not be extended to the Notes in a manner consistent with the Agreed Security Principles) securing Indebtedness under bank loan facilities, including the Revolving Credit Facility and (b) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory

obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmens' and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Indenture relating to Indebtedness permitted to be Incurred under the Indenture and which is secured by a Lien on the same assets or property that secures such Indebtedness;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens (a) existing on, or provided for or required to be granted under written agreements existing on, the Issue Date or (b) with respect to the Company and its Subsidiaries existing on, or provided for or required to be granted under written agreements existing on the Completion Date, after giving *pro forma* effect to the use of the proceeds of the Notes as described in the Offering Memorandum);

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided*, *however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens to secure Indebtedness permitted under clause (11) of the second paragraph under the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(22) Liens arising under general business conditions in the ordinary course of business, including without limitation the general business conditions of any bank or financial institution with whom the Issuer or any of its Restricted Subsidiaries maintains a banking relationship in the ordinary course of business (including arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement or other trading activities);

(23) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(24) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(25) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(26) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens pursuant to the Intercreditor Agreement and the senior security documents entered into pursuant to the Revolving Credit Facility, and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing or sharing of recoveries as among the holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement;

(27) Liens *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (27) does not exceed the greater of €50.0 million and 48% of Consolidated EBITDA;

(28) Liens over bank accounts of the Issuer or any of its Restricted Subsidiaries into which payments on trade receivables which have been previously sold, assigned or transferred by the Issuer or any of its Restricted Subsidiaries on a non-recourse (*pro soluto*) or recourse (*pro solvendo*) basis and are also being serviced by the Issuer or any Restricted Subsidiary are made until such amounts are transferred to the factor or its assigns, *provided* that such bank accounts are used solely for such purpose;

(29) (a) Liens on the Escrow Account for the benefit of, or to secure, directly or indirectly, the Notes; (b) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal; and (c) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund "*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(30) Liens Incurred in connection with a cash management program established in the ordinary course of business; and

(31) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures.

"*Permitted Reorganization*" any Permitted Subsidiary Reorganization or Permitted Parent Reorganization.

"*Permitted Parent Reorganization*" means a reorganization transaction comprising the incorporation of a new direct Parent of the Issuer ("*New Holdco*") and the transfer of the Capital Stock and receivables of the Issuer held by the Parent to New Holdco; *provided* that (1) New Holdco shall be a person organized and existing under a Permissible Jurisdiction; (2) New Holdco will acquire all the Capital Stock and receivables of the Issuer held by the Parent and shall have entered into a confirmation deed or similar instrument (x) confirming the first-priority pledge of the Capital Stock and receivables of the Issuer which formed part of the Collateral at the time of such Permitted Reorganization in favor of the Holders of the Notes and (y) assuming all relevant obligations of the Parent under any Security Document and the Intercreditor Agreement, (3) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that (i) such reorganization is permitted under the terms of the Notes Documents and (ii) no Default is continuing or would arise as a result of such Permitted Parent Reorganization and (4) the Issuer will provide to the Trustee a certificate from the Board of Directors of New Holdco which confirms the solvency of New Holdco after giving effect to the Permitted Parent Reorganization. Upon completion of such Permitted Parent Reorganization, the Parent shall be released from its obligations under the Notes Documents save for any obligations expressed to survive release.

"*Permitted Subsidiary Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intragroup receivables and payables among the Issuer and its Restricted Subsidiaries in connection therewith that is made on a solvent basis; *provided* that, after giving effect to such Permitted Subsidiary Reorganization: (a) all of the business and assets of the Issuer or such Restricted Subsidiaries remain owned by the Issuer or its Restricted Subsidiaries, (b) any payments or assets distributed in connection with such Permitted Subsidiary Reorganization remain within the Issuer and its Restricted Subsidiaries, (c) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral, subject to the Agreed Security Principles, (d) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that (i) such reorganization is permitted under the terms of the Notes Documents and (ii) no Default is continuing or would arise as a result of such Permitted Subsidiary Reorganization; and (e) the Issuer will provide to the Trustee a certificate from the Board of Directors of the relevant pledgor which confirms the solvency of the relevant pledgor after giving effect to the Permitted Subsidiary Reorganization.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Issuer as a replacement agency.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Issuer or a Restricted Subsidiary in connection with, any Recourse Factoring or Securitization.

"*Recourse Factoring or Securitization*" means any transaction or series of transactions involving the sale, assignment, discount of receivables of the Issuer or any of its Restricted Subsidiaries to, or other equivalent or similar form of receivables financing with, banks or other financial institutions or special purpose entities formed to borrow from such institutions against such receivables, including on a *pro solvendo* basis, for which the Issuer or any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise (including, without limitation, with respect to guarantees on existence of title or otherwise); provided that, for the avoidance of doubt, any non-recourse "*pro soluto*" factoring or receivables financings to the extent meeting the requirements to be fully derecognized from the financial statements of the Issuer or any of its Restricted Subsidiaries pursuant to IFRS shall in no event be deemed to constitute a Recourse Factoring or Securitization under the Indenture.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary, but not Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries; or

(e) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*."

"*Replacement Assets*" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or any member of Senior Management of the Issuer are reasonably related thereto.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the Revolving Credit Facility established pursuant to the super senior revolving facility agreement to be dated on or about the Issue Date, among, *inter alios*, the Issuer, the senior lenders (as named therein), UniCredit Bank AG, Milan Branch, as agent and security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"*Senior Management*" means the officers, directors, and other members of Senior Management of the Issuer or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer or any Parent.

"*Senior Secured Indebtedness*" means, with respect to any Person as of any date of determination, the principal amount of any outstanding Indebtedness (other than Indebtedness of the type specified in clauses (2), (3), (4)(d), (6) (to the extent not due following a termination event), (8), (9) (but only to the extent it would cause double-counting), (10) or (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*") that is secured by a Lien (excluding (i) Indebtedness to the extent secured on a junior priority basis to the Notes and Guarantees, (ii) Liens granted in accordance with clause (a) of the definition of "Permitted Collateral Liens" and (iii) Liens granted in accordance with clauses (29)(b) and (29)(c) of the definition of "Permitted Lien") and, only to the extent not excluded in accordance with the preceding clauses, Indebtedness of a Restricted Subsidiary that is not a Guarantor.

"*Shareholder Financing*" has the meaning under the heading "*Summary—The Transactions*" in the Offering Memorandum.

"*Shareholder Financing Contribution*" means a contribution to the Issuer or any of its Restricted Subsidiaries in the form of equity, funding the issuance or sale of the Capital Stock of the Issuer or any Restricted Subsidiary or Subordinated Shareholder Funding or otherwise on-lent as a proceeds loan to the Issuer or any of its Restricted Subsidiaries in connection with the Shareholder Financing.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*—Change of Control*" and the covenant under "*—Limitation on Sales of Assets and Subsidiary Stock*," to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or any Guarantee of the Notes pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Shareholder Liabilities" (as defined therein).

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or its Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent to enable a Parent to compensate the Issuer or such Subsidiary for losses Incurred which may need to be compensated by a Parent under any profit and loss pooling agreement).

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations guaranteed by, (i) the United States of America or Canada, (ii) a Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Revolving Credit Facility;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, Canada, a Permissible Jurisdiction or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Transactions*" shall have the meaning assigned to such term in this Offering Memorandum under the caption "*Summary—The Transactions*."

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

Book-entry, delivery and form

General

Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Rule 144A Global Note**"). Notes sold outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Regulation S Global Note**" and, together with the Rule 144A Global Note, the "**Global Notes**"). The Global Notes will be deposited, on the closing date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note (the "**Rule 144A Book Entry Interests**") and ownership of interests in the Regulation S Global Note (the "**Regulation S Book Entry Interests**" and, together with the Rule 144A Book Entry Interests, the "**Book Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book Entry Interests will not be issued in definitive form.

Book Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book Entry Interests. In addition, while the Notes are in global form, holders of Book Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee), as applicable, will be considered the sole holder of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

None of the Issuer, the Guarantor, the Trustee, the Paying Agent, the Registrar and Transfer Agent will have any responsibility, or be liable, for any aspect of the records relating to the Book Entry Interests.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book Entry Interests will receive Definitive Registered Notes:

(1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(2) if the owner of a Book Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Registrar and Transfer Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such.

The Issuer will not impose any fees or other charges in respect of the Notes. However, owners of the Book Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; provided, however, that no Book Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent for onward payment to Euroclear and Clearstream which will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Withholding Taxes*." If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Withholding Taxes*" above, the Issuer will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Guarantor, the Trustee, the Paying Agent, the Registrar and Transfer Agent will treat the registered holders of the Global Notes (*i.e.*, the common depositary for Euroclear or Clearstream (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Guarantor, the Trustee, the Paying Agent, the Registrar and the Transfer Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depositary.

Currency of payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests to such Notes through Euroclear or Clearstream in euro.

Action by owners of Book Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Notes, Euroclear and Clearstream, at the request of the holders of the Notes, reserve the right to exchange the Global Notes for definitive registered Notes in certificated form (the "**Definitive Registered Notes**"), and to distribute such Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture governing the Notes.

The Global Notes will bear a legend to the effect set forth under "*Notice to investors*." Book Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Notice to investors*."

Transfers of Rule 144A Book Entry Interests to persons wishing to take delivery of Rule 144A Book Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under "*Notice to investors*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book Entry Interest for a Rule 144A Book Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book Entry Interests in a Global Note only as described under "Description of the Notes—Transfer and Exchange" and, if required, only if the transferor first delivers to the Transfer Agent written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Notice to investors*."

Any Book Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book Entry Interest in any other Global Note will, upon transfer, cease to be a Book Entry Interest in the first mentioned Global Note and become a Book Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book Entry Interests in such other Global Note for as long as it remains such a Book Entry Interest.

Information concerning Euroclear and Clearstream

All Book Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. None of the Issuer, the Guarantor, the Trustee, the Paying Agent, the Transfer Agent, the Registrar or the Initial Purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Global Notes only through Euroclear or Clearstream participants.

Global clearance and settlement under the book entry system

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantor, the Trustee, the Paying Agent, the Registrar or the Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial settlement

Initial settlement for the Notes will be made in euro. Book Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary market trading

The Book Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Tax considerations

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in the European Union, Italy and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, European Union, Italian or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date, also on a retroactive basis. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to European Union, Italian and United States tax law below only have such meanings as defined therein for such respective section. The statements regarding the Italian and United States laws and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

Italian tax considerations

The statements herein regarding Italian taxation are based on the laws and published practice of the Italian tax authorities in effect in Italy as of the date of this Offering Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following is a summary only of the material Italian tax consequences of the purchase, ownership and disposal of the Notes for Italian resident and non-Italian resident beneficial owners, although it is not intended to be, nor should it be constructed to be, legal or tax advice. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Neither the Issuer nor any other entity belonging to the Group will update this summary to reflect changes in law or in the interpretation thereof and, if any such change occurs, the information in this summary could be superseded.

Tax treatment of interest

Italian Legislative Decree No. 239 of April 1, 1996 ("**Decree No. 239**") sets forth the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price, hereinafter collectively referred to as "**Interest**") deriving from Notes falling within the category of bonds (*obbligazioni*) and similar securities (pursuant to Article 44 of Presidential Decree No. 917 of December 22, 1986, as amended and supplemented ("**Decree No. 917**")), issued, *inter alia*, by:

a) companies resident of Italy for tax purposes whose shares are listed on a regulated market or on a multilateral trading platform of EU Member States or States party to the EEA Agreement allowing a satisfactory exchange of information with the Italian tax authorities as included in (i) the decree of the ministry of Economy and Finance of September 4, 1996 as subsequently amended and supplemented or (ii) once effective, any other decree that will be issued in the future under Article 11 paragraph 4 letter c) of Decree No. 239 (any of such decrees, the "**White List**"); or

b) companies resident of Italy for tax purposes whose shares are not listed, issuing notes traded (*negoziati*) upon their issuance on the aforementioned regulated markets or platforms.

For these purposes, securities similar to bonds ("*titoli similari alle obbligazioni*") are securities that incorporate an unconditional obligation for the Issuer to actually pay, at maturity (or at any earlier redemption), an amount not lower than their nominal/face value/principal and that do not provide any right of direct or indirect participation in, or control on, the management of the Issuer or of the business in connection with which they are issued.

Italian-resident Noteholders

Noteholders not engaged in an entrepreneurial activity

Where an Italian-resident beneficial owner of the Notes (a "**Noteholder**") is:

- an individual not engaged in an entrepreneurial activity to which the Notes are connected;
- a non-commercial partnership (*società semplice*) or a professional association;
- a non-commercial private or public institution (other than Italian undertakings for collective investment); or
- an investor exempt from Italian corporate income taxation,

then interest derived from the Notes, and accrued during the relevant holding period, is subject to a tax withheld at source (*imposta sostitutiva*), levied at a rate of 26%, unless the relevant Noteholder holds the Notes in a discretionary investment portfolio managed by an authorized intermediary and has validly opted for the application of the *risparmio gestito regime* under Article 7 of Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**") (see also "*—Tax treatment of capital gains—Discretionary investment portfolio regime (Risparmio gestito regime)*" below).

Subject to certain conditions (including a minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes (being financial instruments issued by an Italian resident corporation) may be exempt from any income taxation (including the 26% *imposta sostitutiva*) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of December 11, 2016.

Noteholders engaged in an entrepreneurial activity

In the event that the Italian-resident Noteholders mentioned above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Where a Noteholder is an Italian-resident company or similar commercial entity, or a permanent establishment in Italy of a non-resident company to which the Notes are effectively connected, and the Notes are deposited with an authorized intermediary, Interest from the Notes will not be subject to the imposta sostitutiva. Interest must, however, be included in the relevant Noteholder's income tax return and is therefore subject to general Italian corporate income taxation and, in certain circumstances, depending on the status of the Noteholder and also to the Italian regional tax on productive activities ("**IRAP**").

Effective as of the fiscal year following the fiscal year that was current on December 31, 2015, Article 1(550) of Law No. 232 of December 11, 2016 (Finance Act 2017) added paragraph 6-*bis* to Article 1 of Law Decree No. 201 of December 6, 2011, converted into Law No. 214 of December 22, 2011. Under this new rule, the base upon which the "*Aiuto alla Crescita Economica*" benefit set forth in Article 1 of Law Decree No. 201 of December 6, 2011 (ACE Benefit) is computed is reduced by an amount equal to the positive difference (if any) between (i) the aggregate book value of securities(*titoli e valori mobiliari*), including the Notes, other than shares reported in the taxpayer's financial statements for the relevant fiscal year and (ii) the aggregate book value of securities (*titoli e valori mobiliari*) other than shares reported in the taxpayer's financial statements for the fifth previous fiscal year. Only Italian resident persons carrying on an entrepreneurial activity (and in particular Italian resident corporations) and Italian permanent establishments of non-resident persons can enjoy the ACE Benefit. The new restrictive rule enacted by Finance Act 2017 applies only to taxpayers other than banks and insurance companies.

Real estate investment funds and real estate SICAFs

Payments of Interest deriving from the Notes made to Italian resident real estate investment funds and real estate closed-ended investment companies (*società di investimento a capitale fisso*, or "**SICAFs**"), provided that the Notes, together with the coupons relating thereto, are timely deposited directly or indirectly with an Italian authorized financial intermediary (or permanent establishment in Italy of non-resident intermediary) are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the real estate SICAF. However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders in the event of distributions, redemption or sale of the units or shares. Moreover, subject to certain conditions, income realized by Italian real estate investment funds or real estate SICAFs is attributed pro rata to the Italian resident unitholders irrespective of any actual distribution on a tax transparency basis.

Funds, SICAVs and non-real estate SICAFs

If an Italian resident Noteholder is a non-real estate open-ended or a closed-ended collective investment fund ("**Fund**") or an open-ended investment company (*società di investimento a capitale variabile,* or "**SICAVs**") or a non-real estate SICAF established in Italy and either (i) the Fund, the SICAV or the non-real estate SICAF or (ii) their manager is subject to the supervision of a regulatory authority and the Notes are deposited with an authorized intermediary, interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund, the SICAV or the non-real estate SICAF. The Fund, the non-real estate SICAF or the SICAV are subject neither to *imposta sostitutiva* nor to any other income tax at their level, but a withholding tax of 26% will be levied, in certain circumstances, by the Fund, the non-real estate SICAF or the SICAV on proceeds distributed in favor of their unitholders or shareholders.

Pension funds

If an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Italian Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an authorized intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the results of the relevant portfolio accrued at the end of the tax period (which will be subject to a 20% substitute tax).

Application of the imposta sostitutiva

Pursuant to Decree No. 239, the *imposta sostitutiva* is applied by banks, brokerage companies (*società di intermediazione mobiliare*, or "**SIM**"), fiduciary companies, *società di gestione del risparmio* ("**SGR**"), stockbrokers and other entities identified by decrees of the Ministry of Economy and Finance (each, an "**Intermediary**").

An Intermediary must:

a) be resident in Italy or be a permanent establishment in Italy of a non-resident financial intermediary; and

b) participate, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in the Intermediary with which the Notes are deposited.

If the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by the relevant Italian financial intermediary (or permanent establishment in Italy of a non-Italian resident financial intermediary) paying the Interest to a Noteholder or, absent that, by the Issuer and gross recipients that are Italian resident corporations or permanent establishments in Italy of non-resident corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Non-Italian resident Noteholders

If the Noteholder is a non-resident for tax purposes, an exemption from the *imposta sostitutiva* applies, provided that the non-resident Noteholder is:

a) a beneficial owner of the payment of Interest and resident, for tax purposes, in a state or territory included in the White List; or

b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

c) an "institutional investor," whether or not subject to tax, which is established in a state or territory included in the White List, even if it does not possess the status of a taxpayer in its own state of establishment; or

d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign state.

In order to ensure gross payment, non-resident Noteholders must promptly deposit the Notes together with the coupons relating to such Notes directly or indirectly with:

(i) an Italian or non-resident bank or financial institution (there is no requirement for the bank or financial institution to be EU resident) (the "**First Level Bank**"), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); or

(ii) an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Department of Revenue of the Ministry of Economy and Finance (the "**Second Level Bank**"). Organizations and companies that are not resident of Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or the permanent establishment in Italy of a non-resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of February 24, 1998) for the purposes of the application of Decree No. 239. If a non-resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption from the *imposta sostitutiva* for non-resident Noteholders is conditional upon:

(i) the deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and

(ii) the submission to the First Level Bank or the Second Level Bank (as the case may be) of a statement of the relevant Noteholder (*autocertificazione*), to be provided only once, in which it declares, *inter alia*, that it is the beneficial owner of any interest on the Notes and it is eligible to benefit from the exemption from the *imposta sostitutiva*.

Such statement must comply with the requirements set forth by a Ministerial Decree dated December 12, 2001, is valid until withdrawn or revoked (unless some information provided therein has changed) and does not need to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy referred to in point b) above or Central Banks or entities also authorized to manage the official reserves of a State referred to in point d) above. Additional requirements are provided for "institutional investors" referred to in point c) above (in this respect see Circular No. 23/E of March 1, 2002 and No. 20/E of March 27, 2003).

The *imposta sostitutiva* will be applicable at a rate of 26% to interest paid to Noteholders who do not qualify for the foregoing exemption or do not timely and properly satisfy the requested conditions (including the procedures set forth under Decree No. 239 and in the relevant implementation rules). Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for full or partial relief under an applicable tax treaty, subject to timely filing of required documentation provided by Regulation of the Director of Italian Revenue Agency No. 2013/84404 of July 10, 2013.

Tax treatment of capital gains

Italian-resident Noteholders

Noteholders not engaged in an entrepreneurial activity. Where an Italian-resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to a capital gain tax (*imposta sostitutiva*, or "**CGT**") levied at a rate of 26%. Noteholders may set off any capital losses with their capital gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt—under certain conditions—for any of the three regimes described below.

Tax return regime. Under the tax return regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the CGT on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realized by the Italian resident individual holding the Notes during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss, in their annual tax return, and pay the CGT on such gains, together with any balance of income tax due for such year. Within the same time limit, capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years. Under Decree No. 66 of April 24, 2014 ("**Decree No. 66**"), capital losses may be carried forward and offset against capital gains of the same nature realized as of July 1, 2014 for an overall amount of 76.92% of the capital losses realized from January 1, 2012 to June 30, 2014; and 100% of the capital losses realized as of July 1, 2014.

Nondiscretionary investment portfolio regime (Risparmio Amministrato Regime). As an alternative to the tax return regime, Italian-resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the CGT separately on capital gains realized on each sale or redemption of the Notes (*regime del risparmio amministrato*). Such separate taxation of capital gains is allowed subject to:

(i) the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediaries; and

(ii) an express election for the *risparmio amministrato* regime being made in writing in a timely fashion by the relevant Noteholder.

The depository must account for the CGT in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the CGT to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, any possible capital loss resulting from a sale or redemption or certain other transfer of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years, up until the fourth tax year. Under the *risparmio amministrato* regime, the

Noteholder is not required to declare the capital gains/losses realized within said regime in the annual tax return. Under Decree No. 66, capital losses may be carried forward and offset against capital gains of the same nature realized as of July 1, 2014 for an overall amount of 76.92% of the capital losses realized from January 1, 2012 to June 30, 2014; and 100% of the capital losses realized as of July 1, 2014.

Discretionary investment portfolio regime (Risparmio gestito regime). In the *risparmio gestito regime*, any capital gains realized by Italian-resident individuals holding the Notes not in connection with an entrepreneurial activity and who have entrusted the management of their financial assets (including the Notes) to an authorized intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at tax year-end, subject to a 26% substitute tax, to be paid by the managing authorized intermediary. Any decrease in value of the managed assets accrued at the tax year-end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholder is not required to declare the capital gains or losses realized within said regime in its annual tax return. Under Decree No. 66, decreases in value of the managed assets may be carried forward and offset against any subsequent increase in value accrued as of July 1, 2014 for an overall amount of: 76.92% of the decreases in value occurred from January 1, 2012 to June 30, 2014; and 100% of the decreases in value occurred as of July 1, 2014. The Noteholder is not required to declare the capital gains realized in the annual tax return.

Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be exempt from any income taxation (including from the 26% CGT) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements set forth in Article 1(100-114) of Finance Act 2017.

Noteholders engaged in an entrepreneurial activity

Any gain obtained from the sale or redemption of the Notes will be treated as part of taxable business income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of net value of the production for IRAP purposes), if realized by an Italian company, a similar commercial entity (including the Italian permanent establishment of non-resident entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Real estate investment funds and real estate SICAFs

Any capital gains realized by a Noteholder which qualifies as an Italian real estate investment fund or an Italian real estate SICAF will be subject neither to CGT nor to any income tax at the level of the real estate investment fund or the Real Estate SICAF (see “*Tax treatment of Interest—Real estate investment funds and real estate SICAFs*”). However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders in the event of distributions, redemption or sale of the units or shares. Moreover, subject to certain conditions, income realized by Italian real estate investment funds or real estate SICAFs is attributed pro rata to the Italian resident unitholders irrespective of any actual distribution on a tax transparency basis. Funds, SICAVs and non-real estate SICAFs

Any capital gains realized by a Noteholder which is a Fund, a SICAF (other than a real estate SICAF) or a SICAV will not be subject to CGT but will be included in the result of the relevant portfolio accrued at the end of the relevant fiscal year. Such result will not be taxed at the level of the Fund, the SICAF or the SICAV, but income realized by the unitholders or shareholders in case of distributions, redemption or sale of the units / shares may be subject to a withholding tax of 26%.

Pension funds

Any capital gains realized by a Noteholder which qualifies as an Italian pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of December 5, 2005) will be included in the result of the relevant portfolio accrued at the end of the relevant tax period, and subject to 20% substitute tax.

Non-Italian resident Noteholders

A 26% CGT on capital gains may be payable on capital gains realized on the sale or redemption of the Notes by non-Italian resident persons without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, under Article 23(1)(f)(2) of Decree No. 917, capital gains realized by non- resident Noteholders from the sale or redemption of notes issued by an Italian resident issuer and traded on regulated markets in Italy or abroad are not subject to the CGT, subject to the filing of required documentation in a timely fashion (in particular, a self-declaration that the Noteholder is not resident in Italy for tax purposes). As of the date of this Offering Memorandum, the Italian tax authorities have not officially confirmed whether a multilateral trading platform qualifies for this exemption.

Capital gains realized by non- resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer, even if the Notes are not traded on regulated markets, are not subject to the CGT, provided that the beneficial owner is:

a) a beneficial owner of the capital gains and resident, for tax purposes, of a state or territory included in the White List; or

b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

c) an "institutional investor," whether or not subject to tax, which is established in a state or territory included in the White List, even if it does not possess the status of a taxpayer in its own state of establishment; or

d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign state.

In order to ensure gross payment, non-Italian resident Noteholders must satisfy the same conditions set forth above to benefit from the exemption from the *imposta sostitutiva* in accordance with Decree 239 (see "*—Tax Treatment of Interest*").

If none of the above conditions is met, capital gains realized by non-resident Noteholders from the sale or the redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to the CGT at the current rate of 26%. However, Noteholders might benefit from an applicable tax treaty with Italy, providing that capital gains realized upon the sale or redemption of the Notes are to be taxed only in the State where the recipient is tax resident, subject to certain conditions to be satisfied.

Under these circumstances, if non-resident persons without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito regime*, exemption from Italian taxation on capital gains will apply upon condition that the non-residents Noteholders file in time with the authorized financial intermediary appropriate documents which include, inter alia, a certificate of residence from the competent tax authorities of their country of residence.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Intermediary, but non-Italian resident Noteholders retain the right to waive this regime.

Certain reporting obligations for Italian-resident Noteholders

Under Law Decree No. 167 of June 28, 1990, as subsequently amended and supplemented, individuals, non-business entities and non-business partnerships that are resident in Italy and, during the tax year, hold investments abroad or have financial assets abroad (including possibly the Notes) must, in certain circumstances, disclose these investments or financial assets to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding €15,000 threshold throughout the year, which per se do not require such disclosure). The requirement applies also where the persons above, being not the direct holder of the financial assets, are the actual economic owners thereof for the purposes of anti-money laundering legislation.

No disclosure requirements exist for investments and financial assets (including the Notes) under management or administration entrusted to Italian resident intermediaries (Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree No. 167 of June 28, 1990) and for contracts concluded through their intervention, provided that the cash flows and the income derived from such activities and contracts have been subjected to Italian withholding or substitute tax by the such intermediaries.

Italian inheritance tax and gift tax

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

(a) 4% for transfers in favor of the spouse or direct relatives exceeding, for each beneficiary, a threshold of €1.0 million;

(b) 6% for transfers in favor of siblings exceeding, for each beneficiary, a threshold of €0.1 million;

(c) 6% for transfers in favor of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, on the entire value of the inheritance or the gift; and

(d) 8% for transfers in favor of any other person or entity, on the entire value of the inheritance or the gift.

If the heir/heiress or the donee is a person with a severe disability pursuant to Law No. 104 of February 5, 1992, inheritance tax or gift tax is applied to the extent that the value of the inheritance or gift exceeds €1.5 million.

With respect to Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

Wealth tax—direct holding

According to Article 19 of Law Decree No. 201 of December 6, 2011 ("**Decree 201**"), Italian resident individuals holding financial products, including the Notes, outside Italy without the involvement of an Italian financial intermediary are required to pay a wealth tax currently at the rate of 0.2% (the level of tax being determined in proportion to the period of ownership). The wealth tax applies on the market value at the end of the relevant year or, in the absence of a market value, on the nominal value or redemption value of such financial products held outside Italy. Taxpayers are generally permitted to deduct from the wealth tax a tax credit equal to any wealth taxes paid in the State where the financial products are held (up to the amount of the Italian wealth tax due).

Stamp taxes and duties—holding through financial intermediary

Under Article 13(2*bis*-2*ter*) of Decree No. 642 of October 26, 1972, a 0.2 % stamp duty generally applies on communications and reports that Italian financial intermediaries periodically send to their clients in relation to the financial products that are deposited with such intermediaries. The Notes are included in the definition of financial products for these purposes. Communications and reports are deemed to be sent at least once a year even if the Italian financial intermediary is under no obligation to either draft or send such communications and reports.

The stamp duty cannot exceed €14,000.00 for Noteholders other than individuals.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy and Finance on May 24, 2012, the 0.2% stamp duty does not apply to communications and reports that the Italian financial intermediaries send to investors who do not qualify as "clients" according to the regulations issued by the Bank of Italy. Communications and reports sent to this type of investors are subject to the ordinary €2.00 stamp duty for each copy.

The taxable base of the stamp duty is the market value or, in the lack thereof, the nominal value or the redemption amount of any financial product.

Registration tax

Contracts relating to the transfer of the Notes are subject to the registration tax as follows:

a) public deeds and private deeds notarized signatures (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at rate of €200.00; and

b) private deeds (*scritture private non autenticate*) are subject to fixed registration tax of €200.00 only in the case of use or voluntary registration or occurrence of the so-called *enunciazione*.

General—payments by a Guarantor

According to a certain interpretation, payments on the Notes made by an Italian resident Guarantor under a Guarantee should be treated, in certain circumstances, as payment by the relevant Issuer and should be subject to the tax regime described above. However, there is no authority directly regarding the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments or that the Italian courts would not support such an alternative treatment.

In particular, according to a different interpretation, if a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of principal under the Notes), it is possible that such payments may be subject to withholding tax at applicable rates, pursuant to Presidential Decree No. 600 of September 29, 1973, subject to such relief as may be available under the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Certain United States federal income tax considerations

The following is a discussion of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is based upon the United States Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion is limited to consequences relevant to a U.S. holder (as defined below), except for the discussion on FATCA (as defined under "*—Foreign Account Tax Compliance Act*"). This discussion does not address the impact of the U.S. federal Medicare tax on net investment income or the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. No rulings from the U.S. Internal Revenue

Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained by a court.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances or to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities (or investors in such entities), persons liable for alternative minimum tax and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (the first price at which a substantial amount of the Notes is sold for money, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code (generally, property held for investment).

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws, the U.S. federal Medicare tax on net investment income, and state, local, non-U.S. or other tax laws.

Effect of the Merger

As further discussed "*Description of the Notes*," if the conditions for the Merger are met, the Issuer and the Company will merge and the resulting entity will assume the obligations of the Issuer under the Notes. Although the issue is not free from doubt, we intend to take the position (to the extent we are required to do so) that these transactions will not be treated as resulting in a taxable exchange for U.S. federal income tax purposes. It is possible, however, that the IRS could take a contrary view, and seek to treat the Merger and the assumption of the obligations under the Notes by the successor Issuer as resulting in a taxable exchange for U.S. federal income tax purposes. If so, U.S. holders would recognize gain or loss in connection with such taxable exchange and would have a new holding period and new tax basis in the Notes for U.S. federal income tax purposes. In addition, if the fair market value of the Notes at the time of the Merger is less than the principal amount of the Notes (by more than a statutorily defined *de minimis* amount), such Notes may be treated as issued with original issue discount (potentially in an amount greater than the initial amount of the original issue discount). The remainder of this discussion assumes that a taxable event will not result from the transactions that will occur in connection with the Merger. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences to them of the Merger.

Payments of stated interest

Payments of stated interest on a Note (including additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary interest income at the time the interest is received or accrued, in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes. Interest generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income or, in certain cases, general category income.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes will recognize interest income equal to the U.S. dollar value of the interest payment, based on the spot rate on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. A cash basis U.S. holder will not realize foreign currency exchange gain or loss on the receipt of stated interest income but may recognize exchange gain or loss attributable to the actual disposal of the foreign currency received.

A U.S. holder that uses the accrual method of accounting for tax purposes, or who otherwise is required to accrue interest prior to receipt, may determine the amount recognized with respect to such interest in accordance with either of two methods. Under the first method, such holder will recognize income for each taxable year equal to the U.S. dollar value of the foreign currency accrued for such year determined by translating such amount into U.S. dollars at the average spot rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. holder's taxable year). Alternatively, an accrual basis U.S. holder may make an election (which must be applied consistently to all debt instruments held by the electing U.S. holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year in the case of a partial accrual period), or at the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. holder of Notes that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, on the date such interest is received, equal to the difference between the U.S. dollar value of such payment, determined at the spot rate on the date the payment is received, and the U.S. dollar value of the interest income previously included in respect of such payment (as determined above). This exchange gain or loss will be treated as ordinary income or loss, generally will be treated as U.S.-source and generally will not be treated as an adjustment to interest income or expense.

Any non-U.S. withholding tax paid by a U.S. holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the availability of foreign tax credits.

Original issue discount

The stated principal amount of the Notes is expected to exceed their issue price (as defined above) by more than a *de minimis* amount. As such, it is expected that the Notes will be treated as issued with original issue discount ("**OID**") for U.S. federal income tax purposes in an amount equal to such excess. U.S. holders generally will be required to include such OID in gross income (as ordinary income) on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders generally will include such OID in income in advance of the receipt of cash attributable to such income.

The amount of OID includible in income by a U.S. holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such

U.S. holder holds the Note. A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The accrual period of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its "yield to maturity," determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period generally is equal to its issue price, increased by the accrued OID for each prior accrual period. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

OID generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income or, in certain cases, general category income.

OID on the Notes will be determined for any accrual period in foreign currency and then translated into U.S. dollars in accordance with either of the two alternative methods described above in the third paragraph under "*—Payments of stated interest.*"

A U.S. holder will recognize exchange gain or loss when OID is paid (including, upon the disposition of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. dollar value of the foreign currency payment received, determined based on the spot rate on the date such payment is received, and the U.S. dollar value of the accrued OID, as determined in the manner described above. For these purposes, all receipts on a Note other than stated interest will be viewed first, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and second, as receipts of principal. Exchange gain or loss will be treated as ordinary income or loss, generally will be treated as U.S. source and generally will not be treated as an adjustment to interest income or expense.

Sale, exchange, retirement or other taxable disposition of Notes

A U.S. holder's adjusted tax basis in a Note generally will equal the cost of the Note to the U.S. holder, increased by any OID previously accrued by such U.S. holder with respect to such Note. The cost of a Note purchased with foreign currency will be the U.S. dollar value of the foreign currency purchase price on the date of purchase, calculated at the exchange rate in effect on that date. If the Note is traded on an established securities market, a cash basis taxpayer (and if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the cost of the Note at the spot rate on the settlement date of the purchase.

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued and unpaid stated interest, which will be taxable as ordinary interest income in accordance with the U.S. holder's method of tax accounting as described above) and the U.S. holder's adjusted tax basis in the Note. The amount realized on the sale, exchange, retirement or other taxable disposition of a Note for an amount of foreign currency generally will be the U.S. dollar value of that amount based on the spot rate on the date of taxable disposition. If the Note is traded on an established securities market, a cash basis taxpayer (and, if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the amount realized on the settlement date of the disposition. If an accrual method taxpayer makes the election described above, such election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute ordinary income or loss.

Gain or loss recognized by a U.S. holder upon the sale, exchange, retirement or other taxable disposition of a Note that is attributable to changes in currency exchange rates will be ordinary income or loss and, with respect to the principal thereof, generally will be equal to the difference between the U.S. dollar value of the U.S. holder's purchase price of the Note in foreign currency determined on the date of the sale, exchange, retirement or other taxable disposition, and the U.S. dollar value of the U.S. holder's purchase price of the Note in foreign currency determined on the date the U.S. holder acquired the Note. The exchange gain or loss with respect to principal and with respect to accrued and unpaid stated interest and accrued OID (which will be treated as discussed above under "*—Payments of Stated Interest*," or "*—Original issue discount*," as applicable) will be recognized only to the extent of the total gain or loss realized by the U.S. holder on the sale, exchange, retirement or other taxable disposition of the Note, and will be treated as ordinary income generally from sources within the United States for U.S. foreign tax credit limitation purposes.

Any gain or loss recognized by a U.S. holder in excess of foreign currency gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note generally will be U.S. source capital gain or loss and will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of the sale, exchange, retirement or other taxable disposition. In the case of an individual U.S. holder, any such gain may be eligible for preferential U.S. federal income tax rates if the U.S. holder satisfies certain prescribed minimum holding periods. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Tax return disclosure requirement

Treasury Regulations issued under the Code meant to require the reporting of certain tax shelter transactions cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, receipt of interest on a Note or a sale, exchange, retirement or other taxable disposition of a Note or foreign currency received in respect of a Note to the extent that any such sale, exchange, retirement or other taxable disposition or receipt results in a tax loss in excess of an applicable threshold amount. U.S. holders should consult their tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Information reporting and backup withholding

In general, payments of interest (including the accrual of OID) and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

Information with respect to foreign financial assets

Certain U.S. holders who are individuals and who hold an interest in "specified foreign financial assets" (as defined in section 6038D of the Code) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. U.S. holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

Foreign Account Tax Compliance Act

Pursuant to sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**"), a "foreign financial institution" may be required to withhold U.S. tax on certain passthru payments made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are filed generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

Plan of distribution

Subject to the terms and conditions set forth in a purchase agreement dated June 29, 2017 (the "**Purchase Agreement**"), by and among the Issuer, the Guarantor and the Initial Purchasers, we have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from us, together with all other Initial Purchasers, the aggregate principal amount of the Notes offered hereby.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel. The Issuer has agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 90 days after the date the Notes are issued, to not, without having received prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any securities issued or guaranteed by the Issuer that are substantially similar to the Notes and Notes Guarantee.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

The Notes and the Notes Guarantee have not been and will not be registered under the U.S. Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Notes (1) outside the United States in offshore transactions in reliance on Regulation S and (2) in the United States to qualified institutional buyers in reliance on Rule 144A. The terms used above have the meanings given to them by Regulation S and Rule 144A.

In addition, until 40 days after the commencement of the Offering of the Notes, an offer or sale of such Notes within the United States by a dealer that is not participating in the Offering of the Notes may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the U.S. Securities Act.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the issue price set forth on the cover page hereof.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

The Initial Purchasers expect to make offers and sales both inside and outside the United States through their selling agents. Any offers and sales in the United States will be conducted by broker-dealers registered with the U.S. Securities and Exchange Commission.

Each of the Initial Purchasers has also agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us, the Group or the Notes in any jurisdiction where action for the purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resales of the Notes. Please see the section entitled "*Notice to investors*" and "*Important information about this offering memorandum—Notice to certain European investors*."

The Issuer and the Guarantor have agreed to indemnify each Initial Purchaser against certain liabilities, including liabilities under the U.S. Securities Act. The Issuer will pay the Initial Purchasers a commission and pay certain fees and expenses relating to the offering of the Notes.

It is expected that delivery of the Notes will be made against payment therefor on or about the Issue Date as specified on the cover page of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Notes (such settlement being herein referred to as "**T+5**"). Under Rule 15(c)6-l under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding two business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers and their affiliates have from time to time performed certain investment banking and/or other financial services for us, our affiliates or our former affiliates for which they received customary fees and reimbursement of expenses.

Notice to investors

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

United States

The Notes and the Notes Guarantee have not been registered under the U.S. Securities Act or the securities laws of any other jurisdiction, and, unless so registered, the Notes and the Notes Guarantee may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to “qualified institutional buyers,” commonly referred to as “QIBs,” in compliance with Rule 144A under the U.S. Securities Act; and
- in offers and sales that occur outside the United States in accordance with Regulation S under the U.S. Securities Act.

The Issuer uses the terms “offshore transaction” and “United States” with the meanings given to them in Regulation S.

If you purchase Notes, you will be deemed by your acceptance thereof to have represented and agreed as follows:

(1) You understand and acknowledge that the Notes and the Notes Guarantee have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not the Issuer’s “affiliate” (as defined in Rule 144 under the U.S. Securities Act), you are not acting on its behalf and you are either:

(a) a QIB and are aware that any sale of these Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB; or

(b) you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that none of the Issuer, the Guarantor or the Initial Purchasers or any person representing any of them has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Issuer and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) You are purchasing these Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof

in violation of the U.S. Securities Act or any other securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the U.S. Securities Act.

(5) In the case of any Rule 144A Notes, you agree on your own behalf and on behalf of any investor account for which you are purchasing the Rule 144A Notes, and each subsequent holder of the Rule 144A Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "Resale Restriction Termination Date") that is one year after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable securities laws, and any applicable local laws and regulations, and further subject to the our and the Trustee's rights prior to any such offer, sale or transfer (a) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (b) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Rule 144A Note will contain a legend substantially in the following form:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED NOTES THAT ANY OFFER, SALE OR TRANSFER OF THIS NOTE: PRIOR TO THE DATE (THE RESALE RESTRICTION TERMINATION DATE) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) MUST BE MADE ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS

OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT.

THE FAILURE TO PROVIDE THE COMPANY, THE TRUSTEE AND ANY PAYING AGENT WITH THE APPLICABLE U.S. FEDERAL INCOME TAX CERTIFICATIONS (GENERALLY, A U.S. INTERNAL REVENUE SERVICE FORM W-9 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE OR AN APPLICABLE U.S. INTERNAL REVENUE SERVICE FORM W-8 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS NOT A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE) MAY RESULT IN U.S. FEDERAL WITHHOLDING FROM PAYMENTS TO THE HOLDER IN RESPECT OF THE NOTES REPRESENTED BY THIS CERTIFICATE."

The following legend shall also be included:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(C) OF THE CODE. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF OID, THE ISSUE PRICE, THE ISSUE DATE AND THE YIELD TO MATURITY RELATING TO THE NOTES BY CONTACTING THE ISSUER AT VIA UBALDO POLI, 4, 40069 ZOLA PREDOSA (BO), ITALY, ATTENTION: INVESTOR RELATIONS.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth herein have been complied with.

(7) You acknowledge that:

(a) the Issuer, the Guarantor, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify the Issuer and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements on behalf of such investor account.

(8) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

(9) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantor or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

Legal matters

The validity of the Notes, the Notes Guarantee and certain other legal matters are being passed upon for the Issuer by Latham & Watkins (London) LLP with respect to matters of U.S. federal, New York state, English and Italian law and by Maisto e Associati with respect to matters of Italian tax law. Certain legal matters will be passed upon for the Initial Purchasers by Shearman & Sterling (London) LLP with respect to matters of U.S. federal and New York state, English and Italian law and by Tremonti Romagnoli Piccardi e Associati with respect to matters of Italian tax law.

Independent auditors

The consolidated financial statements of the Company as of and for the years ended December 31, 2016, 2015 and 2014, prepared in accordance with IFRS as adopted by the E.U. and included in this Offering Memorandum, have been audited by EY S.p.A. (formerly Reconta Ernst & Young S.p.A.), independent auditors, as stated in their reports with respect thereto, appearing herein.

EY S.p.A. is authorized and regulated by the Italian Ministry of Economy and Finance ("**MEF**") and registered on the special register of auditing firms maintained by the MEF. The registered office of EY S.p.A. is at Via Po, 32, 00198 Rome, Italy.

Where you can find additional information

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from the Issuer and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or the Notes Guarantee offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either the Issuer or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Riccardo Bombardini, Investor Relations of the Group at fax, +390516184656.

Upon request, the Issuer will provide you with copies of the Indenture, the form of the Notes and Notes Guarantee and any Security Documents. You may request copies of such document by contacting Mr. Riccardo Bombardini, Investor Relations of the Group at fax, +390516184656 or rbombardini@manutencoop.it.

The Issuer is currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture that will govern the Notes, the Issuer will agree to furnish periodic information to the holders of the Notes. See "*Description of the Notes—Reports*."

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, and the rules and regulations of the Luxembourg Stock Exchange so require, we will make available the notices to the public in a leading newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange, *www.bourse.lu*, or in written form at places indicated by announcement, to be so published as previously mentioned, or by any other means considered equivalent by the Luxembourg Stock Exchange.

Service of process and enforcement of civil liabilities

Each of the Issuer and the Guarantor are private joint stock companies (*società per azioni* or *S.p.A.*) organized under the laws of the Republic of Italy.

Service of process

Many of the directors, officers and other executives of the Issuer and each Guarantor are neither residents nor citizens of the United States. Furthermore, most of the assets of the Issuer and each Guarantor are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or each Guarantor or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer and each Guarantor has appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Italy upon those persons or the Issuer or each Guarantor or over other subsidiaries of the Issuer *provided that* The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

Enforcement of judgments in Italy

Recognition and enforcement in Italy of final judgments rendered by U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, may not require retrial and will be enforceable in Italy, *provided that* pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale privato*) the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendant have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of default by the defendant, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment rendered by an Italian court;
- there is no action pending in Italy among the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy (*ordine pubblico*).

In addition, pursuant to Article 67 of Italian Law No. 218 of May 31, 1995, if a judgment rendered by a U.S. court is not complied with, its recognition is challenged or its compulsory enforcement is necessary, then a proceeding shall be initiated before the competent Court of Appeal in the Republic of Italy to that end. The competent Court of Appeal does not consider the merits of the case but exclusively ascertains the fulfillment of all the conditions set out above.

In original actions brought before Italian courts, the enforceability of liabilities or remedies based solely on the U.S. federal securities law is debatable. In addition, in original actions brought before Italian courts, Italian courts may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory, and may refuse to apply U.S. law provisions or grant some of the remedies sought (*e.g.*, punitive damages) if their application violates any Italian public policies and/or any mandatory provisions of Italian law.

Limitations on validity and enforceability of the Notes Guarantee and security interests and certain insolvency law considerations

The following is a summary of certain limitations on the validity and enforceability of the Notes Guarantee and the security interests and a summary of certain insolvency law considerations in effect in Italy, the jurisdictions where the Issuer and Guarantor are organized. It is a summary only, and proceedings (bankruptcy, insolvency or similar events) could be initiated in such jurisdiction and in the jurisdiction of organization of a future guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction and law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Notes Guarantee and the security interests in the Collateral. Prospective investors should consult their own legal advisors with respect to such limitations and considerations.

Limitations on validity and enforceability of the Notes Guarantee and security interests

Under Italian law, the entry into of a transaction (including the creation of a security interest or the granting of a guarantee) by a company incorporated under Italian law must be permitted by the applicable laws and by its by-laws (statuto sociale) and is subject to compliance with the rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization or restructuring, financial assistance issues may also be triggered.

An Italian company entering into a transaction (including granting a guarantee or a security interest) must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company. The concept of real and adequate benefit is not defined in the applicable legislation and its existence is purely a business decision to the directors and the statutory auditors, if any. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. While corporate benefit for downstream security or guarantee (*i.e.*, security or guarantee granted to secure financial obligations of directly or indirectly subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security or guarantee (*i.e.*, security or guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy (such as in the case of Servizi Ospedalieri (the "**Subsidiary Guarantor**") depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive some benefits or advantages from the granting of such guarantee or security. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it. In particular, in case of an up-stream and cross-stream guarantee or security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting a security interest or a guarantee entered into) by an Italian company *ultra vires* and potentially affected by a conflict of interest. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the security interest or guarantee granted by an Italian company could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream and down-stream guarantees granted by Italian companies.

In addition, the granting of a security or a guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

In order to comply with corporate law requirements on corporate benefit and financial assistance, the maximum amount that the Guarantor may be required to pay in respect of its obligations as Guarantor under the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement will be subject to limitations.

In particular, as regards to the Subsidiary Guarantor, such amount will never exceed, at any time, an amount equal to the aggregate principal amount of any intercompany loans, or other financial support in any form (such term, for the avoidance of doubt, not including equity contributions), existing as of the Completion Date, made available from time to time to the Subsidiary Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by the Issuer (whether directly or indirectly), as resulting from time to time from the latest financial statements (*bilancio di esercizio*) of that Subsidiary Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) duly approved by the shareholders' meeting of that Subsidiary Guarantor and/or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code, as the case may be.

Any guarantee, indemnity, obligations and liability granted or assumed pursuant to the Notes and the Revolving Credit Facility by the Subsidiary Guarantor will not include and will not extend, directly or indirectly, to any amount lent to acquire or subscribe, directly or indirectly, shares or quotas in the Subsidiary Guarantor or any direct or indirect controlling entity of such Subsidiary Guarantor (or the refinancing of any indebtedness incurred for that purpose).

Under Article 1938 of the Italian Civil Code, if a personal guarantee is issued by an Italian guarantor to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). In addition, as mentioned above, the guarantee granted by the Subsidiary Guarantor must be supported by corporate benefit; in other words, the maximum guaranteed amount must be indicated in the guarantee and will not exceed the financial capabilities of the relevant Subsidiary Guarantor. It has been held that such determination must be proportionate to the Subsidiary Guarantor's assets. If such determination is deemed disproportional to the assets of the Subsidiary Guarantor, there is the risk that the guarantee could be declared void, however it is uncertain whether courts are entitled to debate and rule over such determinations.

In any event, pursuant to article 1938 of the Italian Civil Code, the maximum amount that the Subsidiary Guarantor may be required to pay in respect of its obligations as a Guarantor under its Notes Guarantee will not exceed 120% of the aggregate amount of the Notes and the Revolving Credit Facility.

It is understood that the maximum amount that the Subsidiary Guarantor may be required to pay in respect of its obligations as Guarantor under the Indenture will ratably concur and not cumulate with the corresponding amounts due by such Subsidiary Guarantor to any guaranteed creditor pursuant to the Revolving Credit Facility Agreement and/or the Intercreditor Agreement, and *vice versa*. The proceeds of the enforcement of said guarantees will be distributed amongst the guaranteed creditors (including, without, limitation, the holders of the Notes) in accordance with the provisions of the Intercreditor Agreement.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of the Italian Banking Act, whose exercise is exclusively demanded to banks and authorized financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, among others, entail the relevant guarantees being considered null and void. In this respect, Italian Legislative Decree No. 53 of April 2, 2015, implementing Article 106, paragraph 3, of the Italian Banking Act, states that the issuance of guarantees or security by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby "group" includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies, which are under the control of the same entity. As a result of the above described rules, subject to the Guarantor and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

Trust

The Collateral will be created and perfected in favor of the Trustee acting in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the notes or in favor of a representative (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

In addition, as the holders of the Notes are not direct parties to the Indenture, there is the risk that the appointment of the Trustee in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code is not upheld by an Italian court and that therefore an Italian court may determine that the holders of the Notes at the time of enforcement are not secured by the security under the Security Documents and/or that the *rappresentante* cannot exercise the rights and enforce the Collateral also in the name and on behalf of the holders of the Notes. In addition, the provisions and the subject matter of paragraph 3 of Article 2414-*bis*, paragraph 3, of the Italian Civil Code are new and, as such, untested by Italian Courts and, therefore, even if the appointment of the *rappresentante* is upheld by an Italian Court, it cannot be excluded that an Italian Court may take a different view and interpretation and determine that, where the Collateral is only granted in favor of the *rappresentante*, the holders of the Notes at the time of enforcement are not secured by the Collateral and/or cannot enforce that Collateral.

Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the

Italian Civil Code may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

Moreover, it is uncertain and untested in the Italian courts whether, under Italian law, a security interest can be created and perfected: (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of a "trustee," since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as trustee under security interests granted over Italian assets is uncertain under Italian law.

Certain Considerations in Relation to Security Interests

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower, if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan ("undercapitalization"). Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. The above rules apply to shareholders' loans "made in any form" and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

As of the date hereof, there are several court precedents interpreting the provisions summarized above. Some of such precedents have held that article 2467 of the Italian Civil Code also applies to companies incorporated as *società per azioni*, hence potentially to the borrowers under the intercompany loans that are a *società per azioni*.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, Italian courts may apply such provisions of the Italian Civil Code to the Issuer's relationship with Italian subsidiaries under the relevant intercompany loans. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan are subordinated to all its obligations towards other creditors. Should any of the obligations of any subsidiary under any intercompany loan or note be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer may not be able to recover any amounts under any intercompany loan or note granted to the Italian subsidiaries, which could have a material adverse effect on the Issuer's ability to meet its payment obligations under the Notes.

Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans or notes is subordinated by operation of law, the ability of the holders of the Notes to recover under any Collateral created over such intercompany loans or notes or any guarantees granted by such Italian subsidiaries may be impaired or restricted.

Certain Limitations on Enforcement

In addition, the enforcement of security interests by creditors in Italy can be time consuming in a liquidation scenario. The two primary goals of the Italian law are first, to maintain employment, and second, to liquidate the debtor's assets for the satisfaction of creditors. These competing goals often have been balanced by the sale of businesses as going concerns and by ensuring that employees are transferred along with the businesses being sold.

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "**suspect period**"). For a more detailed explanation of the terms, conditions and consequences of clawback actions in an insolvency scenario, see "—*Certain Italian Insolvency Laws*" below. If challenged successfully, the guarantee or the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest or guarantee is voided, holders of the Notes could lose the benefit of the security interest or guarantee and may not be able to recover any amounts under the related security documents.

Furthermore, in the event that the limitations on the guarantee issued by an Italian guarantor apply and/or there are payment obligations under any Notes other than in respect of principal or interest, the noteholders could have a reduced claim against the relevant guarantor.

According to Italian law, the enforcement of any claims, obligations, security interest and rights in general may be subject to, *inter alia*, the following aspects:

- the enforcement of obligations may be limited by the insolvency proceedings listed above relating to or affecting the rights of creditors;
- an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the Court;
- with respect to contracts providing for mutual obligations (*contratti a prestazioni corrispettive*), each party can refuse to perform its obligation if the other party does not perform or does not offer to perform its own obligation thereunder, in accordance with and subject to the provisions of Article 1460 of the Italian Civil Code;
- claims arising under Italian law governed documents may become barred under the provision of Italian law concerning prescriptions and limitations by the lapse of time (*prescrizioni e decadenze*) or may be or become subject to a claim of set-off (*compensazione*) or to counterclaim;
- pursuant to Article 1241 of the Italian Civil Code concerning set-off of reciprocal obligations (*compensazione*), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets and are equally liquid and payable;
- where any party to any agreement or instrument is vested with discretion or may determine a matter in its opinion, Italian law may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;
- the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the fact that the relevant provisions of laws may be deemed contrary to Italian public policy principles;
- there is some possibility that an Italian court could hold that a judgment on a particular agreement or instrument, whether given in an Italian court or elsewhere, would supersede such agreement or instrument to all intents and purposes, so that any obligation thereunder which by its terms would survive such judgment might not be held to do so;
- enforcement of obligations may be invalidated by reason of fraud or abuse of the law (*abuso del diritto*);
- the enforceability of an obligation pursuant to the terms set forth in any agreement or instrument may be subject to the interpretation of an Italian court which may carry out such interpretation pursuant to the provisions of Articles 1362 and following of the Italian Civil Code;

- any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof in order to save those other provisions would be determined by an Italian court on the basis of the interpretation of intention of the parties, taking also into account the conduct of the parties following the execution of such agreement or instrument (Article 1419 of the Italian Civil Code);
- an Italian company, either directly or indirectly, cannot grant loans or provide security interest for the purchase or subscription of its own shares unless the strict requirements provided for the Italian Civil Code are satisfied;
- an Italian company must have a specific corporate interest in guaranteeing or securing financial obligations of its parent company or any other companies, whether related or unrelated, such interest being determined by the relevant company on a case-by-case basis;
- in case of bankruptcy, a receiver in bankruptcy is appointed by the court to administer the proceeding under the supervision of the bankruptcy court and creditors cannot start or continue individual foreclosure actions (including the enforcement of security interests) against the debtor (automatic stay). Furthermore, the sale of the relevant pledged assets is carried out by such receiver unless the pledgee is expressly authorized by the bankruptcy court;
- the preemption rights (*prelazione*) granted by a pledge extend to interest accrued in the year in which the date of the relevant seizure/attachment or adjudication in bankruptcy falls (or, in the absence of seizure/attachment, at the date of the notification of the payment demand (*precetto*) and extend, moreover, to interest accrued and to accrue thereafter, but only to the extent of legal interest and until the date of the forced sale occurred in the context of the relevant foreclosure proceeding/bankruptcy proceedings;
- in order to oppose an assignment to any third party, it will be necessary to notify such assignment to the relevant debtor or make such debtor to accept it by an instrument bearing an undisputable date (*data certa*); the priority of such assignment will be determined accordingly. One way of ensuring that a document has an indisputable date is that of ensuring that the execution of the relevant document by one of the parties to it is witnessed by a notary who states the date of witnessing on the document, another way is to have each page of the document stamped by the post office;
- a security interest does not prevent creditors of the relevant debtor other than the pledge from continuing enforcement or enforcement proceedings on the assets secured by the relevant pledge; and
- in case of bankruptcy of the grantor of the pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding and, as a consequence, the proceeds would be set aside for the prior satisfaction of the pledgee but the pledge would be terminated and, therefore, the latter would lose entitlement to the voting rights on the pledged quotas/shares.

Certain Insolvency Law Considerations

European Union

The Issuer and the Guarantor are organized under the laws of a Member State of the European Union.

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings, as amended (the "**E.U. Insolvency Regulation**"), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "centre of main interests" (as that term is used in Article 3(1) of the E.U. Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views. To date, no final decisions have been made in cases that have been brought before the European Court of Justice in relation to questions of interpretation of the effects of the E.U. Insolvency Regulation throughout the European Union.

Although there is a presumption under Article 3(1) of the E.U. Insolvency Regulation that a company has its "centre of main interests" in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the E.U. Insolvency Regulation states that the "centre of main interests" of a "debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties." The courts have taken into consideration a number of factors in determining the "centre of main interests" of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established.

The E.U. Insolvency Regulation applies to insolvency proceedings of the types referred to in Annex A to the E.U. Insolvency Regulation. If the "centre of main interests" of a company is in one Member State (other than Denmark) under Article 3(2) of the E.U. Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined to mean a place of operations where the company carries on non-transitory economic activity with human means and goods. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings have been opened in the Member State in which the company has its center of main interests, any proceedings opened subsequently in another Member State in which the company has an establishment (secondary proceedings) are limited to "winding up proceedings" listed in Annex B of the E.U. Insolvency Regulation. Where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment if either (a) insolvency proceedings cannot be opened in the Member State in which the company's center of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment.

The courts of all Member States (other than Denmark) must give to the judgment of the court of the main proceedings the same effect in all Member States so long as no secondary proceedings have been opened there. The liquidator appointed by a court in a Member State which has jurisdiction to open main proceedings (because the company's center of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

The EU Insolvency Regulation has been replaced by the Regulation (EU) 2015/848 of the European Parliament and of the Council dated May 20, 2015 (the "**New EU Insolvency Regulation**") which became effective as of June 26, 2015, and which will be applicable to insolvency proceedings opened after June 26, 2017 (subject to certain exceptions). The EU Insolvency Regulation remains applicable to insolvency proceedings opened before that date.

The New EU Insolvency Regulation, among other matters, codifies case law regarding the identification of the center of main interests. Pursuant to Article 3(1) of the New EU Insolvency Regulation, in the case of a company or legal person, the center of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another member state within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the center of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in a member state other than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and the center of the management of its interests is located in that other member state. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests. In the event of a shift in the center of main interests, this may require informing the creditors of the new location from which the debtor is carrying out its activities in due course (*e.g.*, by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means). Another change under the New EU Insolvency Regulation focuses on the definition of "establishment" as a prerequisite to open "territorial proceedings" (secondary proceedings). From June 26, 2017 onwards, "establishment" will mean any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. At this stage, it is not possible to conclusively determine what (if any) impact there might be in relation to the Notes.

Italy

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where public companies are involved.

Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts. In this respect, the most recent reform has been approved by the Italian Government on June 23, 2015 through a law-decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the "**Decree**"). The Decree entered into force on June 2015 (the date of its publication in the *Gazzetta Ufficiale*) and has been converted into law by the Law No. 132/2015 ("**Law 132**"). Law 132 entered into force on August 21, 2015 (the date after its publication in the *Gazzetta Ufficiale*).

The two primary aims of Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "**Italian Bankruptcy Law**") are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claim as well as, in case of the "*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. These competing aims have often been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent rather than a temporary status of insolvency in order for a court to hold that a company is insolvent.

The following debt restructuring and bankruptcy alternatives are available under Italian law for companies in a state of crisis and for insolvent companies.

Restructuring outside of a judicial process (accordi stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Out-of-court reorganization plans (Piani di risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register is possible upon a debtor's request and would allow to certain tax benefits).

Debt restructuring agreements with creditors pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di ristrutturazione dei debiti)

The debtor may negotiate with creditors holding at least 60% of the total amount of claims or debt restructuring agreements, subject to court's approval. An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare and that the agreement is feasible and that it ensures that the non-participating creditors can be fully satisfied within the following terms: (a) 120 days from the date of approval of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court; and (b) 120 days from the date on which the relevant debts fall due, in case of debts which are not yet due and payable as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a situation of "financial distress" (*i.e.*, facing financial crisis which does not yet amount to insolvency) can initiate this process and request the court's approval (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any conservative or enforcement actions against the assets of the debtor in relation to pre-existing receivables. The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among others, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The 60-days moratorium can also be requested by the debtor while negotiations with creditors are pending (*i.e.*, prior to the above-mentioned publication of the agreement), subject to certain conditions. In such case the court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the filing of the request. At such hearing, the court assesses whether the conditions for anticipating the moratorium are in place and, in such case, orders that no conservative or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which a debt restructuring agreement and the assessment by the expert must be deposited. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

The Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182-*septies* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness would also bind the non-participating financial creditors, provided that an independent expert certifies the homogeneity of the classes and subject to certain conditions being met. The purpose is to prevent banks with modest credits from block restructuring operations involving more exposed bank creditors, resulting in the failure of the overall restructuring and the opening of a procedure. Financial creditors who did not participate in the agreement may challenge it within 30 days of receipt of the application.

Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (*e.g.*, trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised Pre-Bankruptcy Composition with Creditors) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80 percent of such financing). Financing granted "in view of" (*i.e.*, before) presentation of a petition for a debt restructuring agreement or a court-supervised Pre-Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court at the time of approval of the plan or sanctioning (*omologazione*) of the agreement.

Moreover, pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1, of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law (in relation to the court supervised pre-bankruptcy arrangement with creditors procedure described below) may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with *in rem* security (*garanzie reali*), *provided that* the expert appointed by the debtor declares that the new financing aims at providing a better satisfaction of the rights of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, to the extent already payable and due, *provided that* the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree 83/2015, as amended by Law 132/2015, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182-*quinques* of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo*) outlined below.

Furthermore, according to the Article 1 of the Decree 83/2015, as amended by Law 132/2015, pending the sanctioning (omologazione) of the debt restructuring agreement pursuant to Article 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so called *prededucibile*) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company.

Court-supervised pre-bankruptcy composition with creditors (concordato preventivo)

A company which is insolvent or in a situation of crisis (*i.e.*, financial distress which does not yet amount to insolvency) has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition with the court for a *concordato preventivo* (together with, among others, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-bis of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the concordato preventivo may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Law Decree No. 69/2013 as converted into Law No. 98/2013 ("**Law Decree 69/2013**")). The debtor company may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-bis of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (*e.g.*, concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), will report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo*; and (ii) set forth reporting and information duties of the company during the abovementioned period.

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company will file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register. Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business as recently introduced by Article 1 of the Decree 83/2015, as amended by Law 132/2015, are treated as super-senior (so called *pre-deducibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Law No. 9/2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business).

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The Composition with Creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132/2015 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who have did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor do not ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

In addition, in order to strengthen the position of the unsecured creditors, Law 132/2015 sets forth that a pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*) (*i.e.*, a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims. This provision does not apply to pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and ratified (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-bis of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, provides that, if a plan in pre-bankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the judicial commissioner may request to the court the opening a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Bankruptcy proceedings (fallimento)

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the debtor, any of its creditors and, in certain cases, the public prosecutor when a debtor is insolvent. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. Bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings, amongst other things:

- subject to certain exceptions, all actions of creditors, actions are stayed and creditors must file claims within a defined period;
- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;
- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*); and
- any act (including payments) made by the debtor after the commencement of the proceedings, other than those made through the receiver, become ineffective.

- Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. In this respect, Law 132/2015 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). Unsecured creditors are satisfied after payment of preferential and secure creditors, out of available funds and assets (if any) as below indicated.

- ***Bankruptcy composition with creditors (concordato fallimentare).*** Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed by one or more creditors, third parties or the receiver starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before the lapse of two years from the decree giving effectiveness to the bankruptcy's estate. The petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), and the satisfaction of creditors' claims in any manner. The petition may provide that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, by a majority (by value) of the claims in a majority of the classes). Final court confirmation is also required.

- ***Statutory priorities.*** The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priorities of claims are, in order of priority, those related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*creditori ipotecari*), pledges (*creditori prignoratizi*) and, lastly, unsecured creditors (*crediti chirografari*). Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

- ***Avoidance powers in insolvency.*** Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner.

(a) ***Acts ineffective by operation of law.*** (i) Under Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration, and (ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective vis-à-vis creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

(b) Acts that may be avoided at the bankruptcy receiver's request.

(i) The following acts and transactions, may be avoided and declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

- onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;
- payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;
- pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which not yet due at the time the new security was granted ; and
- pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time the new security was granted.

(ii) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be avoided and declared ineffective if the bankruptcy receiver proves that the non-insolvent party knew that the bankrupt entity was insolvent:

- payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months prior to the insolvency declaration; and
- granting of security interest for debts incurred in the six months prior to the insolvency declaration.

(iii) The following transactions are exempt from claw-back actions:

- payments for goods or services made in the ordinary course of business according to market practice;
- a remittance on a bank account; *provided that* it does not materially and permanently reduce the bankrupt entity's debt towards the bank;
- the sale, including an agreement for sale registered pursuant to Article 2645-bis of Italian Royal Decree No. 262 of March 16, 1942 (the "**Italian Civil Code**"), currently in

force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; *provided that*, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;

- transactions entered into, payments made and guarantees granted by the debtor pursuant to a plan (*piano attestato*) under Article 67 of the Italian Bankruptcy Law;
- a transaction entered into, payment made or guarantee granted in the context of "*concordato preventivo*" under Article 161 of the Italian Bankruptcy Law or an "*accordo di ristrutturazione del debito*" under Article 182-bis of the Italian Bankruptcy Law;
- remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and
- payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared ineffective within the ordinary claw-back period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code. Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design).

Law 132/2015 also introduced new Article 2929-bis to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (*e.g.*, gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale*—"family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third party purchaser.

Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)

The extraordinary administration procedure is available under Italian law for large industrial and commercial enterprises; this procedure is commonly referred to as the "*Prodi-bis procedure*." To be eligible, companies must be insolvent although able to demonstrate serious recovery prospects, have employed at least 200 employees in the previous year preceding the commencement of the procedure, and have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income deriving from sales and services during its last financial year. The procedure may be commenced by petition of the creditors, the debtor, a court or the public prosecutor. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to an extraordinary administration proceeding. Extraordinary administration procedures involve two main phases—an administrative phase and a judicial phase.

In the administrative phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submit(s) a report to the court (within 30 days) together with an opinion from the Italian Productive

Activities Minister (the "**Ministry**"). The court has 30 days to decide whether to admit the company to the procedure or place it into bankruptcy.

If the company is admitted to the extraordinary administration procedure, the judicial phase begins and the extraordinary commissioner(s) appointed by the Ministry prepare a restructuring plan. The plan can provide either for the sale of the business as a going concern within one year (unless extended by the Ministry) (the "**Disposal Plan**") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "**Recovery Plan**"). It may also include a composition with creditors (*concordato*). The plan must be approved by the Ministry. The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan; however' should either plan fail, the company will be declared bankrupt.

Industrial restructuring of large insolvent companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

Introduced in 2003 pursuant to Law Decree No. 347 of 23 December 2003, as converted into Law No. 39 of 2004 and subsequently amended, this procedure is also known as the "*Marzano procedure*." It is complementary to the *Prodi-bis* procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to work faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt. The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Compulsory administrative winding-up (liquidazione coatta amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings in that the entity is liquidated not by the bankruptcy court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (*e.g.*, in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to a compulsory administrative winding-up.

Interim financing

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for debtors to also obtain authorization to receive urgent interim financing and to continue to use existing trade receivables credit lines (*linee di credito autoliquidanti*) necessary for their business needs before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with priority status (*prededucibilità*) in case of subsequent bankruptcy without the expert certification and through an accelerated review process by the relevant court, upon, among others, the relevant debtor's declaration that interim finance is urgently needed and the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of the Decree 83/2015, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if: (i) an expert certified that such financing is functional to the overall restructuring process; or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

Hardening period/clawback and fraudulent transfer

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six-months in certain circumstances). In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the debtor are declared ineffective within the Italian Civil Code ordinary claw-back period of five years ("*revocatoria ordinaria*").

Under Italian law, in the event that the relevant Guarantor enters into insolvency proceedings, the security interests created under the documents entered into to secure the Collateral and the Guarantees could be subject to potential challenges by an insolvency administrator or by other creditors of such Guarantor under the rules of avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during a certain legally specified period (the "suspect period"). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (*i.e.*, to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (*e.g.*, payment in kind) or new security granted with respect to pre-existing debts not yet due at the time the security is entered into after the creation of the secured obligations, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, (ii) security granted within six months prior to the declaration of insolvency with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. The transactions potentially subject to avoidance also include those contemplated by a Guarantor's Guarantee or the granting of security interests under the Security Documents by a Guarantor. If they are challenged successfully, the rights granted under the Italian Guarantees or in connection with security interests under the relevant Security Documents may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related Security Documents.

It should be noted that: (i) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions carried out by the insolvent debtor for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration, and (ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors, if made by the bankrupt entity in the two-year period prior to insolvency.

In addition, as noted above, the E.U. Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

Listing and general information

Admission to trading and listing

Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, in accordance with the rules and regulations of the Luxembourg Stock Exchange.

In addition, application has been made to obtain a secondary listing of the Notes on the ExtraMOT Pro Segment of the Italian Stock Exchange, a multilateral trading facility.

Luxembourg listing information

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents in English may be inspected and obtained free of charge at the offices of the Luxembourg Listing Agent during normal business hours on any weekday (excluding holidays):

- the organizational documents of the Issuer and the documents of incorporation of the Guarantor;
- the bylaws of each of the Issuer and Guarantor;
- the financial statements included in this Offering Memorandum;
- any annual and interim financial statements or accounts of the Issuer dated subsequent to the date of this Offering Memorandum, to the extent available;
- the Indenture;
- the Security Documents; and
- the Intercreditor Agreement.

It is expected that the approval (visa) in connection with the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission of the Notes to trading on the Euro MTF Market will be granted by the Luxembourg Stock Exchange promptly after the issuance of the Notes.

The Issuer has appointed The Bank of New York Mellon SA/NV, Luxembourg Branch as Luxembourg Listing Agent and Registrar, and The Bank of New York Mellon, London Branch as Paying Agent and Transfer Agent and UniCredit Bank AG, Milan Branch as Security Agent. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indenture and, if so required by the internal rules and regulations of the Luxembourg Stock Exchange, will publish a notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) or by any other means considered equivalent by the Luxembourg Stock Exchange.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the Issuer's best knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum. This Offering Memorandum may only be used for the purposes for which it has been published.

Clearing information

The Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A in this Offering have been accepted for clearance through the facilities of Euroclear and Clearstream. The Notes sold under Regulation S have been accepted under common code 164281655 and ISIN XS1642816554, respectively. The Notes sold under Rule 144A have been accepted under common code 164281833 and ISIN XS1642818337, respectively.

Issuer legal information

General

CMF S.p.A. is a joint stock company (*società per azioni*) established under the laws of the Republic of Italy and was formed on May 25, 2017. The Issuer is registered with the Bologna Companies Register under the registration number 03627381209 and its corporate existence is scheduled to expire on December 31, 2050. The Issuer's financial year ends on December 31.

The registered office of the Issuer is located at Via Ubaldo Poli, 4, 40069 Zola Predosa (BO), Italy, and its telephone number at that address is +390513515111.

The Issuer has obtained, or will obtain before the Issue Date, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of and performance of its obligations under the Notes. The creation and issuance of the Notes will be authorized by the Issuer's sole director on June 29, 2017.

Pursuant to article 4 of its articles of incorporation (*statuto*), the corporate purposes of the Issuer are to, *inter alia*, purchase, hold, manage and transfer shareholdings and other interests in companies.

Company legal information

Manutencoop Facility Management S.p.A.

The Company was formed as a private joint stock company (*società per azioni*) under the laws of Italy on December 1, 2003 with a duration until December 31, 2050, subject to certain amendments being made to its by-laws to extend the period of its incorporation. The Company's registered offices are located at Via Ubaldo Poli, 4, 40069 Zola Predosa (BO), Italy and it is registered under number 02402671206 and economic administrative register number (*repertorio economico amministrativo*) 436919 with the Register of Companies of Bologna (*Registro delle Imprese di Bologna*). As of the date of this Offering Memorandum, the Company has a share capital of €109,149,600.00 which has been fully paid-up, comprised of 109,149,600 ordinary shares, with par value of €1.00.

Pursuant to article 4 of its articles of incorporation (*statuto*), the corporate purposes of the Company are to, *inter alia*: provide and manage services related to the built environment for public and private sector customers through tenders or contract, primarily related to real estate assets; provide laundry and sanitation services and environmental management to hospital facilities; provide, directly or indirectly through companies in which it holds equity interests, a variety of facility management, maintenance, HVAC, energy consulting, installation and restoration services.

Servizi Ospedalieri

Servizi Ospedalieri is a direct wholly owned subsidiary of the Issuer organized as a joint stock company (*società per azioni con socio unico*) under the laws of the Republic of Italy. It is registered with the Commercial Registry of Ferrara (*Registro delle Imprese di Ferrara*) under the number 00615530672 with registered address at Via Calvino, 33, 41122 Ferrara, Italy. Servizi Ospedalieri's incorporation will terminate on December 31, 2050, subject to certain amendments being made to its by-laws to extend the period of its incorporation.

Pursuant to article 3 of its charter (*statuto*), Servizi Ospedalieri's corporate purpose is to, *inter alia*: provide products and services and maintenance for public administration and private sector facilities in Italy or abroad, through any form of concession or public tender; perform laundering and industrial sterilization, clothes washing and dry cleaning activities of mattresses, linens, instruments, uniforms and other items on its own account and for third parties, perform cleaning, disinfection, sterilization and maintenance of surgical instruments, install, maintain and service laundering and sterilization equipment, sell sanitary linens and surgical fabrics and other related equipment and provide training and consultancy services related to the foregoing activities. s of the date of this Offering Memorandum, Servizi Ospedalieri had a fully paid-up share capital of €20,000,000.00, consisting of €4,000,000 ordinary shares with a par value of €5.00, all of which have been fully paid up and are held by the Company. As of December 31, 2016, Servizi Ospedalieri had reserves of €16,018 thousand. For the year ended December 31, 2016, Servizi Ospedalieri had profits arising out of ordinary activities after tax of €9,821 thousand. For the year ended December 31, 2016, the Company received €5,600 thousand in dividends from Servizi Ospedalieri.

Servizi Ospedalieri's Notes Guarantee will be authorized by Servizi Ospedalieri's Board of Directors on or prior the date on which the Notes Guarantee is granted.

General

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the Company's financial position since March 31, 2017; and
- neither the Issuer, the Guarantor nor any of their subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes except as otherwise disclosed in this Offering Memorandum, and, so far as the Issuer is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

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Unaudited interim condensed consolidated financial statements as of 31 March 2017 and 31 March 2016 and for the three months then ended

Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Manutencoop Facility Management S.p.A.

Introduction
We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position as of 31 March 2017, the consolidated statement of income, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholders' equity for the three months ended 31 March 2017 and the related explanatory notes of Manutencoop Facility Management S.p.A. and its subsidiaries (the "Manutencoop Facility Management Group"). The Directors of Manutencoop Facility Management S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review
We conducted our review in accordance with the procedures specified by the International Federation of Accountants (IFAC) for the review of interim financial information, as described in the International Standard on Review Engagements (ISRE) 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity".* A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the Manutencoop Facility Management Group as of 31 March 2017 and for the three months ended 31 March 2017, are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Emphasis of Matter
We draw attention:

– to Note 13- *Provisions for Risks and Charges* of the interim condensed consolidated financial statements which describes the assessment performed by the management board with reference to the fine levied on Manutencoop Facility Management S.p.A. by the Italian Competition Authority on 20 January 2016, to the related further risks and to the related effects on the financial statements;

– to Note 15- *Commitments and contingent liabilities* of the interim condensed consolidated financial statements which described the investigation notified by the Public Prosecutor's Office of Naples on 3 April 2017, which involves certain executives of Manutencoop Facility Management S.p.A..

Our conclusion is not qualified in respect of these matters.

Bologna, 20 June 2017

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

Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Manutencoop Facility Management S.p.A.

Introduction
We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position as of 31 March 2016, the consolidated statement of income, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholders' equity for the three months ended 31 March 2016 and the related explanatory notes of Manutencoop Facility Management S.p.A. and its subsidiaries (the "Manutencoop Facility Management Group"). The Directors of Manutencoop Facility Management S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review
We conducted our review in accordance with the procedures specified by the International Federation of Accountants (IFAC) for the review of interim financial information, as described in the International Standard on Review Engagements (ISRE) 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity".* A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the Manutencoop Facility Management Group as of 31 March 2016 and for the three months ended 31 March 2016, are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Emphasis of Matter
We draw attention to Note 13 - Provisions for Risks and Charges of the interim condensed consolidated financial statements which describes the assessment performed by the management board with reference to the fine levied on Manutencoop Facility Management S.p.A. by the Italian Competition Authority on 20 January 2016, to the related further risks and to the related effects on the financial statements.

Our conclusion is not qualified in respect of this matter.

Bologna, 20 June 2017

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

Unaudited interim condensed consolidated financial statements as of and for the three months ended 31 March 2017

Unaudited interim condensed consolidated financial statements
Consolidated statement of financial position
As of 31 March 2017

(in thousands of Euro)	Notes	As of 31 March 2017	As of 31 December 2016
Assets			
Non-current assets			
Property, plant and equipment	3	64,080	64,483
Property, plant and equipment under lease	3	6,014	1,627
Goodwill	4-5	370,456	370,456
Other intangible assets	4	25,378	26,114
Investments accounted for under the equity method	6	31,147	30,534
Other investments	7	3,850	3,850
Non-current financial assets	7	11,758	11,769
Other non-current assets	7	2,819	2,323
Deferred tax assets		20,966	20,971
Total non-current assets		**536,468**	**532,127**
Current assets			
Inventories		4,579	4,382
Trade receivables and advances to suppliers	8	468,619	456,095
Current taxes receivables		387	3,500
Other current assets	8	29,210	25,932
Current financial assets	11	2,051	2,387
Cash and cash equivalents	11	176,231	174,992
Total current assets		**681,077**	**667,288**
Total assets		**1,217,545**	**1,199,415**

The accompanying notes are an integral part of the
Unaudited Interim Condensed Consolidated Financial Statements

Unaudited interim condensed consolidated financial statements
Consolidated statement of financial position
As of 31 March 2017

(in thousands of Euro)	Notes	As of 31 March 2017	As of 31 December 2016
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		109,150	109,150
Reserves		187,463	187,856
Retained earnings		25,910	(7,518)
Profit/(loss) for the period attributable to equity holders of the parent		13,348	33,649
Equity attributable to equity holders of the parent		335,871	323,137
Capital and reserves attributable to non-controlling interests		235	351
Profit/(loss) for the period attributable to non-controlling interests		22	(116)
Equity attributable to non-controlling interests		257	235
Total shareholders' equity	**10**	336,128	323,372
Non-current liabilities			
Employees termination indemnity	12	16,459	17,043
Provision for risks and charges, noncurrent	13	29,933	44,522
Long-term debt	11	308,831	305,482
Deferred tax liabilities		11,853	11,812
Other non-current liabilities		71	50
Total non-current liabilities		367,147	378,909
Current liabilities			
Provision for risks and charges, current	13	10,346	10,715
Trade payables and advances from customers	14	348,484	346,308
Current tax payables		6,188	1,363
Other current liabilities	14	97,173	85,909
Bank borrowings, including portion of long-term debt and other financial liabilities	11	52,079	52,839
Total current liabilities		514,270	497,134
Total shareholders' equity and liabilities		1,217,545	1,199,415

The accompanying notes are an integral part of the
Unaudited Interim Condensed Consolidated Financial Statements

Unaudited interim condensed consolidated financial statements
Consolidated statement of income
For the three months ended 31 March 2017

(in thousands of Euro)	Notes	For the three months ended 31 March 2017	For the three months ended 31 March 2016
Revenue			
Revenue from sales and services		238,356	241,390
Other revenue		243	306
Total revenue		238,599	241,696
Operating costs			
Costs of raw materials and consumables		(38,004)	(41,694)
Changes in inventories of finished goods and semi-finished products		—	20
Costs of services and use of third party assets		(75,169)	(75,782)
Personnel costs		(95,255)	(95,188)
Other operating (costs)/income		5,203	(1,804)
Minor costs related to internally labor capitalized		65	
Amortization, depreciation, write-downs and write-backs of assets	4-5-8	(7,572)	(7,150)
Accruals (reversal) to provision for risks and charges	13	(553)	(208)
Total operating costs		(211,285)	(221,806)
Operating income		27,314	19,890
Financial income and expenses			
Share of net profit of associates		1,227	871
Dividends and net income (loss) from sale of investments		0	0
Financial income		219	777
Financial expenses		(7,344)	(7,853)
Gains/(losses) on exchange rate		0	0
Profit/(loss) before taxes from continuing operations		21,416	13,685
Income taxes		(8,046)	(5,782)
Net profit/(loss) for the period		13,370	7,903
Attributable to non-controlling interests		22	(170)
Attributable to equity holders of the parent		13,348	8,073

(in Euro)	For the three months ended 31 March 2017	For the three months ended 31 March 2016
Basic earnings/(losses) per share	0.122	0.074
Diluted earnings/(losses) per share	0.122	0.074
Basic earnings/(losses) per share from continuing operations	0.122	0.074
Diluted earnings/(losses) per share from continuing operations	0.122	0.074

The accompanying notes are an integral part of the
Unaudited Interim Condensed Consolidated Financial Statements

Unaudited interim condensed consolidated financial statements
Consolidated statement of comprehensive income
For the three months ended 31 March 2017

(in thousands of Euro)	Notes	For the three months ended 31 March 2017	For the three months ended 31 March 2016
Net profit/(loss) for the period		**13,370**	**7,903**
Other components of the comprehensive income, which will be subsequently reclassified under profit/(loss) for the year:			
Exchange differences on translating foreign operations		0	0
Effect on the shareholders' equity from associates accounted for under the equity method	6	(614)	(406)
Other components of the comprehensive income for the year, which will be subsequently reclassified under profit/(loss) for the period		**(614)**	**(406)**
Other components of comprehensive income, which will be subsequently reclassified under profit/(loss) for the period:			
Actuarial gains/(losses) on defined benefit plans		*0*	*0*
Income tax effect		*0*	*0*
Net actuarial gains/(losses) on defined benefit plans		**0**	**0**
Share of other comprehensive income of entities accounted for under the equity method		*0*	*0*
Other components of the comprehensive income for the period, which will be subsequently reclassified under profit/(loss) for the period		**0**	**0**
Total profit/(loss) in the statement of comprehensive income, net of taxes		**(614)**	**(406)**
Total comprehensive income for the period		**12,756**	**7,497**
Attributable to:			
Equity holders of the parent		12,734	7,667
Non-controlling interests		22	(170)

The accompanying notes are an integral part of the
Unaudited Interim Condensed Consolidated Financial Statements

Unaudited interim condensed consolidated financial statements
Consolidated statement of cash flows
For the three months ended 31 March 2017

(in thousands of Euro)	Notes	For the three months ended 31 March 2017	For the three months ended 31 March 2016
Profit/(loss) from continuing operations		13,370	7,903
Income taxes		8,046	5,782
Profit/(loss) before taxes from continuing operations		**21,416**	**13,685**
Profit/(loss) after tax for the period from discountinued operations		0	0
Capital profits/(losses) on disposal of discontinued operation		0	0
Other unrealized impairment on discontinued operations		0	0
Amortization, depreciation, write-downs and (write-backs) of assets		7,572	7,150
Accrual (reversal) to provisions for risks and charges		553	208
Employee termination indemnity provision		195	208
Payments of employee termination indemnity		(780)	(422)
Utilization of provisions for risks and charges		(811)	(1,852)
Share of net profit of associates, net of dividends collected		(1,227)	(871)
Financial expenses (income)		7,125	7,076
Operating cash flows before movements in Working Capital		**34,043**	**25,182**
Of which related to discontinued operations		*0*	*0*
Of which related to continuing operations		*0*	*0*
Decrease (increase) of inventories		(197)	185
Decrease (increase) of trade receivables		(13,429)	(20,514)
Decrease (increase) of other current assets		(3,774)	(2,093)
Increase (decrease) of trade payables and advances from customers		2,176	(18,909)
Increase (decrease) of other current liabilities		(3,415)	(2,083)
Change in Working Capital		**(18,639)**	**(43,414)**
Net interest received (paid) in the period		(13,131)	(12,519)
Income tax paid in the period		(62)	9,876
Net cash flow from operating activities		**2,211**	**(20,875)**
Purchase of intangible assets, net of sales	4	(1,077)	(1,042)
Purchase of property, plant and equipment	3	(8,946)	(2,928)
Proceeds from sales of property, plant and equipment	3	108	157
Acquisition of investments		0	(197)
Decrease (increase) of financial assets		(68)	(108)
Discontinuing activities	9	100	0
Net cash flow used in investing activities		**(9,883)**	**(4,118)**
Increases of bank borrowings		0	0
Decreases of bank borrowings		0	0
Payment of financial lease liabilities	11	3,202	(159)
Proceeds from/(reimburse of) short term bank debt	11	4,131	(877)
Proceeds from non-current borrowings	11	1,578	15,488
Net cash flow from /(used in) financing activities		**8,911**	**14,452**
Changes in cash and cash equivalents		1,239	(10,541)
Cash and cash equivalents at the beginning of the period		174,992	114,391
Changes in cash and cash equivalents		**1,239**	**(10,541)**
Cash and cash equivalents at the end of the period		**176,231**	**103,850**
Details of cash and cash equivalents:			
Cash and cash equivalent		176,231	103,850
TOTAL CASH AND CASH EQUIVALENTS		**176,231**	**103,850**

Supplementary information (in thousands of Euro)	For the three months ended 31 March 2017	For the three months ended 31 March 2016
Interest paid	(13.354)	(13.857)
Interest received	223	1.058
Dividends received	0	0

The accompanying notes are an integral part of the
Unaudited Interim Condensed Consolidated Financial Statements

Unaudited interim condensed consolidated financial statements
Consolidated statement of changes in shareholders' equity
For the three months ended 31 March 2017

(in thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the period	Total Group's shareholders equity	Non-controlling interests	Total shareholders' equity
1 January 2017	**109,150**	**187,856**	**(7,518)**	**33,649**	**323,137**	**235**	**323,372**
Cost connected with the issue of share capital							**0**
Allocation of prior year result		221	33,428	(33,649)	**0**		**0**
Total comprehensive income (loss) for the period		(614)		13,348	**12,734**	22	**12,756**
31 March 2017	109,150	187,463	25,910	13,348	335,871	257	336,128

(in thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the period	Total Group's shareholders equity	Non-controlling interests	Total shareholders' equity
1 January 2016	**109,150**	**188,349**	**37,498**	**(45,412)**	**289,585**	**380**	**289,965**
Cost connected with the issue of share capital							**0**
Allocation of prior year period		(394)	(45,018)	45,412	**0**		**0**
Total comprehensive income (loss) for the period		(407)		8,073	**7,667**	(170)	**7,497**
31 March 2016	**109,150**	**187,549**	**(7,520)**	**8,073**	**297,252**	**210**	**297,462**

The accompanying notes are an integral part of the
Unaudited Interim Condensed Consolidated Financial Statements

Unaudited interim condensed consolidated financial statements Condensed explanatory notes 31 March 2017

1. General information

The interim Report on operations of the Manutencoop Facility Management Group ("the MFM Group" or "the Group") as of 31 March 2017 and for the thee month periods ended 31 March 2017 and 2016 consists of the Interim Report and of the Condensed Consolidated Interim Financial Statements at 31 March 2017, which were prepared in the application of IAS 34—Interim Financial Reporting. The publication of the Interim Report on operations of MFM Group for the period ended 31 March 2017 was authorized by resolution of the Management Board of 15 May 2017.

As at 31 March 2017, the Group is 59.765% owned by Manutencoop Società Cooperativa, with registered office in Zola Predosa (BO), which in turn exercises management and coordination activities over the Group. Furthermore, on 1 July 2013 the company acquired an additional stake of 7.028% with retention of title ("riserva di proprietà"), whereby it is vested with related financial and administrative rights, pursuant to and for the purposes of article 1523 of the Italian Civil Code.

2. Basis of presentation

The condensed consolidated interim financial statements at 31 March 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 Condensed explanatory notes

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

The Statement of Financial Position sets forth assets and liabilities distinguishing between current and non-current. The Statement of profit or loss classifies costs by nature and 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 condensed consolidated interim financial statements at 31 March 2017 have been presented in Euro, which is the Group's functional currency. All values showed in the statements and in the condensed explanatory Notes are in thousands of Euro, unless otherwise stated.

Statement of compliance with international accounting standards (IFRS)

The condensed consolidated interim financial statements at 31 March 2017 have been prepared in compliance with IAS 34—Interim Financial Reporting.

The condensed consolidated interim financial statements do not include all the information required for the complete annual financial statements prepared according to IAS 1, and must be read together with the Consolidated Financial Statements as at 31 December 2016.

Changes in accounting standards and disclosures

The criteria adopted for the preparation of the condensed consolidated interim Financial Statements at 31 March 2017 are consistent with those used to prepare the annual consolidated Financial Statements as at 31 December 2016, to which reference is made for their detailed presentation, with the exception of the standards and interpretations which are newly issued and applicable from 1 January 2017.

The Group did not provide for the early adoption of any standard, interpretation or improvement issued but still not obligatorily in force

Discretionary assessments and significant accounting assumptions

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

Discretionary assessments

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

Uncertainty of estimates

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

Impairment test

Goodwill is subject to impairment test at least annually, or more frequently if there is an indication of potential impairment in the carrying amounts. This requires an estimate of the value in use of the CGU (cash-generating unit) to which the goodwill is allocated, in turn based on an estimate of expected cash flows from the CGU and their discounting on the basis of a suitable discount rate. At 31 March 2017, the carrying amount of the goodwill stood at €370,456 thousand (which remained unchanged, €370,456 thousand at 31 December 2016). More details are given in note 5.

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

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

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

Income taxes for the period

The income taxes for the period have been recognized by applying the best estimate of the expected weighted-average tax rate for the entire current financial year to the results for the period. A separate estimate is determined for IRES and IRAP, as provided by IAS 34 B.14.

The amounts allocated for taxes in the interim period are adjusted in subsequent interim periods of the same year pursuant to any changes in the estimated annual tax rate.

Other financial position items

Management also needed to use estimates in determining:

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

Consolidation principles

The condensed Consolidated Interim Financial Statements include the financial statements of Manutencoop Facility Management S.p.A. (the ''Parent Company, "MFM S.p.A." or simply "MFM") and its subsidiaries, prepared as at 31 March 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 and losses arising from intra-Group transactions, which are recognized under assets, are eliminated in full.

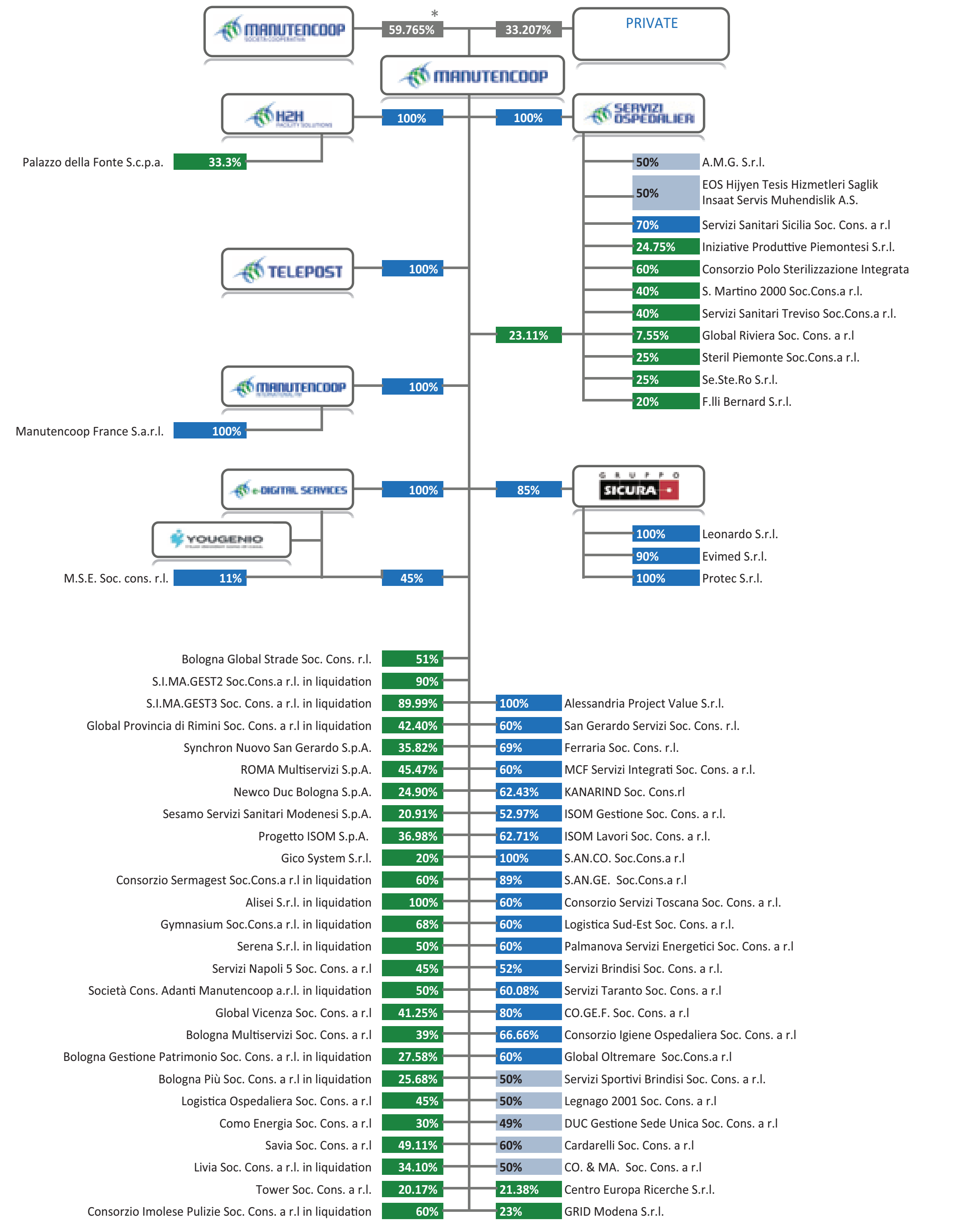
Subsidiaries are fully consolidated starting from the acquisition date, i.e. the date on which the Group acquires control, and are deconsolidated on the date in which control is transferred out of the Group.

Acquisitions of subsidiaries, with the exception of those deriving from combinations of entities subject to common control, are accounted for using the purchase method. This involves the allocation of the cost of the business combination to the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and the inclusion of the result of the company acquired starting from the date of acquisition until the end of the fiscal year. Joint-venture 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 March 2017 is shown below.



Legend:

- Subsidiaries consolidated on a line-by-line basis (blue)
- Joint Ventures consolidated by equity method (light blue)
- Associates and other companies consolidated by equity method (green)

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

We point out that on March 20, 2017 the company "Manutencoop Transport S.a.S." was established, which is entirely owned by Manutencoop France S.a.r.l..

3. Property, plant and equipment

The table below shows the changes in property, plant and equipment (owned and under a financial lease) in the period ended 31 March 2017.

(in thousands of Euro)	Properties	Plant and equipment	Properties leased	Plant and equipment leased	Total
As of 1 January 2017, net of accumulated depreciation and impairment	**13,705**	**50,779**	**26**	**1,600**	**66,110**
Additions from acquisitions		4,462	4,484		**8,946**
Disposals		(108)			**(108)**
Depreciation for the period	(86)	(4,672)	(8)	(88)	**(4,854)**
Others					**0**
As of 31 March 2017	**13,619**	**50,461**	**4,502**	**1,512**	**70,094**
As of January 1, 2017					
Cost	16,005	334,864	236	4,950	**356,055**
Accumulated depreciation and impairment losses	(2,300)	(284,085)	(210)	(3,350)	**(289,945)**
Net Book Value	**13,705**	**50,779**	**26**	**1,600**	**66,110**
As of 31 March 2017					
Cost	16,005	339,219	4,720	4,949	**364,893**
Accumulated depreciation and impairment losses	(2,386)	(288,758)	(218)	(3,437)	**(294,799)**
Net Book Value	**13,619**	**50,461**	**4,502**	**1,512**	**70,094**

The additions from acquisitions in the first 3 months of the year relate to the linen in the Laundering&Sterilization segment for €3,445 thousand and to the purchases of other machinery and specific equipment for €1,017 thousand. On 3 March 2017 the subsidiary Servizi Ospedalieri S.p.A. entered into a finance lease agreement with Unicredit Leasing S.p.A. for the acquisition of the plant located in Lucca, which had been already used under a lease agreement by Manutencoop Immobiliare S.p.A. (a company in the Manutencoop Società Cooperativa Group, which was the owner of the same). The financed value is equal to €4,467 thousand, to which must be added additional charges of €17 thousand. The finance lease term is 12 years, with an initial maxi-rental of €1,117 thousand and unvaried monthly instalments.

Furthermore, plant and machinery were disposed of for an additional total amount of €108 thousand.

4. Intangible assets

(in thousands of Euro)	Other intangible assets	Goodwill	Total
As of 1 January 2017, net of accumulated amortization and impairment	**26,114**	**370,456**	**396,570**
Additions from acquisitions	1,077	0	1,077
Amortization of the period	(1,813)	0	(1,813)
As of 31 March 2017	**25,378**	**370,456**	**395,834**
As of January 1, 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**
As of 31 March 2017			
Cost	104,012	372,849	476,861
Accumulated amortization and impairment losses	(78,634)	(2,393)	(81,027)
Net Book Value	**25,378**	**370,456**	**395,834**

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

Other intangible assets, amounting to €25,378 thousand at 31 March 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 made in the period (€1,077 thousand) were attributable almost entirely to ASA Facility Management (€971 thousand) and in particular related to the subsidiary Yougenio S.r.l. (€250 thousand).

5. Impairment testing 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 suppliers of specialist services
- Telepost S.p.A. which provides 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 condensed consolidated Financial Statements at 31 March 2017, relating to the different CGUs, which remained unchanged compared to the value reported in the Consolidated Financial Statements at 31 December 2016.

Carrying amount of consolidated goodwill (in thousands of Euro)	31 March 2017	31 December 2016
Goodwill allocated to Facility Management CGU	358,693	358,693
Goodwill allocated to Laundering&Sterilization CGU	11,763	11,763
CONSOLIDATED GOODWILL	**370,456**	**370,456**

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

At 31 March 2017, the Management did not identify any elements for impairment on the cash generating units and, therefore, it did not proceed to update the impairment test performed at the time of the preparation of the consolidated Financial Statements as at 31 December 2016.

6. Investments accounted for under the equity method

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

At 31 March 2017, the item of the investments valued at Equity amounted to €31,073 thousand, against €30,462 thousand at the end of the previous year.

(in thousands of Euro)	Net assets	Net assets
	31 March 2017	31 December 2016
Investments valued at Equity	31,147	30,534
Provision for risks on investments	(74)	(72)
INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	**31,073**	**30,462**

Details of changes during the period are shown in Annex II attached to the Interim Report on Operations.

In the first 3 months of 2017 investments accounted for under the equity method recorded a positive result equal to €1,227 thousand, for the share attributable to the Group, as a result of the recording of income from equity investments of €1,308 thousand and write-downs of €81 thousand. Furthermore, negative effects were recognised directly under consolidated equity for a total of €614 thousand.

7. Other investments and non-current financial assets

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

(in thousands of Euro)	31 March 2017	31 December 2016
Other investments	3,850	3,850
Non-current financial assets	11,758	11,769
Other non-current assets	2,819	2,323
OTHER NON-CURRENT ASSETS	**18,427**	**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. The 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 and other securities, amounting to €11,758 thousand at 31 March 2017 (€11,769 thousand at 31 December 2016), are composed of:

- €7,695 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 €7,803 thousand, while the discounting fund amounts to €108 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.

- €3,962 thousand of non-current financial receivables from third parties (€4,053 thousand at 31 December 2014).

- €101 thousand of securities held to maturity, unchanged in comparison to December 31, 2016.

Other non-current assets, amounting to €2,819 thousand as at 31 March 2017 (€2,323 thousand at 31 December 2016), mainly consist of security deposits related to long-term income-generating manufacturing contracts (€1,634 thousand) and long-term deferrals relating to some contracts (€887 thousand).

8. Trade receivables, advances to suppliers and other current assets

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

(in thousands of Euro)	31 March 2017	of which from related parties	31 December 2016	of which from related parties
Work in progress on order	16,934		18,178	
Third party trade receivables, gross	437,619		428,037	
Allowance for doubtful accounts	(32,071)		(33,410)	
Provision for discounting of trade receivables	0		0	
Trade receivables due from third parties	**422,482**	**0**	**412,805**	**0**
Receivables from parent company	64	64	60	60
Trade receivables from associates	39,496	39,496	36,261	36,261
Trade receivable from related entities	3,584	3,584	4,090	4,090
Trade receivables due from the Group	**43,144**	**43,144**	**40,411**	**40,411**
Advances to suppliers	2,993	20	2,879	21
Total receivables and advances to suppliers	**468,619**	**43,164**	**456,095**	**40,432**
Other tax receivables due within 12 months	18,018		13,629	
Other current receivables due from third parties	5,274		6,987	
Short-term receivables due from social security institutions	3,101		2,700	
Short-term receivables due from employees	404		480	
Other short-term operating receivables due from third parties	**26,797**	**0**	**23,796**	**0**
Other receivables from parent company	3	3	7	7
Other receivables from associates	661	661	826	826
Other short-term operating receivables due from Group companies	**664**	**664**	**833**	**833**
Accrued income	0		0	
Prepaid expenses	1,749		1,303	
Accrued income and prepaid expenses	**1,749**	**0**	**1,303**	**0**
Other current receivables	**29,210**	**664**	**25,932**	**833**

The balance of trade receivables and advances to suppliers, which also includes inventories of contract work in progress, amounted to €468,619 thousand as at 31 March 2017, up by €12,524 thousand compared to 31 December 2016 (€456,095 thousand). The change in question was mainly contributed to by trade receivables from third parties, equal to €422,482 thousand at 31 March 2017 (31 December 2016: €412,805 thousand).

The 2017 financial year saw the continuation of assignments of trade receivables without recourse, under the agreement entered into by the Parent Company MFM S.p.A. and by Servizi Ospedalieri S.p.A. with Banca Farmafactoring S.p.A. during 2016 concerning receivables from the National Health System for an annual transferrable amount of €100 million. The committed credit line will expire in 2019. During the first 3 months of the year assignments were made in an overall nominal amount of €11,278 thousand, subject to derecognition pursuant to IAS 39 in consideration of the features of the transactions, against interest discount costs of €175 thousand. As at 31 March 2017 the balance of receivables assigned without recourse but not yet collected by Banca Farmafactoring amounted to €13,836 thousand, to which must be added an amount of €1,234 thousand relating to assignments without recourse that were made to Credit Agricole in previous financial years and that were no longer implemented starting from the 2013 financial year.

Finally, trade receivables from the Group amounted to €43,144 thousand (€40,411 thousand at 31 December 2016), in addition to advances of €20 thousand (€21 thousand at 31 December 2016).

A specific allowance for doubtful accounts was recorded in connection with non-performing receivables, which are difficult to fully recover, amounting to €32,071 thousand at 31 March 2017 (at 31 December 2016: €33,410 thousand). Changes in the provision during the quarter are detailed as follows:

(in thousands of Euro)	31 December 2016	Increases	Utilizations	Releases	Other changes	31 March 2017
Allowance for doubtful accounts	33,410	920	(2,245)	(14)	0	32,071

Other current assets, equal to €29,210 thousand (€25,932 thousand at 31 December 2016) decreased by an overall amount of €3,278 thousand in the period. This mainly includes receivables arising from the VAT settlements of Group companies (€16,593 thousand compared to €12,197 thousand at 31 December 2016).

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

9. Assets classifies as held for sale and liabilities directly associated with assets classified as held for sale

During the first three months of 2017 no "Non-current assets classified as held for sales" and related "Liabilities directly associated with assets classified as held for sale" in accordance with ex IFRS5 were accounted.

Moreover, neither charges nor profits related to the disposal of operating assets were accounted.

During the quarter continued the partial collection for a total amount of €100 thousand of the residual receivable due from the acquirer of Energyproject S.r.l., sold in 2014 by MFM S.p.A..

10. Share capital and reserves

(in thousands of Euro)	31 March 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 March 2017 amounted to 109,149,600. The Parent does not hold own shares.

Reserves and Retained Earnings

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

(in thousands of Euro)	Share premium reserve	Legal reserve	SE reserves companies valued at equity	Cash flow hedge reserve	SORIE reserve	Other reserves	Total reserves
1 January 2016 Restated	**145,018**	**18,383**	**3,079**	**0**	**(4,465)**	**26,334**	**188,349**
Allocation of profits of previous years					(396)		(396)
Economic effects on equity			285		(370)	(11)	(96)
31 December 2016	**145,018**	**18,383**	**3,364**	**0**	**(5,233)**	**26,323**	**187,856**
Allocation of profits of previous years					221		221
Economic effects on equity			(614)				(614)
31 March 2017	**145,018**	**18,383**	**2,750**	**0**	**(5,011)**	**26,323**	**187,463**

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

- The reserve originating from the recognition of transactions under common control, which includes the differences between the purchase cost and the net carrying amount of the assets acquired under business combinations between entities under common control, for a negative amount of €45,400 thousand as at 31 March 2017.
- The Parent Company's extraordinary reserve (€73,229 thousand).

The table below shows changes in Retained earnings:

(in thousands of Euro)	Accumulated profits (losses) of the Parent Company	Consolidation reserve	Total retained earnings
1 January 2016 Restated	**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	17,845	15,583	33,428
31 March 2017	**(22,602)**	**48,512**	**25,910**

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 on Consolidation principles.

(in thousands of Euro)	31 March 2017	31 December 2016
Equity attributable to minority interests	**257**	**235**
of which attributable to:		
Subsidiaries of Sicura S,p,A,	186	164
Other minor consortia	71	71

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

11. Bank borrowings, including portion of long term debts and other financial liabilities

Net financial indebtedness as of 31 March 2017 amounted to €182,628 thousand, compared to €180,942 thousand as of 31 December 2016. Below is the related breakdown by balance sheet lines:

(in thousands of Euro)	31 March 2017	31 December 2016	Change
Long-term financial debt	308,831	305,482	3,349
Bank borrowings, including current portion of long-term debt, and other financial liabilities	52,079	52,839	(760)
Financial liabilities	**360,910**	**358,321**	**2,589**
Medium/long-term derivatives	0	0	0
Gross financial indebtedness	**360,910**	**358,321**	**2,589**
Cash and cash equivalents	(176,231)	(174,992)	(1,239)
Current financial assets	(2,051)	(2,387)	335
NET FINANCIAL INDEBTEDNESS	**182,628**	**180,942**	**1,686**

Bank borrowings, including current portion of long-term debt and other financial liabilities

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

(in thousands of Euro)	31 March 2017	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	294,969		294,969	
C.C,F.S. loan	10,000		10,000	
Prepaid expenses on financial interest	(50)	(50)		
Accrued interest expense	4,310	4,310		
Long-term bank borrowings and current portion of long-term bank borrowings	**309,229**	**4,260**	**304,969**	**0**
Current account overdrafts, advance payments and hot money	15,988	15,988		
Finance lease obligations	4,116	669	1,491	1,956
Loans from syndicated shareholders	360	360		
Loan from the parent company (Manutencoop Cooperativa)	0			
Other financial liabilities	7	7		
Obligation to factoring agencies	2,920	2,920		
Obligations from assignments of receivables with recourse	21,934	21,934		
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 associates	692	277	415	
Total financial liabilities	**360,910**	**52,079**	**306,875**	**1,956**

(in thousands of Euro)	31 December 2016	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	294,648		294,648	
C.C.F.S. loan	10,000		10,000	
Prepaid expenses on financial interest	(47)	(47)		
Accrued interest expense	10,681	10,681		
Long-term bank borrowings and current portion of long-term bank borrowings	**315,282**	**10,634**	**304,648**	**0**
Current account overdrafts, advance payments and hot money	11,857	11,857		
Finance lease obligations	914	495	419	
Loans from syndicated shareholders	357	357		
Loan from the parent company (Manutencoop Cooperativa)	0			
Other financial liabilities	6	6		
Obligation to factoring agencies	2,744	2,744		
Obligations from assignments of receivables with recourse	20,805	20,805		
Debt for the acquisition of investments/business units	226	226		
Options on subsidiaries' minority shareholdings	5,438	5,438		
Share capital to be paid into associates	692	277	415	
Total financial liabilities	**358,321**	**52,839**	**305,482**	**0**

Senior secured notes (MFM S.p.A.)

On 2 August 2013 the Parent Company MFM S.p.A. issued secured High Yield bonds (Senior Secured Notes) due 1 August 2020, restricted to institutional investors. The proceeds of the transaction were used to repay most of the existing bank loans and replace the revolving programs for the assignment of trade receivables without recourse. The bonds, which are listed on the Euro MTF Market of the Luxembourg Stock Exchange and on the Extra MOT Pro Segment of the Italian Stock Exchange, was issued for a nominal value of €425 million, with an issue price below par by 98.713%, with a fixed annual 8.5% coupon on a six-monthly settlement basis. At 31 March 2017 the nominal value recognised in the accounts was €300 million, given the buy-back operations carried out in 2014 and 2015, respectively, for €45 million and €80 million of nominal portions. None of the notes purchased (nominal value €125 million) were cancelled; they were deposited in a securities account with Unicredit S.p.A. and are reported in the Statement of Financial Position as a straight reduction of total financial debt since, from the accounting point of view, they constitute the repayment of a debt. Furthermore, an amount of €14 million of the same were pledged against the committed 3-year credit line of €10 million obtained from CCFS.

Finally, financial costs were accounted for in the period for €321 thousand, against the upfront fees paid when the bonds were issued, accounted for at amortised cost, in compliance with IAS 39.

To protect the investment of the Bondholders of the so-called notes, the rules governing the bond issue provide for a system of guarantees and restrictions (covenants). In fact, some limitations are envisaged on the financial operations of the Issuer and of its subsidiaries, while leaving the Group the freedom of movement insofar as the operations undertaken contribute, at least potentially, added value and cash flows to the Group. These restrictions consist of limitations on the possibility of incurrence of indebtedness and of making distributions of dividends, investments and some types of payments that fall outside the scope of the so-called Restricted Group payments. Furthermore, there are provisions in relation to the allocation of sums obtained from the transfer of fixed assets, extraordinary operations and transactions with related parties and the issue of collaterals to third parties on corporate assets. The restrictions in question lie not so much in the absolute prohibition on carrying out the abovementioned operations, but rather in checking for compliance with certain financial ratios (incurrence base financial covenants), the presence of certain conditions or a quantitative limit on the performance of the above operations. Finally, periodic disclosure obligations are provided for in relation to the Group's financial position, results of operation and cash flows.

The limits and provisions envisaged in the rules governing the bond issue are in line with the market practice for similar operations. The failure by the Issuer to comply with one or more covenants, in addition to significant events that express a state of insolvency, constitute events of default. For the most of them, there is the possibility of remediation within a certain period of time. The event of default relating to the state of insolvency or the absence of remediation of any other events of default are a reason for acceleration, i.e. the forfeiture of the right to the time limit and the early redemption of the bonds. As at the reporting date of these financial statements, no events of default had occurred and the financial covenants, in relation to which no periodic check is required, had been complied with.

C.C.F.S. loan

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

Accrued interest expense

At 31 March 2017, the Group recognised accrued expenses on interest payable of €4,310 thousand, of which €4,250 thousand relating to the amount accrued on the coupon of the Senior Secured Notes due 2 August 2017. The balance of the latter items includes an amount accrued on the total coupons being paid equal to € 6,021 thousand, net of accrued income of €1,771 thousand relating to the Notes held on securities accounts.

Obligations arising from finance lease

The lease agreements entered into are not secured and refer to the companies MFM S.p.A., 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 finance lease agreement with Unicredit Leasing S.p.A. for purchasing a building located in Lucca, already rented from Manutencoop Immobiliare S.p.A. (a company of the Manutencoop Group which owned the building). The financed amount is equal to €4,467 thousand. The finance lease will last for 12 years with a first large installment equal to €1,117 thousand and monthly straight-line installments, including a purchase option at contract end.

Syndicated loans

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

The balance of this item, equal to €357 thousand, unchanged in comparison 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, which was entered into with Banca Farmafactoring S.p.A., in relation to which the Parent Company MFM performs the service of receipts. The amounts collected (equal to €2,920 thousand at 31 December 2017) were transferred to the factor in the first days of the subsequent financial year.

Obligations from assignments of receivables with recourse

During 2015 MFM S.p.A. entered into an agreement for the assignment with recourse of trade receivables with Unicredit Factoring S.p.A., concerning receivables from Public Authorities. The assignments took place in more than one tranche starting from the last quarter of 2015. During 2017 assignments were made at a nominal value of receivables of €11,254 thousand, while the amount of receivables assigned but not yet collected by the factor at 31 March 2017 amounted to €21,934 thousand.

Options on subsidiaries' minority shareholdings

The €5,435 thousand, unchanged in comparison to December 31, 2016, reported as the value of options on subsidiaries' minority shareholdings is, in its entirety, the residual value of the Put option held by the minorities of Gruppo Sicura S.r.l. (acquired in 2008 and now merged by incorporation into Sicura S.p.A.).

Current financial assets

At 31 March 2017, Current financial assets amounted to €2,051 thousand (at 31 December 2016: €2,387 thousand), mainly including:

- the remaining balance, equal to €950 thousand, of the receivable for the earn-out paid on the transfer of SMAIL S.p.A, unchanged in comparison to December 31, 2016;
- €769 thousand of receivables from short-term loans and financial accounts held with non-consolidated companies belonging to the Group.
- 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 €208 thousand.

12. Employee termination indemnity

Changes in employee termination indemnity (''T.F.R.'') occurred during the first three months of 2017 are shown below, compared with changes in the same period of the last year.

(in thousands of Euro)	31 March 2017	31 March 2016
Employee termination indemnity at the beginning of the period	**17,043**	**18,424**
Increases from business combinations		
Current service cost	134	118
Interest costs on benefit obligations	61	90
Benefits paid	(786)	(370)
Transfers of businesses/branches		
Net actuarial (gains)/ losses from benefit obligations		
Other changes	7	(50)
Employee termination indemnity at the end of the period	**16,459**	**18,212**

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

(in thousands of Euro)	31 March 2017	31 March 2016
Curtailment	0	0
Current service costs	134	118
Interest costs on benefit obligation	61	90
Actuarial gains (losses) on defined benefit plans		
Total	**195**	**208**

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 three months ended	
	31 March 2017	31 March 2016
Executives	59	59
Office workers	1,254	1,282
Manual workers	14,884	15,128
AVERAGE STAFF	**16,197**	**16,469**

The average number of leased employees provided to the Group by Manutencoop Società Cooperativa was equal to no. 432 units at 31 March 2017 (31 March 2016: no. 480 units).

13. Provisions for risks and charges

Below are reported the breakdown and changes in provisions for risks and charges for the period ended 31 March 2017:

(in thousands of Euro)	Provision on investment	Risk on job order	Pending litigation	Tax disputes	ISC	Severance provision	Provision for bonus	Other provision	Total
As of January 1, 2017	73	8,153	43,037	478	202	2,000	0	1,294	55,237
Accruals	1	33	566						600
Utilization (payments)		(72)	(257)			(466)		(17)	(811)
Unused and reversed		(5)	(42)						(47)
Other			(14,732)			32			(14,700)
As of March 31, 2017	74	8,109	28,572	478	202	1,566	0	1,278	40,279
Short- term 2017	74	7,780	423	478	0	1,566	0	24	10,346
Long-term 2017	0	329	28,149	0	202	0	0	1,254	29,933
Short- term 2016	73	7,779	361	478	0	2,000	0	24	10,715
Long-term 2016	0	374	42,676	0	202	0	0	1,270	44,522

Provision for risks on investments

The item, amounting to €74 thousand as at 31 March 2017, includes the provision for unrecoverable future losses of Group companies and fully 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 year-end balance was equal to €8,109 thousand, against accruals of €33 thousand, in addition to uses, releases and other changes that entailed a decrease of €77 thousand in the provision.

Provision for pending disputes

At the end of the financial year, the company assesses the risk of having to pay future compensation in the event of unsuccessful legal disputes with customers, suppliers, employees and other. During the period ended 31 March 2017 the provision, totalling € 28,571 thousand, reported increases for accruals of € 566 thousand and decreases for uses, releases and other changes totalling € 15,032 thousand.

Accruals were mainly recognized to cover risks of Servizi Ospedalieri S.p.A. for € 29 thousand and of the Parent Company MFM S.p.A. for € 452 thousand. Utilization and reversal in the period (€ 299 thousand) refer to the provisions recorded in previous years due to the settlement of disputes with suppliers and legal proceedings with other parties.

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 has rejected the arguments on which the charge was based and challenged the Authority's order before the Lazio Regional Administrative Court (*Tribunale Amministrativo Regionale*, TAR). On 14 October 2016 the Lazio Regional Administrative Court (*Tribunale Amministrativo Regionale*, TAR) handed down its ruling, only partially granting the appeal filed by MFM S.p.A. and referring the papers to AGCM for a new calculation of the fine, with the recommendation to reduce both the related taxable base (limiting it to the amount set for the tender) and the percentage to be applied to the abovementioned amount (from 15% to 5%). MFM S.p.A. challenged the judgment on the merits before the Council of State, which, on 28 February 2017, handed down its ruling, confirming the order issued by the Lazio Regional Administrative Court. In any case, MFM S.p.A. intends to also challenge the Council of State's judgment, filing an appeal with the Supreme Court. Finally, on 23 December 2016, AGCM executed the Lazio Regional Administrative Court's ruling and adopted a new order, calculating the fine in € 14,700 thousand. This order was also challenged before the Lazio Regional Administrative Court.

When closing the Financial Statements at 31 December 2016, in the light, among other things, of the appeals lodged by the parties, on which the competent courts have already ruled, the Directors recalculated the risk of outflows related to the Competition Authority fine as a maximum amount of € 14.7 million. On 24 March 2017, the Lazio Regional Administrative Court rejected the request for suspension of payment submitted by MFM S.p.A.: therefore, the entire amount of the fine has been reclassified to "Other operating liabilities" and reported in the statement of changes in provisions under "Other changes". Finally, AGCM handed down an order on 28 April 2017 concerning the payment by instalments requested by MFM S.p.A., allowing the latter to pay the fine in 30 monthly instalments at the legal interest rate (currently equal to 0.1%). The first instalment was paid by the Company on 3 May 2017.

As a result of the Competition Authority fine ruling, on 4 February 2016 Consip S.p.A. initiated a procedure to terminate the Agreements entered into within the tender in question, also informing the Company that it would consider the possibility of excluding it from future tenders for "work of the same type" (including pursuant to article 38, paragraph 1, letter f) of Legislative Decree 163/06). On 23 November 2016 Consip S.p.A. gave MFM S.p.A. notice of the final termination of the agreements, expressly stating that it would confiscate the part of the final guarantee deposit (performance bond) which remained after the deposit had been partially released considering the work done normally up to the termination date. It also notified the intention to report the events to the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) and to the Public Prosecutor's Office. Although ANAC issued an unfavourable opinion, which was considered to be unlawful and was promptly challenged by the Company), MFM S.p.A. considers that the termination of the agreement does not entail the automatic termination of existing contracts with individual schools but that termination is a mere right on the schools' part, which has not yet been exercised by any of them in relation to the abovementioned order. 24 April 2017 saw the publication of Decree Law no. 50 in the Official Gazette, which, under Article 64 (Services rendered to schools), provides, as regards the regions in which the Consip framework agreements have been terminated, for the continuation of acquisition of cleaning and other auxiliary services until 31 August 2017.

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 already announced in the letter of termination of the Agreements, together with the intention to submit 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 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 made an adjustment of the provisions for future charges in the Financial Statements at 31 December 2016, also taking account of the risk of enforcement of the abovementioned performance bond. MFM S.p.A. could submit sound arguments against the enforcement of the bond in court, but in any case the maximum estimated liability of € 17.5 million, which is the part of the bond which would remain after its partial release owing to the work carried out normally until termination, was allocated to the provision for legal disputes as early as at 31 December 2016.

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

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

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

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

Severance provision

This provision relates to the amounts due for severance and employee redundancy costs, as part of the 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 €1,014 thousand in MFM S.p.A., €460 thousand in Telepost S.p.A. and €92 thousand in Servizi Ospedalieri S.p.A.). In the first quarter of 2017 there were uses of €466 thousand (€418 thousand of which in MFM S.p.A.).

14. Trade payables, advances from customers and other current liabilities

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

(in thousands of Euro)	31 March 2017	31 December 2016
Payables to suppliers	315,344	315,137
Payables to third parties	**315,344**	**315,137**
Trade payables to parent company	4,347	4,770
Trade payables to associates	15,824	14,648
Payables to associates	**20,171**	**19,418**
Payables to customers for works to be completed	12,969	11,753
Trade payables and advances from customers	**348,484**	**346,308**
Payables to directors and statutory auditors	323	396
Tax payables	8,169	9,799
Payables to social security	5,348	8,080
Collections on behalf of third parties to be remitted to them	4,611	6,017
Payables to employees	55,483	46,661
Other payables	19,353	11,360
Property collection	2,176	2,176
Other payables to third parties	**95,463**	**84,489**
Other current payables to parent company	42	62
Other payables to Group subsidiaries	461	(17)
Other current operating payables to Group	**503**	**45**
Accrued expenses	6	9
Deferred income	1,201	1,366
Accrued expenses and deferred income	**1,207**	**1,375**
OTHER CURRENT LIABILITIES	**97,173**	**85,909**

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

Trade payables and advances from customers as at 31 March 2017 amounted to €348,484 thousand, against a balance of €346,308 thousand at 31 December 2016.

Other current operating payables showed a balance of €97,173 at 31 March 2017 and are mainly made up of the following items:

- payables to employees of €55,483 thousand, including the current monthly salaries to be paid in the months after the closing of the financial year, as well as payables for additional monthly salary to be paid (a portion of the 14th salary, to be paid in the month of July, and of the 13th salary, to be paid every year in December). Furthermore, the corresponding payables to social security institutions were recognized for €5,348 thousand;
- payables due to tax authorities for €8,169 thousand, mainly related to employees' IRPEF personal income tax (€9,799 thousand at 31 December 2016);
- collections on behalf of Temporary Associations of Companies for €4,611 thousand, which relate to the amounts collected by the Group, on behalf of third parties, mainly relating to job orders under CONSIP agreement (€6,017 thousand at 31 December 2016).

"Other payables within 12 months" included, until 31 December 2016, the debt relating to "*oneri di sistema*". 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*" had been recognised for a total amount of €6,152 thousand in previous years (according to the regulatory provisions laid down under Decree Law 91/2014, as amended and converted by Law 116/2014 and the related implementing decree enacted 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. Specifically, the amendments affect the current regulations governing "*Oneri di sistema*" and in particular the rule was repealed, which, except for the RIUs (*Reti Interne di Utenza*, Internal Utility Networks), general *oneri di sistema* are calculated by making reference to energy consumption. According to the previous Bersani Decree (Legislative Decree 79/99), *oneri di sistema* are payable according to the energy withdrawn from the grid and, accordingly, any entity that does not withdraw energy from the grid, because it produces electricity on its own account, is exempt from the payment of said charges. Therefore, according to the new regulations, the management of MFM S.p.A. believe that no additional *Oneri di Sistema* must be recognised during 2017, also given that payment obligations have ceased to apply to those relating to previous years, for which no payment has yet been made.

During the first quarter of 2017, the same item included the recognition of the debt relating to the fine imposed by AGCM (€14,700 thousand) following the rejection by the Lazio Regional Administrative Court of the request for suspension of payments submitted by MFM S.p.A. (for more details, reference should be made to note 13 above). By an order dated 28 April 2017, AGCM granted the payment of the fine in 30 monthly instalments, at the legal rate of interest, which is currently equal to 0.1%. Therefore, MFM S.p.A. has reclassified the provision for legal disputes that had already been set aside in previous years.

15. Commitments and contingent liabilities

Financial leasing

The Group signed financial leases primarily for plant and machinery used in the production processes of the Laundering&Sterilization SBU and for motor vehicles. As already mentioned, on March 3, 2017 the subsidiary Servizi Ospedalieri S.p.A. signed a financial lease agreement for buying a building in Lucca.

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

(in thousands of Euro)	31 March 2017		31 December 2016	
	Rental fees	Current value of rental fees	Rental fees	Current value of rental fees
Within one year	805	669	523	495
From one year to five years	1,625	1,492	439	419
After five years	2,685	1,955	0	0
TOTAL LEASE FEES	**5,115**	**4,116**	**962**	**914**
Financial charges	(999)		(48)	
CURRENT VALUE OF LEASE FEES	**4,116**	**4,116**	**914**	**914**

As at 31 March 2017, the Group granted sureties to third parties for:

- guarantees in favour of associates for bank overdrafts and other obligations amounting to €15,659 thousand (31 December 2016: €16,057 thousand);
- guarantees in favour of Factoring Agencies amounting to €2,104 thousand (unchanged in comparison to December 31, 2016), to ensure correct fulfilment of factoring contracts;
- other sureties granted to third parties: i) to ensure the correct fulfilment of contract obligations in place with customers amounting to €226,194 thousand (31 December 2016: €225,516 thousand); ii) for financial obligations for a total amount of €2,225 thousand (unchanged in comparison to December 31, 2016); iii) to replace security deposits required to activate utilities or for lease contracts, as well as for VAT refunds from Inland Revenue Agency, for a total amount of €4,883 thousand (31 December 2016: €4,657 thousand);

Guarantees given within the bond issue

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

- first-recorded pledge on the shares held by MFM S.p.A. H2H Facility Solutions S.p.A. and in Servizi Ospedalieri S.p.A., equal to 100% of the capital of the same;
- assignment as security of receivables from private customers claimed by MFM S.p.A. and H2H Facility Solutions S.p.A.. At 31 March 2017 the receivables assigned as security amounted to €70,018 thousand (€68,285 thousand at 31 December 2016);
- execution of a deed of pledge on the current accounts held with Unicredit S.p.A., which were credited with the amounts collected from private customers assigned as security. The balance of these current accounts at 31 March 2017 was equal to €7,223 thousand (€13,627 thousand as at 31 December 2016);
- the release by Servizi Ospedalieri S.p.A. and H2H Facility Solutions S.p.A. of a personal security for an overall maximum amount of €48,411 thousand and €16,907 thousand, respectively, at 31 March 2017.

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 March 2017 no events of default had occurred.

Contingent liabilities

As at the date of approval of the Consolidated Financial Statements at 31 March 2017, no contingent liabilities had arisen for the MFM Group which had not been recognised in the accounts, in addition to the information already reported in the Notes to the 2016 Consolidated Financial Statements, to which reference should be made, and for which the Management believes that the related financial risks can be regarded as possible but not probable.

In particular:

- as regards the proceedings that are involving MFM S.p.A. as liable for the offences of arson recklessly endangering life and breach of safety regulations following the fire that occurred in the former Olivetti area in Scarmagno (Turin) hearings continued to be held before the Court of Ivrea, until the Court of first instance's ruling was issued on 24 February 2016, whereby the defendants were acquitted "for not having committed the crime". The insurance companies involved paid the injured parties over €38 million in damages and then formalised their application to recover the sum from both the individual persons charged and their employers, including MFM S.p.A.. The claim for damages amount to about €50 million in all, including the claims from the owners of the properties affected and the above insurance company claims. After careful consideration of the facts available and following the decision of acquittal at first instance , the Directors have deemed that the risk is possible but absolutely not probable. On 24 February 2017 AIG Europe Limited (one of the insurance companies which are party to the dispute) served a writ of summons on MFM S.p.A. and the persons involved, in order to seek, by way of subrogation, compensation for the amount already paid to Telesystem Electronics S.r.l (the owner of the goods stored at the plant in Scarmagno) for a value equal to €187 thousand.
- On 3 April 2017 the Naples Public Prosecutor's Office served a search order against some executives of the MFM S.p.A., 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 Hospital in 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 had initially taken a precautionary measure (obligation to stay pursuant to Article 283 of the Italian Code of Criminal Procedure) against the Company's executive who was the only one to be investigated and who was a Company's function manager at the time of the facts being contested, ordered the revocation of the precautionary measure at the end of the custodial interrogation. Finally, on 27 April 2017, a notice was formally served on MFM S.p.A., whereby the date was set to hold the hearing for discussing the request for application of precautionary disqualification measure submitted against the Company by the Public Prosecutor's Office. On 3 May 2017, the hearing was postponed to 26 May 2017 given the declared strike on the part of the associations of Criminal Lawyers. The Company declares that it is completely extraneous to the offences charged to its executives and has taken actions, within the normal relations with the control bodies, to define any appropriate in-depth analysis to be conducted.

16. Management of financial risks: objectives and criteria

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 Management Board, which are reviewed periodically. The main objective of these guidelines is to guarantee the presence of a liability structure that is balanced with the composition of the balance sheet assets, in order to maintain a high level of capital strength.

In 2013 the Parent Company issued secured high-yield bond due August 2020, which radically revised the composition of the sources of financing. The bond issue that has been described has then rationalised our debt structure with a view to greater future financial stability that is more consistent with medium- and long-term strategic growth and development targets. The other financial instruments that are traditionally used by the Group Companies are made up of:

- short-term loans and revolving non-recourse and recourse factoring transactions targeted at funding working capital;
- 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 March 2017 and 31 December 2016.

(in thousands of Euro)	31 March 2016	Hierarchy Level 1	Level 2	Level 3	31 December 2015	Hierarchy 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.

The Group has no financial liabilities measured at fair value at 31 March 2017 and 31 December 2016.

During the first quarter of 2017 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.

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.

(in thousands of Euro)	31 March 2017	31 December 2016
Employees termination indemnity	16,459	17,043
Long-term debt	351,603	305,489
Trade payables and advances from customers	348,484	346,308
Other current liabilities	97,173	85,909
Bank borrowings and current portion of long-term debt	9,307	52,832
Cash and cash equivalents	(176,231)	(174,992)
Current financial assets	(2,051)	(2,387)
Total Net Debt	**644,744**	**630,202**
Equity attribuitable to equity holders of the parent	335,871	323,137
Profit for the period attribuitable to equity holders of the parent	(13,348)	(33,649)
Total capital	**322,523**	**289,488**
EQUITY AND NET DEBT	**967,267**	**919,690**
Indebtedness ratio	**66,70%**	**68,50%**

A change was recorded in the debt ratio compared to 31 December 2016 mainly due to an increase in the capital equal to €33 million (after accounting among retained earnings the profit of previous year) more than proportional compared to the increase of Net Debt, equal to €14.5 million.

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 and are summarised below.

Facility management SBU

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

The so-called ''traditional'' Facility Management services provided by the 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, running and maintenance services of property-related systems (including heating and air conditioning systems, electrical systems, fire prevention and safety systems), including therein:

- design and implementation of redevelopment and adjustment work 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 include both the planning and implementation of maintenance of properties' green areas, and services for the area.

As a consequence of the diversification and horizontal integration strategy, the Group expanded its range of services through a series of acquisitions, providing certain specialist facility management services alongside its ''traditional'' Facility Management services, such as:

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

After establishing e-Digital Services S.r.l. in 2015 and Yougenio S.r.l. in 2016, the Group has embarked on a path to growth in B2B ("business to business") services markets as well as B2C ("business to consumer") markets. In particular, the B2B market is based on knowledge developed and consolidated at operating, managerial as well as sourcing level. The B2C market, on the other hand, aims to enter the "Consumer" services market for home and personal care, by leveraging on the creation of a digital platform easily accessible by a large range of potential customers.

SBU Laundering&Sterilization
The so-called Laundering and 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 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 following table shows the economic results by segment for the periods ended 31 March 2017 and 31 March 2016:

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Segment Revenues	206,074	33,175		(650)	238,599
Segment costs	(183,179)	(28,756)		650	(211,285)
Operating income (loss) by segment	22,895	4,419		0	27,314
Share of net profit of associates	1,170	57			1,227
Net financial income (expenses)					(7,125)
Profit (loss) before taxes					21,416
Income taxes					(8,046)
Profit (loss) from discontinued operations					0
NET PROFIT (LOSS) FOR THE PERIOD ENDED 31 MARCH 2017					13,370

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Segment Revenues	209,051	33,352		(707)	241,696
Segment costs	(192,761)	(29,752)		707	(221,806)
Operating income (loss) by segment	16,290	3,600		0	19,890
Share of net profit of associates	839	32			871
Net financial income (expenses)					(7,076)
Profit (loss) before taxes					13,685
Income taxes					(5,782)
Profit (loss) from discontinued operations					0
NET PROFIT (LOSS) FOR THE PERIOD ENDED 31 MARCH 2016					7,903

Below are reported the data related to assets and liabilities by operating segments of the Group at 31 March 2017 and 31 December 2016.

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Assets allocated to the segment	**480,304**	**119,625**		**(2,050)**	**597,879**
Goodwill	358,693	11,763			370,456
Investments					
Assets held for sale	28,962	6,035			34,997
Other assets not allocated and related taxes					214,212
SEGMENT ASSETS	867,959	137,424		(2,050)	1,217,545
Liabilities allocated to the segment	**453,509**	**50,936**		**(2,050)**	**502,395**
Other liabilities not allocated and related taxes					379,022
SEGMENT LIABILITIES AT 31 MARCH 2017	**453,509**	**50,936**		**(2,050)**	**881,417**

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Assets allocated to the segment	**465,278**	**116,058**		**(2,703)**	**578,633**
Goodwill	358,693	11,763			370,456
Investments					
Assets held for sale	28,406	5,978			34,384
Other assets not allocated and related taxes					215,942
SEGMENT ASSETS	852,377	133,799		(2,703)	1,199,045
Liabilities allocated to the segment	**454,924**	**52,274**		**(2,703)**	**504,495**
Other liabilities not allocated and related taxes					371,548
SEGMENT LIABILITIES AT 31 December 2016	**454,924**	**52,274**		**(2,703)**	**876,043**

18. Related party transactions

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

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

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

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

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

- e-Digital Solutions S.r.l. signed a contract with associate Roma Multiservizi S.p.A. on the basis of which it is committed to providing an Information System service. The contract, expiring on 31 December 2017, makes provision for an annual consideration of €815 thousand.
- Manutencoop Cooperativa sub-leased to MFM S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. It 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 12 monthly instalments.
- The affiliate company Manutencoop Immobiliare S.p.A. leased to Sicura S.r.l. Group the property located in Vicenza (VI), at via Zamenhof 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 12 monthly instalments.
- The affiliate company Manutencoop Immobiliare S.p.A. leased to MFM S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. Annual rent is equal to €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 Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Cooperativa to MFM S.p.A, pursuant to Title III, Chapter I of

Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a legislative contract that does not provide rights to third parties, MFM and the parent company Manutencoop Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Cooperativa, and the operating rules for establishing and resolving said contracts.

- Manutencoop Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the MFM Group, to preparing pay packets.
- MFM S.p.A. signed agreements with Manutencoop Cooperativa and its subsidiaries, for the provision of tax consultancy services.

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

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

Zola Predosa, 15 May 2017

The Chairman of the Management Board
Marco Canale

Annex I

Group companies

Parent company

Name	Registered Office	City
Manutencoop Facility Management S.p.A.	Via Poli no. 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)	80,00%	Subsidiary
Consorzio Igiene Ospedaliera Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	67%	Subsidiary
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Evimed S.r.l.	Via Zamenhof 363	Vicenza	90%	Subsidiary
e-Digital Services S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Ferraria Soc. cons. a r.l.	Via Poli 4	Zola Predosa (BO)	69%	Subsidiary
Global Oltremare Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
H2H Facility Solutions S.p.A.	Via Poli 4	Zola Predosa (BO)	100,00%	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%	Subsidiary
Leonardo S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
Logistica Sud Est Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Manutencoop International FM S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Manutencoop France S.a.r.l.	4 place Louis Armand-Tour de l'Horloge	Parigi	100%	Subsidiary
Manutencoop Transport S.a.S.	4 place Louis Armand-Tour de l'Horloge	Parigi	100%	Subsidiary
MCF servizi Integrati Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Palmanova Servizi Energetici Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Protec S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
S.AN.CO S.c.a.r.l.	Via A. Saffi, 51	Bologna	100%	Subsidiary
S.AN.GE S.c.a.r.l.	Viale Sarca 336—Strada Privata Breda—Edificio 12	Milano	89%	Subsidiary
San Gerardo Servizi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Servizi Brindisi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	52%	Subsidiary
Servizi Ospedalieri S.p.A.	Via Calvino 33	Ferrara	100,00%	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%	Subsidiary
Sicura S.p.A.	Via Zamenhof 363	Vicenza	85%	Subsidiary
Telepost S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Yougenio S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary

Joint ventures accounted for under the equity method

Name	Registered Office	City	% held	Type
AMG S.r.l.	SS Laghi di Avigliana 48/a	frazione Roata Raffo Busca (CN)	50%	Joint Venture
Cardarelli Soc.cons.r.l.	S.S. Appia 7 bis Km. 11,900 Zona A.s.i. Aversa Nord	Carinaro (CE)	60%	Joint Venture
CO. & MA. Soc. Cons. a r.l.	Via del Parco n. 16	Tremestieri Etneo (CT)	50%	Joint Venture
DUC Gestione Sede Unica Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	49%	Joint Venture
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	Üniversiteler Mahallesi, Bilkent Plaza, A3 Blok, n. 4	Çankaya/ Ankara	50%	Joint Venture
Legnago 2001 Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	50%	Joint Venture
Servizi Sportivi Brindisi Soc.cons.r.l.	Via Licio Giorgieri 93	Roma	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%	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	Roma	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	Roma	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
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi 18	Torino	24,75%	Associate

Name	Registered Office	City	% held	Type
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	49,11%	Associate
Società Consortile Adanti Manutencoop a r.l.in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Serena S.r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Se.Ste.Ro S.r.l.	Via San Pietro 59/B	fraz. Castellina—Soragna (PR)	25%	Associate
Servizi Napoli 5 Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	45%	Associate
Servizi Sanitari Treviso Soc.Cons.a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Sesamo S.p.A.	Via C. Pisacane 2	Carpi (MO)	20,91%	Associate
Simagest 2 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	90%	In liquidation
Simagest 3 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	89,99%	In liquidation
Synchron Nuovo San Gerardo S.p.A.	Via Poli 4	Zola Predosa (BO)	35,82%	Associate
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi 18	Torino	25%	Associate
Tower Soc.Cons. a r.l. in liquidation	Via Zanardi 372	Bologna	20,17%	Associate

Annex II

Valuation of investments using the equity method

	%	Net Book Value 31 December 2016	Changes of the period Additions/ Disposals	Dividends	Share of net profit/Write-downs	Provision	Reserves	Net Book Value 31 March 2017	Book value	Investment Provision
Alisei S.r.l. in liquidation	100%	(72)				(2)		(74)		(74)
A.M.G. S.r.l.	50%	2,339			45			2,384	2,384	
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%	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%	228			(41)			187	187	
F.lli Bernard S.r.l.	20%	1,305			20			1,325	1,325	
GICO Systems S.r.l.	20,00%	150			(9)			141	141	
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%	4						4	4	
Gymnasium soc. Cons. A r.l. in liquidation	68%	7						7	7	
GRID Modena S.r.l.	23%	24			(11)			13	13	
IPP S.r.l.	25%	389			53			442	442	
Legnago 2001 Soc. Cons. a r.l.	50,00%	5						5	5	
LIVIA Soc. Cons. a r.l	34%	3						3	3	
Logistica Ospedaliera Soc. Cons. a r.l	45%	5						5	5	
Newco DUC Bologna S.p.A.	24,90%	425			28		(15)	438	438	
Palazzo della Fonte S.c.p.a.	33,30%	8,000						8,000	8,000	
Progetto ISOM S.p.A.	36,98%	1,385			611		(160)	1,836	1,836	
ROMA Multiservizi S.p.A.	45,47%	8,063			425			8,487	8,487	

	%	Net Book Value 31 December 2016	Changes of the period: Additions/ Disposals	Dividends	Share of net profit/Write-downs	Provision	Reserves	Net Book Value 31 March 2017	Book value	Investment Provision
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	
Savia soc.cons.a.r.l.	49,11%	5						5	5	
Società Consortile Adanti Manutencoop a r.l. in liquidation	50%	10						10	10	
SE.SA.MO. S.p.A.	20,91%	2,005			55		(439)	1,621	1,621	
Se.Ste.Ro S.r.l.	25%	123			(19)			103	103	
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			73			4,804	4,804	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000						1,000	1,000	
Tower Soc.Cons. a r.l.	20,17%	20						20	20	
NET BOOK VALUE		**30,462**	**0**	**0**	**1,227 (2)**		**(614)**	**31,073**	**31,147**	**(74)**

Annex III
Related party transactions

Parent company

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Manutencoop Società Cooperativa	31 March 2016	29	7,208	1	501	31 December 2016	60	2,659	4,770	1,771
	31 March 2017	35	8,237			31 March 2017	64	2,146	4,347	7,259

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 March 2016					31 December 2016	3			1
	31 March 2017					31 March 2017	3			1
AMG S.r.l.	31 March 2016		62			31 December 2016	1		117	
	31 March 2017		65			31 March 2017			125	
Bologna Gestione Patrimonio Soc.Cons. a r.l. in liquidation	31 March 2016					31 December 2016			50	
	31 March 2017					31 March 2017			50	
Bologna Multiservizi Soc.Cons. a r.l.	31 March 2016		23			31 December 2016	276		1,491	
	31 March 2017	37				31 March 2017	330		1,491	
Bologna Più Soc.Cons.a r.l. in liquidation	31 March 2016					31 December 2016	(2)	3	3	
	31 March 2017					31 March 2017		3	3	2
Bologna Global Strade Soc. Cons. a r.l	31 March 2016	45	289			31 December 2016	572	336	1,395	
	31 March 2017	385	1,081			31 March 2017	1,078	336	2,166	
Cardarelli Soc. Cons. a r.l.	31 March 2016		300			31 December 2016			793	
	31 March 2017		163			31 March 2017			656	
Centro Europa Ricerche S.r.l.	31 March 2016					31 December 2016				
	31 March 2017					31 March 2017				
Como Energia Soc.Cons.a r.l.	31 March 2016		312			31 December 2016			1,461	
	31 March 2017		310			31 March 2017			923	
Consorzio Imolese Pulizie soc.Cons. in liquidation	31 March 2016					31 December 2016		36	12	
	31 March 2017					31 March 2017		36	12	
Consorzio Polo Sterilizzazione	31 March 2016					31 December 2016				
Integrata a r.l.	31 March 2017					31 March 2017				
Consorzio Sermagest Soc.Cons.a r.l in liquidation	31 March 2016					31 December 2016				
	31 March 2017					31 March 2017				

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
CO.& MA. Soc. Cons. a r.l	31 March 2016	90	388			31 December 2016		20	1,007	
	31 March 2017	60	301			31 March 2017		20	755	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31 March 2016	1,698	781			31 December 2016	3,403		437	
	31 March 2017	1,718	803			31 March 2017	2,902		488	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	31 March 2016	15				31 December 2016	496	1,175	(20)	256
	31 March 2017	12				31 March 2017	509	1,175	(18)	256
Fr.lli Bernard s.r.l.	31 March 2016	3				31 December 2016	70	50		
	31 March 2017	3	10			31 March 2017	73	50	31	
Gico Systems S.r.l.	31 March 2016	2	74			31 December 2016	49		380	
	31 March 2017		84			31 March 2017	5		292	
Global Provincia di RN Soc.Cons.a r.l. in liquidation	31 March 2016					31 December 2016		70	13	
	31 March 2017					31 March 2017		70	13	
Global Riviera Soc.Cons.a r.l.	31 March 2016		3			31 December 2016	55		(53)	
	31 March 2017		3			31 March 2017	55		(50)	
Global Vicenza Soc.Cons. a r.l.	31 March 2016	59	615			31 December 2016	144	748	594	
	31 March 2017		2			31 March 2017	167	570	596	
Grid Modena S.r.l.	31 March 2016					31 December 2016				
	31 March 2017					31 March 2017				
Gymnasium Soc. cons. a r.l in liquidation	31 March 2016					31 December 2016	1	8	33	5
	31 March 2017					31 March 2017	1	8	33	5
IPP S.r.l.	31 March 2016	106	49			31 December 2016	177	60	96	
	31 March 2017	71	19			31 March 2017	265	59	127	
Legnago 2001 Soc. Cons. r.l.	31 March 2016		1			31 December 2016	158		41	
	31 March 2017		1			31 March 2017	158		42	
Livia Soc. cons. a r.l.	31 March 2016					31 December 2016			8	
	31 March 2017					31 March 2017			8	
Logistica Ospedaliera Soc. Cons. a r.l.	31 March 2016		113			31 December 2016			24	
	31 March 2017					31 March 2017			15	
Malaspina Energy Soc. Cons. a r.l.	31 March 2016		1	1		31 December 2016				
	31 March 2017					31 March 2017				
Newco DUC Bologna S.p.A	31 March 2016		4			31 December 2016			33	
	31 March 2017		4			31 March 2017			29	
Palazzo della Fonte S.c.p.a.	31 March 2016	616				31 December 2016	804			
	31 March 2017	906				31 March 2017	1,017			
Progetto ISOM S.p.A.	31 March 2016	64	13	30		31 December 2016	17,325	1,922	203	
	31 March 2017	77	27	29		31 March 2017	18,576	1,952	211	

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Progetto Nuovo Sant'Anna S.r.l.	31 March 2016					31 December 2016				
	31 March 2017					31 March 2017				
Roma Multiservizi S.p.A.	31 March 2016	380	444		(4)	31 December 2016	2,416		980	
	31 March 2017	1,546	353			31 March 2017	3,337		1,333	470
San Martino 2000 Soc.Cons. r.l.	31 March 2016	406	840			31 December 2016	573		423	
	31 March 2017	408	836			31 March 2017	1,227		1,310	
Savia Soc. Cons. a r.l	31 March 2016					31 December 2016			314	
	31 March 2017					31 March 2017			282	
Serena S.r.l.—in liquidation	31 March 2016					31 December 2016		3		
	31 March 2017					31 March 2017		3		
Servizi l'Aquila Soc.Cons. a r.l. in liquidation	31 March 2016					31 December 2016				
	31 March 2017					31 March 2017				
Servizi Napoli 5 Soc.Cons. a r.l.	31 March 2016	31	317			31 December 2016	1,944		1,311	
	31 March 2017	355	322			31 March 2017	2,301		1,632	
Se.Sa.Mo. S.p.A.	31 March 2016	1,298		7		31 December 2016	1,486	618	6	
	31 March 2017	1,258		6		31 March 2017	1,791	614	7	
SESATRE S.cons. a r.l.	31 March 2016	4	1,113	3		31 December 2016	4	524	1,687	
	31 March 2017	4	1,100	1		31 March 2017	22	515	1,221	
Se.Ste.Ro S.r.l.	31 March 2016					31 December 2016	46		815	
	31 March 2017					31 March 2017	46		815	
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation	31 March 2016					31 December 2016		75	13	2
	31 March 2017					31 March 2017		75	13	2
S.I.MA.GEST3 Soc. Cons. r.l in liquidation	31 March 2016					31 December 2016			3	
	31 March 2017					31 March 2017			3	
Società Consortile Adanti Manutencoop in liquidation	31 March 2016					31 December 2016	37		63	
	31 March 2017					31 March 2017			53	6
Steril Piemonte Soc. cons. a.r.l	31 March 2016		183			31 December 2016	7	576	267	
	31 March 2017		172			31 March 2017	8	575	407	
Synchron Nuovo San Gerardo S.p.A.	31 March 2016	1,220	18	43		31 December 2016	10,173	2,333	658	
	31 March 2017	1,513	48	46		31 March 2017	9,092	2,379	706	
Tower Soc.Cons. a r.l. in liquidation	31 March 2016					31 December 2016	33	17	(11)	
	31 March 2017					31 March 2017	33	29		

Subsidiaries of Manutencoop 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 March 2016					31 December 2016	1			
	31 March 2017					31 March 2017	1			
Manutencoop Immobiliare S.p.A.	31 March 2016	3	622			31 December 2016	6		(47)	
	31 March 2017	3	283			31 March 2017	3	93		
Nugareto Società Agricola Vinicola S.r.l.	31 March 2016	7	(1)			31 December 2016	16		42	
	31 March 2017		1			31 March 2017			14	
Segesta servizi per l'Ambiente S.r.l.	31 March 2016	4				31 December 2016	17			
	31 March 2017	4				31 March 2017	11			

Associates of Manutencoop 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 March 2016	22				31 December 2016	23		1	
	31 March 2017	20				31 March 2017	25		1	
Consorzio Karabak 2 Società Cooperativa	31 March 2016	1				31 December 2016			1	
	31 March 2017	2				31 March 2017	1		1	
Consorzio Karabak 4 Società Cooperativa	31 March 2016					31 December 2016			1	
	31 March 2017					31 March 2017			1	
Consorzio Karabak 5 Società Cooperativa	31 March 2016					31 December 2016				
	31 March 2017					31 March 2017				
Consorzio Karabak 6 Società Cooperativa	31 March 2016					31 December 2016				
	31 March 2017					31 March 2017				
Sacoa S.r.l.	31 March 2016	18				31 December 2016	58		8	
	31 March 2017	16	2			31 March 2017	63		28	

Annex IV

Statement of reconciliation of the reclassified statement of cash flows and the statutory schedules items

	For the quarter ended 31 March			
		2017		2016
CASH AND CASH EQUIVALENTS AT THE beginning OF THE year		**174,992**		**114,391**
CASH FLOW FROM CURRENT OPERATIONS:		**28,446**		**21,065**
Profit before taxes for the period	*21,416*		*13,685*	
Profit (loss) from discontinued operation	0		0	
Capital gain on disposal of discontinued operation	0		0	
Other impairment on discontinued operations	0		0	
Amortization, depreciation, write-downs and (write-backs) of assets	7,572		7,151	
Accrual (reversal) of provisions for risks and charges	553		208	
Employee termination indemnity provision	195		208	
Share of net profit of associates, net of dividends collected	(1,227)		(871)	
Financial charges (income) for the period	7,125		7,076	
Net interest received (paid) in the period	(13,131)		(12,519)	
Income tax paid in the period	(62)		9,875	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	6,005		5,723	
Cash flow from the assignment of tax receivables without recourse under tax consolidation, included under changes in other operating assets	0		(9,471)	
USES OF PROVISIONS FOR RISKS AND CHARGES AND payments OF THE EMPLOYEE TERMINATION INDEMNITY:		(1,591)		(2,275)
Payments of Employee termination indemnity	(780)		(423)	
Utilization of provisions	(811)		(1,852)	
CHANGE IN adjusted NWOC:		(13,636)		(39,237)
Decrease (increase) of inventories	(197)		185	
Decrease (increase) of trade receivables	(13,429)		(20,514)	
Increase (decrease) of trade payables and advances from customers	2,176		(18,909)	
Adjustments:				
Change in the amount of trade receivables assigned without recourse to Factoring agencies and not yet collected by the latter	(2,186)		1	
INDUSTRIAL AND FINANCIAL Capex:		(9,903)		863
(Purchase of intangible assets, net of sales)	(1,077)		(1,042)	
(Purchase of property, plant and equipment)	(8,946)		(2,928)	
Proceeds from sales of property, plant and equipment	108		158	
(Acquisition of investments)	0		(197)	
Decrease (increase) of financial assets	(69)		(108)	
Discontinuing activities	100		0	

	For the quarter ended 31 March			
		2017		2016
Reclassifications:				
Change in current financial assets, to be included in Net Financial Liabilities	(21)		4,981	
CHANGE IN ADJUSTED NET FINANCIAL LIABILITIES:		5,111		3,747
Change in financial lease liabilities	3,202		(159)	
Net proceeds from/(reimburse of) borrowings	4,131		(877)	
Net changes in financial liabilities	1,577		15,487	
Adjustments:				
Change in the amount of receivables assigned without recourse to Factoring agencies and not yet collected by the latter	2,186		(1)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of Profit or Loss	(6,005)		(5,723)	
Change in current financial assets, to be included in Net Financial Liabilities	20		(4,981)	
OTHER CHANGES:		(7,188)		5,295
Decrease (increase) of other current assets	(3,774)		(2,093)	
Increase (decrease) of other current liabilities	(3,414)		(2,083)	
Reclassifications:				
Cash flow from the assignment of tax receivables without recourse under tax consolidation, included under changes in other operating assets,	0		9,471	
CASH AND CASH EQUIVALENTS AT THE END OF THE period		176,231		103,850

Unaudited interim condensed consolidated financial statements as of and for the three months ended 31 March 2016

Unaudited interim condensed consolidated financial statements
Consolidated statement of financial position
As of 31 March 2016

(in thousands of Euro)	Notes	As of 31 March 2016	As of 31 December 2015
Assets			
Non-current assets			
Property, plant and equipment	3	59,809	62,155
Property, plant and equipment under lease	3	2,094	2,217
Goodwill	4-5	370,456	370,456
Other intangible assets	4	25,480	26,005
Investments accounted for under the equity method	6	29,000	28,484
Other investments	7	3,245	3,502
Non-current financial assets	7	10,784	15,657
Other non-current assets	7	2,038	2,180
Deferred tax assets		19,005	19,044
Total non-current assets		**521,911**	**529,700**
Current assets			
Inventories		4,578	4,763
Trade receivables and advances to suppliers	8	539,473	519,194
Current taxes receivables		13,528	23,430
Other current assets	8	33,373	31,138
Current financial assets	11	10,238	5,257
Cash and cash equivalents	11	103,850	114,391
Total current assets		**705,040**	**698,173**
Assets classified as held for sale		0	0
Total assets classified as held for sale		**0**	**0**
Total assets		**1,226,951**	**1,227,873**

The accompanying notes are an integral part of the
Unaudited Interim Condensed Consolidated Financial Statements

Unaudited interim condensed consolidated financial statements
Consolidated statement of financial position
As of 31 March 2016

(in thousands of Euro)	Notes	As of 31 March 2016	As of 31 December 2015
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		109,150	109,150
Reserves		187,547	188,349
Retained earnings		(7,520)	37,498
Profit/(loss) for the period attributable to equity holders of the parent		8,073	(45,412)
Equity attributable to equity holders of the parent		*297,250*	*289,585*
Capital and reserves attributable to non-controlling interests		380	337
Profit/(loss) for the period attributable to non-controlling interests		(170)	43
Equity attributable to non-controlling interests		*210*	*380*
Total shareholders' equity	**10**	**297,460**	**289,965**
Non-current liabilities			
Employees termination indemnity	12	18,212	18,424
Provision for risks and charges, noncurrent	13	58,153	58,738
Long-term debt	11	311,749	311,686
Deferred tax liabilities		11,046	11,167
Other non-current liabilities		28	28
Total non-current liabilities		**399,188**	**400,043**
Current liabilities			
Provision for risks and charges, current	13	13,456	14,515
Trade payables and advances from customers	14	361,306	380,215
Current tax payables		5,837	0
Other current liabilities	14	92,475	94,572
Bank borrowings, including portion of long-term debt and other financial liabilities	11	57,229	48,563
Total current liabilities		**530,303**	**537,865**
Liabilities directly associated with assets classified as held for sale		0	0
Total liabilities directly associated with assets classified as held for sale		**0**	**0**
Total shareholders' equity and liabilities		**1,226,951**	**1,227,873**

The accompanying notes are an integral part of the
Unaudited Interim Condensed Consolidated Financial Statements

Unaudited interim condensed consolidated financial statements
Consolidated statement of income
For the three months ended 31 March 2016

(in thousands of Euro)	Notes	For the three months ended 31 March 2016	For the three months ended 31 March 2015
Revenue			
Revenue from sales and services		241,390	250,328
Other revenue		306	388
Total revenue		241,696	250,716
Operating costs			
Costs of raw materials and consumables		(41,694)	(46,841)
Changes in inventories of finished goods and semi-finished products		20	
Costs of services and use of third party assets		(75,782)	(79,540)
Personnel costs		(95,188)	(95,681)
Other operating costs		(1,804)	(1,023)
Amortization, depreciation, write-downs and write-backs of assets	4-5-8	(7,150)	(7,913)
Accruals (reversal) to provision for risks and charges	13	(208)	(1,617)
Total operating costs		(221,806)	(232,615)
Operating income		19,890	18,101
Financial income and expenses			
Share of net profit of associates	6	871	1,020
Dividends and net income (loss) from sale of investments		0	0
Financial income		777	256
Financial expenses		(7,853)	(8,627)
Gains/(losses) on exchange rate		0	(6)
Profit/(loss) before taxes from continuing operations		13,685	10,744
Income taxes		(5,782)	(5,332)
Profit/(loss) from continuing operations		7,903	5,412
Profit/(loss) after taxes from discountinued operations		0	(243)
Net profit/(loss) for the period		7,903	5,169
Attributable to non-controlling interests		(170)	(6)
Attributable to equity holders of the parent		8,073	5,175

(in Euro)	For the three months ended 31 March 2016	For the three months ended 31 March 2015
Basic earnings/(losses) per share	0,074	0,047
Diluted earnings/(losses) per share	0,074	0,047
Basic earnings/(losses) per share from continuing operations	0,074	0,050
Diluted earnings/(losses) per share from continuing operations	0,074	0,050

The accompanying notes are an integral part of the
Unaudited Interim Condensed Consolidated Financial Statements

Unaudited interim condensed consolidated financial statements
Consolidated statement of comprehensive income
For the three months ended 31 March 2016

(in thousands of Euro)	Notes	For the three months ended 31 March 2016	For the three months ended 31 March 2015
Net profit/(loss) for the period		**7,903**	**5,169**
Other components of the comprehensive income, which will be subsequently reclassified under profit/(loss) for the period:			
Exchange differences on translating foreign operations		0	0
Effect on the shareholders' equity from associates accounted for under the equity method	6	(406)	(28)
Other components of the comprehensive income for the year, which will be subsequently reclassified under profit/(loss) for the period		**(406)**	**(28)**
Other components of comprehensive income, which will be subsequently reclassified under profit/(loss) for the period:			
Actuarial gains/(losses) on defined benefit plans		*0*	*0*
Income tax effect		*0*	*0*
Net actuarial gains/(losses) on defined benefit plans	12	**0**	**0**
Share of other comprehensive income of entities accounted for under the equity method		*0*	*0*
Other components of the comprehensive income for the period, which will be subsequently reclassified under profit/(loss) for the period	**6**	**0**	**0**
Total profit/(loss) in the statement of comprehensive income, net of taxes		**(406)**	**(28)**
Total comprehensive income for the period		**7,497**	**5,141**
Attributable to:			
Equity holders of the parent		7,667	5,147
Non-controlling interests		(170)	(6)

The accompanying notes are an integral part of the
Unaudited Interim Condensed Consolidated Financial Statements

Unaudited interim condensed consolidated financial statements
Consolidated statement of cash flows
For the three months ended 31 March 2016

(in thousands of Euro)	Notes	For the three months ended 31 March 2016	For the three months ended 31 March 2015
Profit/(loss) from continuing operations		7,903	5,210
Income taxes		5,782	5,211
Profit/(loss) before taxes from continuing operations		**13,685**	**10,421**
Profit/(loss) after tax for the period from discountinued operations		0	(243)
Capital profits/(losses) on disposal of discontinued operation		0	40
Other unrealized impairment on discontinued operations		0	121
Amortization, depreciation, write-downs and (write-backs) of assets		7,150	7,924
Accrual (reversal) to provisions for risks and charges		208	1,617
Employee termination indemnity provision		208	191
Payments of employee termination indemnity		(422)	(626)
Utilization of provisions for risks and charges		(1,852)	(2,423)
Share of net profit of associates, net of dividends collected		(871)	(1,020)
Financial expenses (income)		7,076	8,264
Operating cash flows before movements in Working Capital		**25,182**	**24,266**
Of which related to discontinued operations		0	(242)
Of which related to continuing operations		0	24,508
Decrease (increase) of inventories		185	(126)
Decrease (increase) of trade receivables		(20,514)	(16,340)
Decrease (increase) of other current assets		(2,093)	3,130
Increase (decrease) of trade payables and advances from customers		(18,909)	(2,719)
Increase (decrease) of other current liabilities		(2,083)	(16,375)
Change in Working Capital		**(43,414)**	**(32,430)**
Net interest received (paid) in the period		(12,519)	(15,965)
Income tax paid in the period		9,876	(433)
Net cash flow from operating activities		**(20,875)**	**(24,562)**
Purchase of intangible assets, net of sales	4	(1,042)	(729)
Purchase of property, plant and equipment	3	(2,928)	(4,354)
Proceeds from sales of property, plant and equipment	3	158	78
Acquisition of investments		(197)	0
Decrease (increase) of financial assets		(109)	431
Net cash used in business combinations		0	0
Discontinuing activities	9	0	50
Net cash flow used in investing activities		**(4,118)**	**(4,524)**
Increases of bank borrowings		0	0
Decreases of bank borrowings		0	0
Payment of financial lease liabilities		0	0
Proceeds from/(reimburse of) short term bank debt	11	14,452	(466)
Proceeds from non-current borrowings		0	0
Dividends paid		0	0
Acquisition/Sale of minority interests in subsidiaries		0	0
Net cash flow from/(used in) financing activities		**14,452**	**(466)**
Changes in cash and cash equivalents		(10,541)	(29,552)
Cash and cash equivalents at the beginning of the period		114,391	113,382
Changes in cash and cash equivalents		**(10,541)**	**(29,552)**
Cash and cash equivalents at the end of the period		**103,850**	**83,830**
Details of cash and cash equivalents:			
Cash and cash equivalent		103,850	83,830
TOTAL CASH AND CASH EQUIVALENTS		**103,850**	83,830

Supplementary information (in thousands of Euro)	For the three months ended 31 March 2016	For the three months ended 31 March 2015
Interest paid	(13,857)	(16,211)
Interest received	1,058	246
Dividends received	0	0

The accompanying notes are an integral part of the
Unaudited Interim Condensed Consolidated Financial Statements

Unaudited interim condensed consolidated financial statements
Consolidated statement of changes in shareholders' equity
For the three months ended March 31, 2016

(in thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the period	Total Group's shareholders equity	Non-controlling interests	Total shareholders' equity
1 January 2016	**109,150**	**188,349**	**37,498**	**(45,412)**	**289,585**	**380**	**289,965**
Cost connected with the issue of share capital							
Dividends distribution					**0**	0	**0**
Allocation of prior year result		(396)	(45,016)	45,412	**(1)**		**(1)**
Acquisition/Sale of minority interests in subsidiaries					**0**	0	**0**
Total comprehensive income for the year		(407)		8,073	**7,666**	(170)	**7,496**
31 March 2016	**109,150**	**187,547**	**(7,520)**	**8,073**	**297,250**	**210**	**297,460**

(in thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the period	Total Group's shareholders equity	Non-controlling interests	Total shareholders' equity
1 January 2015	**109,150**	**167,797**	**33,606**	**13,747**	**324,300**	**1,955**	**326,255**
Cost connected with the issue of share capital							
Dividends distribution					**0**	0	**0**
Allocation of prior year result		674	11,680	(12,354)	**0**		**0**
Acquisition/Sale of minority interests in subsidiaries					**0**	0	**0**
Total comprehensive income for the year		(28)		5,175	**5,147**	(6)	**5,141**
31 March 2015	**109,150**	**168,443**	**45,286**	**6,568**	**329,447**	**1,949**	**331,396**

The accompanying notes are an integral part of the
Unaudited Interim Condensed Consolidated Financial Statements

Unaudited interim condensed consolidated financial statements Condensed explanatory notes 31 March 2016

1. General information

The interim Report on operations of the Manutencoop Facility Management Group ("the MFM Group" or "the Group") for the period ended 31 March 2016 consists of the Interim Report and of the Condensed Consolidated Interim Financial Statements at 31 March 2016, which were prepared in the application of IAS 34—Interim Financial Reporting. The publication of the Interim Report on operations of MFM Group for the period ended 31 March 2015 was authorized by resolution of the Management Board of 13 May 2016.

The Group is 71.89% owned by Manutencoop Società Cooperativa, with registered office in Zola Predosa (BO), which in turn exercises management and coordination activities over the Group. Furthermore, on 1 July 2013 the company acquired an additional stake of 7.028% with retention of title ("*riserva di proprietà*"), whereby it is vested with related financial and administrative rights, pursuant to and for the purposes of article 1523 of the Italian Civil Code.

2. Basis of presentation

The condensed consolidated interim financial statements at 31 March 2016 comprise the Consolidated statement of financial position, the Consolidated Statement of profit or loss, the Consolidated Statement of other comprehensive income, the Consolidated Statement of cash flows, the Consolidated Statement of changes in Shareholders' Equity and the Condensed explanatory notes.

The amounts presented in the statements and in the explanatory notes are compared with those as at 31 December 2015, while the economic values included in the Statement of other Comprehensive Income and in the statement of Cash Flows are compared with those in the first 3 months of 2015. The condensed consolidated interim Financial Statements at 31 March 2016 were prepared on a historical cost basis, except for the derivative financial instruments that have been measured at fair value.

The Statement of Financial Position sets forth assets and liabilities distinguishing between current and non-current. The Statement of profit or loss classifies costs by nature and 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 condensed consolidated interim financial statements at 31 March 2016 have been presented in Euro, which is the Group's functional currency. All values showed in the statements and in the condensed explanatory Notes are in thousands of Euro, unless otherwise stated.

2.1 Statement of compliance with international accounting standards (IFRS)

The condensed consolidated interim financial statements at 31 March 2016 have been prepared in compliance with IAS 34—*Interim Financial Reporting*.

The condensed consolidated interim financial statements do not include all the information required for the complete annual financial statements prepared according to IAS 1, and must be read together with the Consolidated Financial Statements as at 31 December 2015.

2.2 Changes in accounting standards and disclosures

The criteria adopted for the preparation of the condensed consolidated interim Financial Statements at 31 March 2016 are consistent with those used to prepare the annual consolidated

Financial Statements as at 31 December 2015, to which reference is made for their detailed presentation, with the exception of the standards and interpretations which are newly issued and applicable from 1 January 2016, in addition to the amendments to the standards already in force.

Specifically, there was the mandatory application of IFRS14—*Regulatory Deferral Accounts*. The new standard is an interim rule whose purpose is to improve the comparability of the financial disclosures of entities that operate in government regulated markets, such as some industrial sectors in which governments control the prices of particular goods or services provided by private entities (i.e. gas, water, electricity). An entity that already provides its financial disclosures in conformity to IFRS need not apply IFRS 14. This standard, in fact, only allows an entity that is a first-time adopter to continue using the previous accounting standards if its production is regulated. It is not obligatory to adopt the standard, but if it is not adopted in an entity's first IFRS financial statements, the entity will not be entitled to adopt it in subsequent financial periods. The standard also requires the balances related to regulated activities to be presented separately in the statement of financial position, income statement and OCIs. Specific information must also be given regarding the nature of these activities and the risks attached to them.

The 2012-2014 series of "Annual Improvements to IFRS" has also come into force. The series includes minor amendments and clarifications of various previously issued standards.

The application of the standards and interpretations referred to above has not entailed any impact on the Consolidated interim abridged financial statements of the Group. The Group did not provide for the early adoption of any standard, interpretation or improvement issued but still not obligatorily in force.

2.3 Discretionary assessments and significant accounting assumptions

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

Discretionary assessments

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

Uncertainty of estimates

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

Impairment test

Goodwill is subject to impairment test at least annually, or more frequently if there is an indication of potential impairment in the carrying amounts. This requires an estimate of the value in use of the CGU (cash-generating unit) to which the goodwill is allocated, in turn based on an estimate of expected cash flows from the CGU and their discounting on the basis of a suitable discount rate. At 31 March 2016, the carrying amount of the goodwill stood at €370,456 thousand (which remained unchanged, €370,456 thousand at 31 December 2015). More details are given in note 5.

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

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

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

Income taxes for the period

The income taxes for the period have been recognized by applying the best estimate of the expected weighted-average tax rate for the entire current financial year to the results for the period. A separate estimate is determined for IRES and IRAP, as provided by IAS 34 B.14.

The amounts allocated for taxes in the interim period are adjusted in subsequent interim periods of the same year pursuant to any changes in the estimated annual tax rate.

Other financial position items

Management also needed to use estimates in determining:

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

Consolidation principles

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

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

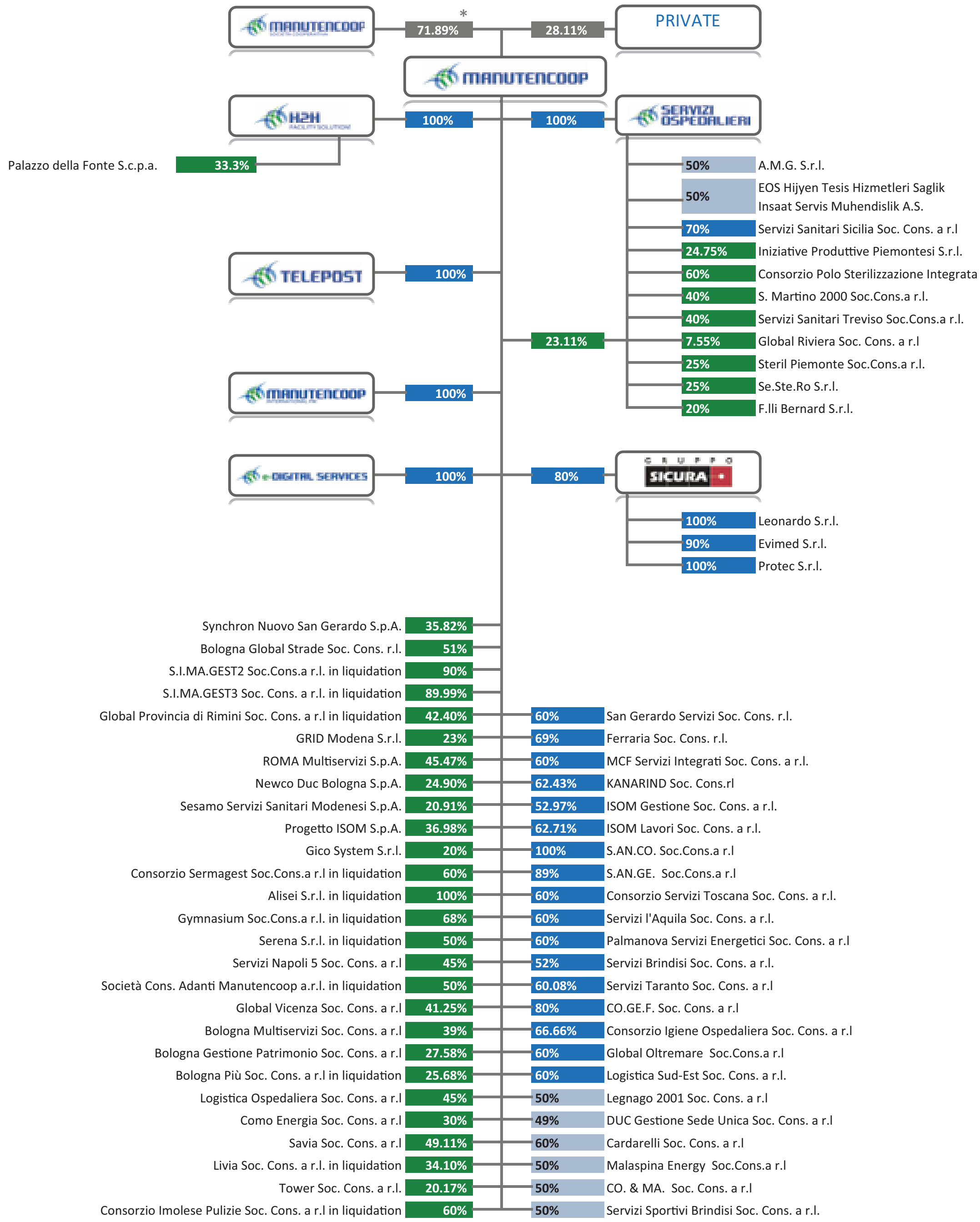
Subsidiaries are fully consolidated starting from the acquisition date, i.e. the date on which the Group acquires control, and are deconsolidated on the date in which control is transferred out of the Group.

Acquisitions of subsidiaries, with the exception of those deriving from combinations of entities subject to common control, are accounted for using the purchase method. This involves the allocation of the cost of the business combination to the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and the inclusion of the result of the company acquired starting from the date of acquisition until the end of the fiscal year. Joint-venture 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 March 2016 is shown below.



Legend:

Subsidiaries consolidated on a line-by-line basis

Joint Ventures consolidated by equity method

Associates and other companies consolidated by equity method

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

During the quarter:

- The statutory, accounting and tax effects of the mergers of MACO S.p.A. and SMAIL S.p.A. by incorporation into MFM S.p.A. applied from 1 January 2016;
- On 11 March 2016 MFM S.p.A. acquired an investment in Bologna Gestione Strade Soc. Cons a r.l., a company operating in the sector of maintenance services for the Bologna Municipality's road network.

3. Property, plant and equipment

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

(in thousands of Euro)	Properties	Plant and equipment	Properties leased	Plant and equipment leased	Total
As of 1 January 2016, net of accumulated depreciation and impairment	**4,800**	**57,354**	**178**	**2,041**	**64,373**
Additions due to business combination	0	0	0	0	0
Additions from acquisition	0	2,928	0	0	2,928
Impairment losses	0	0	0	0	0
Disposal	0	(158)	0	0	(158)
Depreciation of the year	(34)	(5,068)	(5)	(118)	(5,225)
Other	0	(14)	0	0	(14)
As of 31 March 2016	**4,766**	**55,042**	**173**	**1,923**	**61,904**
As of January 1, 2016					
Cost	6,949	321,550	375	4,953	**333,827**
Accumulated depreciation and impairment losses	(2,149)	(264,196)	(197)	(2,912)	**(269,454)**
Net Book Value	**4,800**	**57,354**	**178**	**2,041**	**64,373**
As of 31 March 2016					
Cost	6,949	324,306	375	4,953	**336,582**
Accumulated depreciation and impairment losses	(2,183)	(269,264)	(202)	(3,030)	**(274,678)**
Net Book Value	**4,766**	**55,042**	**173**	**1,923**	**61,904**

The additions from acquisitions in the period relate to the purchase of linen in the Laundering&Sterilization segment (€2,311 thousand) and to the purchases of other machinery and specific equipment (€617 thousand).

In the period ended 31 March 2016, some plant and equipment were disposed of for a total amount of €158 thousand, manly relating to disposals concerning linen and surgical instrument (€150 thousand).

4. Intangible assets

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

(in thousands of Euro)	Other intangible assets	Goodwill	Total
As of 1 January 2016, net of accumulated amortization and impairment	**26,005**	**370,456**	**396,461**
Additions due to business combination	0	0	0
Additions from acquisition	1,042	0	1,042
Disposals	0	0	0
Amortization of the year	(1,567)	0	(1,567)
Impairment losses	0	0	0
Other	0	0	0
As of 31 March 2016	**25,480**	**370,456**	**395,936**
As of January 1, 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**
As of 31 March 2016			
Cost	97,226	372,849	470,075
Accumulated amortization and impairment losses	(71,746)	(2,393)	(74,139)
Net Book Value	**25,480**	**370,456**	**395,936**

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

Other intangible assets, amounting to €25,480 thousand at 31 March 2016, mainly consist of investments in software carried out as part of the projects aimed at upgrading and enhancing the corporate information systems. The additions from acquisitions made in the period (€1,042 thousand) were attributable almost entirely to the investments in software used in the corporate IT systems within the Facility Management SBU (€752 thousand).

The amortisation charges of intangible fixed assets amounted to €1,567 thousand in the period ended 31 March 2016.

5. Impairment testing 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 suppliers of specialist services
- Telepost S.p.A. which provides internal mailing services for the Telecom Italia Group
- Manutencoop International F.M. S.r.l. and e-Digital Services S.r.l. (newly-established companies)
- other minor investee companies operating in the same segment.

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

SBU—Laundering & Sterilization

The SBU is identified with:

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

SBU—Other

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

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

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

Carrying amount of consolidated goodwill (in thousands of Euro)	**31 March 2016**	**31 December 2015**
Goodwill allocated to Facility Management CGU	358,693	358,693
Goodwill allocated to Laundering&Sterilization CGU	11,763	11,763
CONSOLIDATED GOODWILL	**370,456**	**370,456**

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

At 31 March 2016, the Management did not identify any elements for impairment on the cash generating units and, therefore, it did not proceed to update the impairment test performed at the time of the preparation of the consolidated Financial Statements as at 31 December 2015.

6. Investments accounted for under the equity method

The Group holds some investments, which for the purpose of consolidation are accounted under the equity method. These companies include associates, joint-ventures and subsidiaries in liquidation, as listed in Annex I. At 31 March 2016, the item of the investments valued at Equity amounted to €28,933 thousand, against €28,409 thousand at the end of the previous year.

	Net assets	**Net assets**
(in thousands of Euro)	**31 March 2016**	**31 December 2015**
Investments valued at Equity	29,000	28,484
Provision for risks on investments	(67)	(65)
INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	**28,933**	**28,419**

Details of changes during the period are shown in Annex II attached to the Interim Report on Operations.

In the first 3 months of 2016 investments accounted for under the equity method recorded a positive result equal to €871 thousand, for the share attributable to the Group, as a result of the recording of income from equity investments of €949 thousand and write-downs of €78 thousand. Furthermore, negative effects were recognised directly under consolidated equity for a total of €406 thousand.

7. Other investments and non-current financial assets

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

(in thousands of Euro)	31 March 2016	31 December 2015
Other investments	3,245	3,502
Non-current financial assets	10,784	15,657
Other non-current assets	2,038	2,180
OTHER NON-CURRENT ASSETS	**16,067**	**21,339**

The financial assets accounted for as "*Other investments*" relate to investments in companies in which the Group has no significant or controlling interests and that have been acquired for strategic/production purposes. There are also investments in National Cooperative Consortia, as well as investments in production sites, or in other minor activities such as industrial laundering services, performed by minor companies that may also act as sub-contractors. The 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 and other securities, amounting to €10,784 thousand at 31 March 2016 (€15,657 thousand at 31 December 2015), are composed of:

- €6,529 thousand of non-current financial receivables due from associates, affiliates and joint-ventures (€6,413 thousand at 31 December 2014). The face value of these receivables is €6,637 thousand, while the discounting fund amounts to €119 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.

- €4,093 thousand of non-current financial receivables from third parties (€9,082 thousand at 31 December 2014). The change compared to last year mainly arises from the classification of the residual balance of receivable for amounts in escrow relating to the transfer of MIA S.p.A. that took place in December 2014, among short-term financial assets in conformity to some provisions of the sale agreement (nominal amount of €5 million).

- €162 thousand of securities held to maturity (€162 thousand at 31 December 2015).

Other non-current assets, amounting to €2,038 thousand as at 31 March 2016 (€2,180 thousand at 31 December 2015), mainly consist of security deposits related to long-term income-generating manufacturing contracts (€1,099 thousand) and long-term deferrals relating to some contracts (€657 thousand).

8. Trade receivables, advances to suppliers and other current assets

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

(in thousands of Euro)	31 March 2016	of which from related parties	31 December 2015	of which from related parties
Work in progress on order	17,973		19,062	
Third party trade receivables, gross	506,461		489,519	
Allowance for doubtful accounts	(29,417)		(29,500)	
Provision for discounting of trade receivables	0		0	
Trade receivables due from third parties	**495,017**		**479,081**	
Receivables from parent company	44	44	74	74
Trade receivables from associates	32,458	32,458	29,242	29,242
Trade receivable from related entities	8,698	8,698	7,992	7,992
Trade receivables due from the Group	**41,200**	**41,200**	**37,308**	**37,308**
Advances to suppliers	3,256	4	2,805	2
Total receivables and advances to suppliers	**539,473**	**41,204**	**519,194**	**37,310**
Other tax receivables due within 12 months	17,551		13,701	
Other current receivables due from third parties	10,111		12,315	
Short-term receivables due from social security institutions	3,187		2,898	
Short-term receivables due from employees	446		472	
Other short-term operating receivables due from third parties	**31,295**		**29,386**	
Other receivables from parent company	25	25	5	5
Other receivables from associates	649	649	649	649
Other short-term operating receivables due from Group companies	**674**	**674**	**654**	**654**
Accrued income	0		0	
Prepaid expenses	1,405		1,098	
Accrued income and prepaid expenses	**1,405**		**1,098**	
Other current receivables	**33,374**	**674**	**31,138**	**654**

The balance of trade receivables and advances to suppliers, which also includes inventories of contract work in progress, amounted to €539,473 thousand as at 31 March 2016, up by €20,279 thousand compared to 31 December 2015 (€519,194 thousand). The changes reported in the period mainly concerned increase in trade receivables from third parties, which amounted to €495,017 thousand at 31 March 2016 (31 December 2015: €479,532 thousand).

Finally, trade receivables from the Group amounted to €41,200 thousand (€36,858 thousand at 31 December 2015).

A specific allowance for doubtful accounts was recorded in connection with non-performing receivables, which are difficult to fully recover, amounting to €29,417 thousand at 31 March 2015 (at 31 December 2015: €29,500 thousand). Changes in the provision during the quarter are detailed as follows:

(in thousands of Euro)	31 December 2015	Increases	Utilizations	Releases	Other changes	31 March 2016
Allowance for doubtful accounts	29,500	262	(371)	(28)	54	29,417

The other changes relate to increase in the consolidated provision for write-down of default interest.

Other current assets, equal to €33,374 thousand (€31,138 thousand at 31 December 2015), increased by an overall amount of €2,236 thousand in the period.

This item includes the receivables arising from the periodic VAT settlements of some Group companies (€16,864 thousand compared to €10,648 thousand at 31 December 2015). The same item had also been recognizing, since 2012, receivables of €2,587 thousand from the Tax Authorities on account of refund following the petition submitted for the deduction of IRAP tax from the IRES tax base by companies not adhering to the National Tax Consolidation agreement with Manutencoop Società Cooperativa. These receivables were assigned, without recourse, to Banca Farmafactoring during the first quarter of 2016.

Finally, the item also recognizes €2,175 thousand of credit balances of current accounts held at Unicredit, managed in the name and on behalf of INPDAP (Social Security Institute for employees in public administration), as envisaged in a property management contract stipulated 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*.

9. Assets classified as held for sale and liabilities directly associated with assets classified as held for sale

As early as from the 2014 financial year, MFM S.p.A. classified the business which deals with public lighting, an activity exclusively conducted by subsidiary SMAIL S.p.A. as held for sale, which was then transferred to third parties on 13 November 2015. Furthermore, on 30 December 2014 MFM S.p.A. transferred the total stake held in MIA S.p.A., the sub-holding company of the group that operates in the maintenance and installation of lifting equipment (MIA Group).

In the interim condensed consolidated Financial Statements at 31 March 2016, as well as at 31 March 2015, the economic results achieved by these activities have been excluded from the perimeter of "Continuing operations" and are recognized under a single item of the Statement of Profit or Loss as "Profit (loss) from discontinued operations", in accordance with IFRS5.

Income from discontinued operations

Below is the breakdown of income from discontinued operations:

(in thousands of Euro)	**31 March 2016**	**31 March 2015**
Revenue		814
Operating costs		(1,262)
GROSS MARGIN	**0**	**(448)**
Amortization, depreciation, write-downs and write- backs		(4)
Accrual (reversal) of provisions for risks and charges		15
Net financial charges		113
Capital gain (Capital losses) from discontinued operations		(40)
Capital gain from MIA Spa's transfer		
Earn-out on the transfer of the SMAIL business		
PROFIT (LOSS) BEFORE TAXES FROM DISCONTINUED OPERATIONS	**0**	**(364)**
Income taxes from discontinued operations:		
—related to profit (loss) for the year		121
—related to the capital gain (capital losses) from discontinued operations		
—related to discontinued operations		
PROFIT (LOSS) AFTER TAXES FROM DISCONTINUED OPERATIONS	**0**	**(243)**
Basic earnings per share from discontinued operations	*0*	(0)
Diluted earnings per share from discontinued operations	*0*	(0)

At 31 March 2015 the profit (loss) from discontinued operations, relating to the first quarter, reported a loss of €243 thousand that was generated by the economic values of SMAIL S.p.A., which recorded a loss of €202 thousand in the first quarter, increased by the capital loss realised from the sale of the sub-holding MIA S.p.A. (€41 thousand).

Cash flows generated from /absorbed by discontinued operations

In the first 3 months of 2015, discontinued operations generated the following cash outflows:

(in thousands of Euro)	31 March 2016	31 March 2015
Profit/(loss) for the year from discontinued operations		**(81)**
Amortization, depreciation, write-downs and (write-backs) of assets		(11)
Employee termination indemnity provision		2
Payments of employee termination indemnity		(23)
Utilization of provisions		(11)
Financial expenses (income) for the year		(118)
CASH FLOW RELATED TO THE PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	**0**	**(242)**
Residual consideration related to the disposal of Energyproject S.r.l.		**50**
CASH FLOW FROM INVESTMENTS		**50**

The agreement for the transfer of the quota held in Energyproject S.r.l. provided, among others, for the procedures to repay the loan granted by MFM S.p.A. to the same company, equal to €4,155 thousand as at the date of execution of the agreement. A portion of the same was collected in 2015 (€50 thousand).

The transfer of the total quota held in MIA S.p.A. (the sub-holding company of the related group of companies operating in the market of lifting equipment installation and maintenance) took place on 30 December 2014. The transfer agreement provided for the definition of a preliminary price of the investment, in addition to the full repayment of the intragroup loan, which was outstanding, as at that date, between the transferred company and the transferor MFM S.p.A.. On the closing date the buyer followed up the payment, totalling €60,405 thousand, in connection with the repayment of the intragroup loan and a portion of the preliminary consideration relating to the transfer of the equity, while a portion of the transfer price (€10 million) was paid by the buyer into an escrow account, as security for the future commitments entered into by the parties. According to the transfer agreement, the price set before closing would have been the object of a settlement. At 31 December 2014, the management had made an estimate of this price adjustment, on the basis of the information to hand at the time, while, as at the reporting date of the financial statements at 31 March 2015, there was the final calculation of this adjustment, thus entailing the recognition of a negative differential of €41 thousand in the income statement. The financial item was settled through bank transfer in April 2015.

Finally, there was an absorption of cash flows relating to the profit (loss) from discontinued operations made up of the business of SMAIL S.p.A., which was classified as held for sale.

10. Share capital and reserves

(in thousands of Euro)	31 March 2016	31 December 2015
Share Capital - Ordinary shares	109,150	109,150

Ordinary shares have a nominal value of Euro 1 each.

Ordinary shares issued and fully paid up at 31 March 2016 amounted to 109,149,600. The Parent Company does not hold own shares.

Reserves and Retained Earnings

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

(in thousands of Euro)	Share premium reserve	Legal reserve	SE reserves companies valued at equity	Cash flow hedge reserve	SORIE reserve	Other reserves	Total reserves
1 January 2015	**145,018**	**17,737**	**(854)**	**0**	**(5,781)**	**14,047**	**170,167**
Allocation of profits of previous years		646	3,803		673	12,287	17,409
Economic effects on equity			130		643		773
31 December 2015	**145,018**	**18,383**	**3,079**	**0**	**(4,465)**	**26,334**	**188,349**
Allocation of profits of previous years					(396)		(396)
Economic effects on equity			(406)				(406)
31 March 2016	**145,018**	**18,382**	**2,673**	**0**	**(4,861)**	**26,334**	**187,547**

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

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

The table below shows changes in Retained earnings:

(in thousands of Euro)	Accumulated profits (losses) of the Parent Company	Consolidation reserve	Total retained earnings
1 January 2015	**3,809**	**38,744**	**42,553**
Allocation of profits of previous years		**(5,055)**	**(5,055)**
31 December 2015	**3,809**	**33,689**	**37,498**
Allocation of profits of previous years	(44,257)	(761)	(45,018)
31 March 2016	**(40,448)**	**32,928**	**(7,520)**

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 on Consolidation principles.

(in thousands of Euro)	31 March 2016	31 December 2015
Equity attributable to minority interests	**210**	**380**
of which attributable to:		
Subsidiaries of Sicura S.p.A.	136	306
Other minor consortia	**74**	**74**

MFM S.p.A. holds a stake of 80% in the share capital of Sicura S.p.A.. However, no equity attributable to minority interests has been recognized as the Parent Company holds a Call option on the minority interest, linked to a put option in favour of the minority shareholder which is recognised as a financial liability. Therefore, the equity attributable to minority interests relates to the minorities present in some indirect subsidiaries relating to the same sub-group.

11. Bank borrowings, including current portion of long term debts and other financial liabilities

Net financial indebtedness as of 31 March 2016 amounted to €254,890 thousand, compared to €240,601 thousand as of 31 December 2015. Below is the related breakdown by balance sheet lines:

(in thousands of Euro)	31 March 2016	31 December 2015	Change
Long-term financial debt	311,749	311,685	64
Bank borrowings, including current portion of long-term debt, and other financial liabilities	57,229	48,563	8,666
Financial liabilities	**368,978**	**360,248**	**8,730**
Medium/long-term derivatives	0	0	0
Gross financial indebtedness	**368,978**	**360,248**	**8,730**
Cash and cash equivalents	(103,850)	(114,391)	10,541
Current financial assets	(10,238)	(5,257)	(4,981)
NET FINANCIAL INDEBTEDNESS	**254,890**	**240,601**	**14,289**

Bank borrowings, including current portion of long-term debt and other financial liabilities

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

(in thousands of Euro)	31 March 2016	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	293,728		293,728	
C.C.F.S. loan	10,000		10,000	
Prepaid expenses on financial interest	(30)	(30)		
Accrued interest expense	4,263	4,263		
Long-term bank borrowings and current portion of long-term bank borrowings	**307,961**	**4,233**	**303,728**	
Current account overdrafts, advance payments and hot money	33,187	33,187		
Finance lease obligations	1,326	555	756	15
Loans from syndicated shareholders	347	347		
Loan from the parent company (Manutencoop Cooperativa)	3	3		
Other financial liabilities	3	3		
Obligation to factoring agencies				
Obligations from assignments of receivables with recourse	18,398	18,398		
Debt for the acquisition of investments/business units	226	226		
Options on subsidiaries' minority shareholdings	7,250		7,250	
Share capital to be paid into associates	277	277		
Total financial liabilities	**368,978**	**57,229**	**311,734**	**15**

(in thousands of Euro)	31 December 2015	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	293,435		293,435	
C.C.F.S. loan	10,000		10,000	
Prepaid expenses on financial interest	(52)	(52)		
Accrued interest expense	10,651	10,651		
Long-term bank borrowings and current portion of long-term bank borrowings	**314,034**	**10,599**	**303,435**	**0**
Current account overdrafts, advance payments and hot money	34,064	34,064		
Finance lease obligations	1,485	564	888	33
Loans from syndicated shareholders	351	351		
Loan from the parent company (Manutencoop Cooperativa)	15	15		
Other financial liabilities	3	3		
Obligation to factoring agencies				
Obligations from assignments of receivables with recourse	2,543	2,543		
Debt for the acquisition of investments/business units	226	146	80	
Options on subsidiaries' minority shareholdings	7,250		7,250	
Share capital to be paid into associates	277	277		
Total financial liabilities	**360,248**	**48,562**	**311,653**	**33**

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

On 2 August 2013 the Parent Company MFM S.p.A. issued secured High Yield bonds (Senior Secured Notes) due 1 August 2020, restricted to institutional investors. The proceeds of the transaction were used to repay most of the existing bank loans and replace the revolving programmes for the assignment of trade receivables without recourse. The bonds, which are listed on the Euro MTF Market of the Luxembourg Stock Exchange and on the Extra MOT Pro Segment of the Italian Stock Exchange, was issued for a nominal value of €425 million, with an issue price below par by 98.713%, with a fixed annual 8.5% coupon on a six-monthly settlement basis. At 31 March 2016 the nominal value recognised in the accounts was €300 million, given the buy-back operations carried out in 2014 and 2015, respectively, for €45 million and €80 million of nominal portions. None of the notes purchased (nominal value €125 million) were cancelled; they were deposited in a securities account with Unicredit S.p.A. and are reported in the Statement of Financial Position as a straight reduction of total financial debt since, from the accounting point of view, they constitute the repayment of a debt. Furthermore, an amount of €14 million of the same were pledged against the committed 3-year credit line of €10 million obtained from CCFS.

Finally, financial costs were accounted for in the period for €293 thousand, against the upfront fees paid when the bonds were issued, accounted for at amortised cost, in compliance with IAS 39.

To protect the investment of the Bondholders of the so-called notes, the rules governing the bond issue provide for a system of guarantees and restrictions (covenants). In fact, some limitations are envisaged on the financial operations of the Issuer and of its subsidiaries, while leaving the Group the freedom of movement insofar as the operations undertaken contribute, at least potentially, added value and cash flows to the Group. These restrictions consist of limitations on the possibility of incurrence of indebtedness and of making distributions of dividends, investments and some types of payments that fall outside the scope of the so-called Restricted Group payments. Furthermore, there are provisions in relation to the allocation of sums obtained from the transfer of fixed assets, extraordinary operations and transactions with related parties and the issue of collaterals to third parties on corporate assets. The restrictions in question lie not so much in the absolute prohibition on carrying out the abovementioned operations, but rather in checking for compliance with certain financial ratios (incurrence base financial covenants), the presence of certain conditions or a quantitative limit on the performance of the above operations. Finally, periodic disclosure obligations are provided for in relation to the Group's financial position, results of operation and cash flows.

The limits and provisions envisaged in the rules governing the bond issue are in line with the market practice for similar operations. The failure by the Issuer to comply with one or more covenants, in addition to significant events that express a state of insolvency, constitute events of default. For the most of them, there is the possibility of remediation within a certain period of time. The event of default relating to the state of insolvency or the absence of remediation of any other events of default are a reason for acceleration, i.e. the forfeiture of the right to the time limit and the early redemption of the bonds. As at the reporting date of these financial statements, no events of default had occurred and the financial covenants, in relation to which no periodic check is required, had been complied with.

C.C.F.S. loan

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

Accrued interest expense

At 31 March 2016, the Group recognised accrued expenses on interest payable of €4,263 thousand, of which €4,250 thousand relating to the amount accrued on the coupon of the Senior Secured Notes due 2 August 2016. The balance of the latter items includes an amount accrued on the total coupons being paid equal to €6,021 thousand, net of accrued income of €1,771 thousand relating to the Notes held on securities accounts.

Obligations arising from finance lease

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

Syndicated loans

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

The balance of this item, equal to €347 thousand, remained almost unchanged compared to 31 December 2015.

Options on minority interests in subsidiaries

The options on minority interests in subsidiaries, recognised to an amount of €7,250 thousand, fully related to the current value of the Put option held by the minorities of Gruppo Sicura S.r.l. (acquired in 2008 and now merged into Sicura S.p.A.) in relation to 20% of the share capital that is still owned by them.

Current financial assets

At 31 March 2016, Current financial assets amounted to €10,238 thousand (at 31 December 2015: €5,257 thousand), mainly including:

- receivables for amounts yet to be collected on disposals of equity investments in previous years for €8,738 thousand, in conformity to provisions in the agreement;
- €1,420 thousand of receivables from short-term loans and financial accounts held with non-consolidated companies belonging to the Group.

12. Employee termination indemnity

Changes in employee termination indemnity (''T.F.R.'') occurred during the first three months of 2016 are shown below, compared with changes in the same period of the last year.

(in thousands of Euro)	31 March 2016	31 March 2015
Employee termination indemnity at the beginning of the year	**18,424**	**21,207**
Increases from business combinations		
Current service cost	118	112
Interest costs on benefit obligations	90	81
Benefits paid	(370)	(626)
Transfers of businesses/branches		
Net actuarial (gains)/ losses from benefit obligations		
Other changes	(50)	(2)
Employee termination indemnity at the end of the year	**18,212**	**20,772**

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

(in thousands of Euro)	31 March 2016	31 March 2015
Curtailment	0	0
Current service costs	118	112
Interest costs on benefit obligation	90	81
Actuarial gains (losses) on defined benefit plans		
Total	**208**	**193**

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 three months ended	
	31 March 2016	31 March 2015
Executives	59	56
Office workers	1,282	1,445
Manual workers	15,128	14,611
AVERAGE STAFF	**16,469**	**16,112**

The average number of leased employees provided to the Group by Manutencoop Società Cooperativa was equal to no. 480 units at 31 March 2016 (31 March 2015: no. 541 units).

13. Provisions for risks and charges

Below are reported the breakdown and changes in provisions for risks and charges for the period ended 31 March 2016:

(in thousand of Euro)	Provision on investment	Risk on job order	Pending litigation	Tax disputes	ISC	Severance provision	Provision for bonus	Other provision	Total
As of 1 January 2016	65	8,157	57,717	478	192	4,254	1,326	1,064	73,253
Accruals	2	198	153						353
Utilization (payments)		(298)	(688)			(836)		(30)	(1,852)
Unused and reversed			(141)				(4)		(145)
Other									
As of 31 December 2016	67	8,057	57,041	478	192	3,419	1,322	1,034	71,609
Short- term 2016	67	7,785	330	478		3,419	1,322	55	13,456
Long-term 2016 . . .		272	56,711		191			979	58,153
Short- term 2015	65	7,885	432	478		4,254	1,326	75	14,515
Long-term 2015 . . .		272	57,285		192			989	58,738

Provision for risks on investments

The item, amounting to €67 thousand as at 31 March 2016, includes the provision for unrecoverable future losses of Group companies and fully 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 year-end balance was equal to €8,057 thousand, against accruals of €198 thousand, in addition to uses, releases and other changes that entailed a decrease of €298 thousand in the provision.

Provision for pending disputes

At the end of the financial year, the company assesses the risk of having to pay future compensation in the event of unsuccessful legal disputes with customers, suppliers, employees and other. During the period ended 31 March 2016 the provision reported increases for accruals totalling €152 thousand and decreases for uses, releases and other changes of €828 thousand.

Accruals were mainly recognized to cover risks of Servizi Ospedalieri S.p.A. for €100 thousand. Utilization and reversal in the period, totalling €828 thousand, refer to the provisions recorded in previous years due to the settlement of disputes with suppliers and legal proceedings with other parties.

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

The Directors have obtained the opinion of the Company's lawyers and continue to place reliance on the case for the defence but advise a conservative approach in calculating the estimate of the amount to recognise in the accounts for this dispute, in which they see some uncertain factors. Therefore, in view of the uncertainty surrounding the final outcome of the hearing at which the merits of the case are to be considered, they decided that setting aside the amount of the fine in full is the solution which is the most coherent with the requirements of IAS 37 for the purposes of recognising provisions for risks and charges. Additional risks associated with measures that could take CONSIP against possible reject of the appeal against the Authority's order, as described in Note 32 (Commitments and contingent liabilities) were considered by Management as possible but not probable.

Severance provision

This provision relates to the amounts due for severance and employee redundancy costs, as part of the restructuring plans implemented by some Group companies over the last few years. At 31 December 2015 the Group had recognized provisions totalling €4,254 thousand (of which €3,285 thousand in MFM S.p.A., €704 thousand in Telepost S.p.A. and €266 thousand in Servizi Ospedalieri S.p.A.). In 2016 there were uses of €836 thousand (€748 thousand of which in MFM S.p.A.).

Provision for bonuses

This provision includes accrual for future payments in relation to the bonus system adopted by the Group in favour of the top and middle management. As early as in the course of 2014 this incentive plan was not applied and, therefore, there was an allocation of the residual amounts only until 31 December 2015.

14. Trade payables, advances from customers and other current liabilities

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

(in thousands of Euro)	**31 March 2016**	**31 December 2015**
Payables to suppliers	330,309	345,833
Payables to third parties	**330,309**	**345,833**
Trade payables to parent company	2,390	6,421
Trade payables to associates	16,487	17,016
Payables to associates	**18,877**	**23,437**
Payables to customers for works to be completed	12,120	10,945
Trade payables and advances from customers	**361,306**	**380,215**
Payables to directors and statutory auditors	366	552
Tax payables	8,980	12,148
Payables to social security	7,503	8,282
Collections on behalf of third parties to be remitted to them	4,787	10,477
Payables to employees	55,935	48,875
Other payables	11,231	10,292
Property collection	2,176	2,176
Other payables to third parties	**90,978**	**92,802**
Other current payables to parent company	80	131
Other payables to Group subsidiaries	234	462
Other current operating payables to Group	**314**	**593**
Accrued expenses	10	10
Deferred income	1,173	1,167
Accrued expenses and deferred income	**1,183**	**1,177**
OTHER CURRENT LIABILITIES	**92,475**	**94,572**

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

Trade payables and advances from customers as at 31 March 2015 amounted to €361,306 thousand, against a balance of €380,215 thousand at 31 December 2015.

Other current operating payables showed a balance of €92,475 at 31 March 2016 and are mainly made up of the following items:

- payables to employees of €55,935 thousand, including the current monthly salaries to be paid in the months after the closing of the financial year, as well as payables for additional monthly salary to be paid (a portion of the 14th salary, to be paid in the month of July, and of the 13th salary, to be paid every year in December). Furthermore, the corresponding payables to social security institutions were recognized for €7,503 thousand;

- payables due to tax authorities for €8,980 thousand, mainly related to the balance of the VAT payables due from subsidiaries of the Group and the payable relating to the employees' IRPEF personal income tax (€12,148 thousand at 31 December 2015);

- collections on behalf of Temporary Associations of Companies for €4,787 thousand, which relate to the amounts collected by the Group, on behalf of third parties, mainly relating to job orders under CONSIP agreement (€10,477 thousand at 31 December 2015).

15. Commitments and contingent liabilities

Financial leasing

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

	31 March 2016		31 December 2015	
(in thousands of Euro)	**Rental fees**	**Current value of rental fees**	**Rental fees**	**Current value of rental fees**
Within one year	613	555	632	564
From one year to five years	789	756	929	888
After five years	15	15	34	34
TOTAL LEASE FEES	**1,417**	**1,326**	**1,595**	**1,486**
Financial charges	(93)		(109)	
PRESENT VALUE OF LEASE FEES	**1,326**	**1,326**	**1,486**	**1,486**

As at 31 March 2016, the Group granted sureties to third parties for:

- guarantees in favour of associates amounting to €18,544 thousand (31 December 2015: €21,027 thousand);

- other sureties granted to third parties: i) to ensure the correct fulfilment of contract obligations in place with customers amounting to €229,481 thousand (31 December 2015: €237,556 thousand) ii) to replace security deposits required to activate utilities or for lease contracts, as well as for VAT refunds from Inland Revenue Agency, for a total amount of €1,967 thousand (31 December 2015: €2,098 thousand);

- guarantees in favour of Factoring Agencies amounting to €2,104 thousand (31 December 2015: €2,104 thousand), to ensure correct fulfilment of factoring contracts;

- guarantees in favour of Factoring Agencies amounting to €2,104 thousand (31 December 2014: €2,104 thousand), to ensure correct fulfilment of factoring contracts.

Guarantees given within the bond issue

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

- first-recorded pledge on the shares held by MFM S.p.A. H2H Facility Solutions S.p.A. and in Servizi Ospedalieri S.p.A., equal to 100% of the capital of the same;
- assignment as security of receivables from private customers claimed by MFM S.p.A. and H2H Facility Solutions S.p.A.. At 31 December 2015 the receivables assigned as security amounted to €63,103 thousand (€75,459 thousand at 31 December 2015);
- execution of a deed of pledge on the current accounts held with Unicredit S.p.A., which were credited with the amounts collected from private customers assigned as security. The balance of these current accounts at 31 December 2015 was equal to €6,571 thousand;
- the release by Servizi Ospedalieri S.p.A. and H2H Facility Solutions S.p.A. of a personal security for an overall maximum amount of €48,411 thousand and €16,907 thousand, respectively, at 31 December 2016.

The guarantees listed above may be enforced by the counterparties only in the case that one of the events of default envisaged in the abovementioned contracts occurs; up to the occurrence of the same, the assets covered by the guarantee are fully available to the Group. At 31 March 2016 no events of default had occurred.

16. Management of financial risks: objectives and criteria

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 Management Board, which are reviewed periodically. The main objective of these guidelines is to guarantee the presence of a liability structure that is balanced with the composition of the balance sheet assets, in order to maintain a high level of capital strength.

In 2013 the Parent Company issued secured high-yield bond due August 2020, which radically revised the composition of the sources of financing. The bond issue that has been described has then rationalised our debt structure with a view to greater future financial stability that is more consistent with medium- and long-term strategic growth and development targets. The other financial instruments that are traditionally used by the Group Companies are made up of:

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

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

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

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

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

(in thousands of Euro)	Hierarchy 31 March 2016	Level 1	Level 2	Level 3	Hierarchy 31 December 2015	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss								
Financial receivables, securities and other non-current financial assets	162	162			162	162		
—of which securities	162	162			162	162		
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	**162**	**162**			**162**	**162**		

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

The Group has no financial liabilities measured at fair value at 31 March 2016 and 31 December 2015.

In 2015 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.

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.

(in thousands of Euro)	31 March 2016	31 December 2015
Employees termination indemnity	18,212	18,424
Long-term debt	344,939	345,767
Trade payables and advances from customers	361,306	380,215
Other current liabilities	92,475	94,572
Bank borrowings and current portion of long-term debt	24,039	14,481
Cash and cash equivalents	(103,850)	(114,391)
Current financial assets	(10,238)	(5,257)
Total Net Debt	**726,883**	**733,811**
Equity attribuitable to equity holders of the parent	297,250	289,585
Profit for the period attribuitable to equity holders of the parent	(8,073)	45,412
Total capital	**289,177**	**334,997**
EQUITY AND NET DEBT	**1,016,060**	**1,068,808**
Indebtedness ratio	**71,50%**	**68,70%**

A change was recorded in the debt ratio compared to 31 December 2015 of 2.9%, which was mainly due to a reduction of €6.9 million, against a decrease in the capital equal to €45.8 million for the allocation of the 2015 loss to reserves.

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 and are summarised below.

Facility management SBU

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

The so-called ''traditional'' Facility Management services provided by the 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, running and maintenance services of property-related systems (including heating and air conditioning systems, electrical systems, fire prevention and safety systems), including therein:

- design and implementation of redevelopment and adjustment work 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 include both the planning and implementation of maintenance of properties' green areas, and services for the area.

Starting from 2008, as a consequence of the diversification and horizontal integration strategy, the Group expanded its range of services through a series of acquisitions, providing certain specialist facility management services alongside its ''traditional'' Facility Management services, such as:

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

SBU laundering&sterilization

The so-called Laundering and 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 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.

SBU other

The Other activities SBU includes all the remaining activities of the Group and until 31 December 2015 it included the building activities relating to construction projects only, not particularly significant in respect of total Group production, also carried out on behalf of other Manutencoop Group companies. The SBU operated through MACO S.p.A. and other minor investee companies. With effect from 1 January 2016, MACO S.p.A. was merged into MFM S.p.A..

The following table shows the economic results by segment for the periods ended 31 March 2016 and 31 March 2015:

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Segment Revenues	209,051	33,352		(707)	**241,696**
Segment costs	(192,761)	(29,752)		707	**(221,806)**
Operating income (loss) by segment	**16,290**	**3,600**		**0**	**19,890**
Share of net profit of associates	839	32			**871**
Net financial income (expenses)					**(7,076)**
Profit (loss) before taxes					**13,685**
Income taxes					**(5,782)**
Profit (loss) from discontinued operations					**0**
NET PROFIT (LOSS) FOR THE PERIOD ENDED 31 MARCH 2016					**7,903**

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Segment Revenues	215,193	34,496	1,895	(868)	**250,716**
Segment costs	(200,042)	(31,615)	(1,826)	868	**(232,615)**
Operating income (loss) by segment	**15,151**	**2,882**	**68**	**0**	**18,101**
Share of net profit of associates	988	31			**1,019**
Net financial income (expenses)					**(8,376)**
Profit (loss) before taxes					**10,744**
Income taxes					**(5,332)**
Profit (loss) from discontinued operations	(243)				**(243)**
NET PROFIT (LOSS) FOR THE PERIOD ENDED 31 MARCH 2015					**5,169**

Below are reported the data related to assets and liabilities by operating segments of the Group at 31 March 2016 and 31 December 2015.

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Assets allocated to the segment	**537,854**	**129,229**		**(2,277)**	**664,806**
Goodwill	358,693	11,763			370,456
Investments	26,137	6,108			32,245
Assets held for sale					159,444
Other assets not allocated and related taxes					159,444
SEGMENT ASSETS	**922,684**	**147,100**		**(2,277)**	**1,226,951**
Liabilities allocated to the segment	**490,017**	**55,863**		**(2,277)**	**543,603**
Other liabilities not allocated and related taxes					385,888
SEGMENT LIABILITIES AT 31 MARCH 2016	**490,017**	**55,863**		**(2,277)**	**929,491**

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Assets allocated to the segment	**520,986**	**125,939**	**822**	**(2,275)**	**645,472**
Goodwill	358,693	11,763			370,456
Investments	25,058	6,076	852		31,986
Assets held for sale					
Other assets not allocated and related taxes					179,960
SEGMENT ASSETS	**904,737**	**143,778**	**1,673**	**(2,275)**	**1,227,874**
Liabilities allocated to the segment	**507,842**	**59,179**	**1,719**	**(2,275)**	**566,466**
Other liabilities not allocated and related taxes					371,444
SEGMENT LIABILITIES AT 31 MARCH 2015	**507,842**	**59,179**	**1,719**	**(2,275)**	**937,909**

18. Related party transactions

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

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

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

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

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

- e-Digital Solutions S.r.l. signed a contract with associate Roma Multiservizi S.p.A. on the basis of which it is committed to providing an Information System service. The contract, expiring on 31 December 2017, makes provision for an annual consideration of €815 thousand.

- Manutencoop Cooperativa sub-leased to MFM S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The duration of the lease has a 5-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be €1,722 thousand, to be paid in 12 monthly instalments. The contract is now being renewed.

- The affiliate company Manutencoop Immobiliare S.p.A. leased to Sicura S.r.l. Group the property located in Vicenza (VI), at via Zamenhof 363, for use as offices/warehouse. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be €390 thousand, to be paid in 12 monthly instalments.

- The affiliate company Manutencoop Immobiliare S.p.A. leased to MFM S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be €348 thousand, to be paid in 12 monthly instalments.

- On 6 July 2007, MFM S.p.A. signed a framework agreement with its parent company, Manutencoop Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Cooperativa to MFM S.p.A, pursuant to Title III, Chapter I of Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a legislative contract that does not provide rights to third parties, MFM and the parent company Manutencoop Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Cooperativa, and the operating rules for establishing and resolving said contracts.
- Manutencoop Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the MFM Group, to preparing pay packets.
- MFM S.p.A. signed agreements with Manutencoop Cooperativa and its subsidiaries, for the provision of tax consultancy services.

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

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

19. Events after the reporting date

On 4 May 2016 MFM S.p.A. was formally informed by Telecom Italia that it did not intend to exercise its right of withdrawal from its contract with MFM S.p.A. (concerning hygiene and other Facility Management services) as it had warned it would do on 19 February 2016; therefore the contracts will continue until their original expiry date.

Zola Predosa, 13 May 2016

The Chairman of the Management Board
Guido Maria Luigi Dealessi

Annex I
Group companies

Parent company

Name	Registered Office	City
Manutencoop Facility Management S.p.A.	Via Poli no. 4	Zola Predosa (BO)

Subsidiaries consolidated on a line-by-line basis

Name	Registered Office	City	% held	Type
CO.GE.F. Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	80%	Subsidiary
Consorzio Igiene Ospedaliera Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	66,66%	Subsidiary
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Evimed S.r.l.	Via Zamenhof 363	Vicenza	90%	Subsidiary
e-Digital Services S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Ferraria Soc. cons. a r.l.	Via Poli 4	Zola Predosa (BO)	69%	Subsidiary
Global Oltremare Soc.Cons. 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.rl	Via Poli 4	Zola Predosa (BO)	62,71%	Subsidiary
ISOM Gestione Soc. Cons.rl	Via Poli 4	Zola Predosa (BO)	52,97%	Subsidiary
KANARIND Soc. Cons.rl	Via Poli 4	Zola Predosa (BO)	62,43%	Subsidiary
Leonardo S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
Logistica Sud Est Soc. Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Manutencoop International FM S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
MCF servizi Integrati Soc. cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Palmanova Servizi Energetici Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Protec S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
S.AN.CO S.c.a.r.l.	Via A. Saffi. 51	Bologna	100%	Subsidiary
S.AN.GE S.c.a.r.l.	Viale Piero Alberto Pirelli 21	Milan	89%	Subsidiary
San Gerardo Servizi Soc. Cons. r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Servizi Brindisi Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	52%	Subsidiary
Servizi l'Aquila Soc. Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Servizi Ospedalieri S.p.A.	Via Calvino 33	Ferrara	100%	Subsidiary
Servizi Sanitari Sicilia Soc.Cons.a r.l.	Via Calvino 33	Ferrara	70%	Subsidiary
Servizi Taranto Soc.Cons. a.r.l.	Via Poli 4	Zola Predosa (BO)	60,08%	Subsidiary
Sicura S.p.A.	Via Zamenhof 363	Vicenza	80%	Subsidiary
Telepost S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary

Joint ventures accounted for under the equity method

Name	Registered Office	City	% held	Type
AMG S.r.l.	SS Laghi di Avigliana 48/a	frazione Roata Raffo Busca (CN)	50%	Joint Venture
Cardarelli Soc.cons.r.l.	S.S. Appia 7 bis Km. 11.900 Zona A.s.i. Aversa Nord	Carinaro (CE)	60%	Joint Venture
CO. & MA. Soc. Cons. a r.l.	Via del Parco n. 16	Tremestieri Etneo (CT)	50%	Joint Venture
DUC Gestione Sede Unica Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	49%	Joint Venture
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	Üniversiteler Mahallesi. Bilkent Plaza. A3 Blok. n. 4	Çankaya/ Ankara	50%	Joint Venture
Legnago 2001 Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	50%	Joint Venture
Malaspina Energy Soc.cons.r.l.	Via Varesina 118	Lurate Caccivio (CO)	50%	Joint Venture
Servizi Sportivi Brindisi Soc.cons.r.l.	Via Licio Giorgieri 93	Rome	50%	Joint Venture

Associates and other companies accounted for under the equity method

Name	Registered Office	City	% held	Type
Alisei S.r.l. in liquidation	Via Cesari 68/1	Modena	100%	In liquidation
Bologna Gestione Patrimonio Soc.Cons. r.l.	Via della Cooperazione 9	Bologna	27,58%	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
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	Padua	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
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi 18	Turin	24,75%	Associate

Name	Registered Office	City	% held	Type
Livia Soc.Cons. a r.l. in liquidation	Via Roma 57/B	Zola Predosa (BO)	34,10%	In liquidation
Logistica Ospedaliera Soc. Cons. a r.l	Via C. Alberto Dalla Chiesa 23/I	Caltanissetta (CL)	45%	Associate
Newco Duc Bologna S.p.A.	Via M.E. Lepido 182/2	Bologna	24,90%	Associate
Palazzo della Fonte S.c.p.a.	Via Calamandrei. 255	Arezzo (AR)	33,30%	Associate
Progetto ISOM S.p.A.	Via Poli 4	Zola Predosa (BO)	36,98%	Associate
Roma Multiservizi S.p.A.	Via Tiburtina 1072	Rome	45,47%	Associate
San Martino 2000 Soc.Cons. a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Savia Soc.Cons. a r.l.	Via B. Vanzetti 1	Forlì	49,11%	Associate
Società Consortile Adanti Manutencoop a r.l.in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Serena S.r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Se.Ste.Ro S.r.l.	Via San Pietro 59/B	fraz. Castellina—Soragna (PR)	25%	Associate
Servizi Napoli 5 Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	45%	Associate
Servizi Sanitari Treviso Soc. Cons.a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Sesamo S.p.A.	Via C. Pisacane 2	Carpi (MO)	20,91%	Associate
Simagest 2 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	90%	In liquidation
Simagest 3 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	89,99%	In liquidation
Synchron Nuovo San Gerardo S.p.A.	Via Poli 4	Zola Predosa (BO)	35,82%	Associate
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi 18	Turin	25%	Associate
Tower Soc.Cons. a r.l. in liquidation	Via Zanardi 372	Bologna	20,17%	Associate

Annex II

Valuation of investments using the equity method

	%	Net Book Value December 31, 2015	Changes of the period Additions/ Disposals	Dividends	Share of net profit / Write-downs	Provision	Reserves	Net Book Value March 31, 2016	Book value	Investment Provision
Alisei s.rl. in liquidation	100%	(65)				(2)		(67)		(67)
A.M.G. S.r.l.	50%	2,257			34			2,292	2,292	
Bologna Gestione Patrimonio	27,58%	6						6	6	
Bologna Global Strade Soc. Cons. a. r.l.	51%	0	51					51	51	
Bologna Multiservizi Soc.Cons. a r.l.	39%	4						4	4	
Bologna Più Soc.Cons. a R.L.	25,68%	5						5	5	
Cardarelli Soc.Cons. a r.l.	60%	5						5	5	
Co. & Ma. Soc.Cons. a r.l.	50%	5						5	5	
Como Energia Soc.Cons. a R.L.	30%	11						11	11	
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	60%	6						6	6	
Consorzio Polo sterilizzazione Integrata	60%	23						23	23	
Consorzio Sermagest in liquidation	60%	0						0	0	
DUC Gestioni Soc.Cons. a r.l.	49%	10						10	10	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	50%	391						391	391	
F.lli Bernard S.r.l.	20%	1,239			20			1,260	1,260	
GICO Systems S.r.l.	20%	79			40			120	120	
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						24	24	
IPP S.r.l.	25%	434			(23)			412	412	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34,10%	3						3	3	
Logistica Ospedaliera Soc. Cons. a r.l	45%	5						5	5	
Malaspina Energy Soc. Cons. a r.l.	50%	50						50	50	
Newco DUC Bologna S.p.A.	24,90%	387			(16)		(470)	(100)	(100)	
Palazzo della Fonte S.c.p.a.	33,30%	8,000						8,000	8,000	
Progetto ISOM S.p.A.	36,98%	1,143			(38)		64	1,168	1,168	
ROMA Multiservizi S.p.A.	45,47%	6,540			660			7,200	7,200	
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	
Savia soc.cons.a.r.l.	49,11%	5						5	5	

	%	Net Book Value	Changes of the period					Net Book Value		
		December 31, 2015	Additions/ Disposals	Dividends	Share of net profit / Write-downs	Provision	Reserves	March 31, 2016	Book value	Investment Provision
Società Consortile Adanti Manutencoop a r.l. in liquidation	50%	10						10	10	
SE.SA.MO. S.p.A.	20,91%	1,723			117			1,840	1,840	
Se.Ste.Ro S.r.l.	25%	139						139	139	
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%	4,808			77			4,885	4,885	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000						1,000	1,000	
Tower Soc.Cons. a r.l.	20,17%	20						20	20	
NET BOOK VALUE		**28,419**	**51**	**0**	**871**	**0**	**(2)**	**(406)**	**28,933**	**29,000**	**(67)**

Annex III

Related party transactions

Parent company

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Manutencoop Società Cooperativa	31-Mar-15	45	8,568			31-Dec-15	74	18,384	6,421	145
	31-Mar-16	29	7,208	1	501	31-Mar-16	44	9,392	2,390	3,144

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-Mar-15					31-Dec-15	3			1
	31-Mar-16					31-Mar-16	3			1
AMG S.r.l.	31-Mar-15		63	1		31-Dec-15	19	502	162	
	31-Mar-16		62			31-Mar-16	2	500	143	
Bologna Gestione Patrimonio Soc.Cons. a r.l.	31-Mar-15	16	33			31-Dec-15	175		50	
	31-Mar-16					31-Mar-16	175		50	
Bologna Multiservizi Soc.Cons. a r.l.	31-Mar-15					31Dec-15	195		1,619	
	31-Mar-16		23			31-Mar-16	195		1,317	
Bologna Più Soc.Cons.a r.l. in liquidation	31-Mar-15					31-Dec-15	-2	39	13	
	31-Mar-16					31-Mar-16	-2	29	13	
Bologna Global Strade Soc. Cons. a r.l	31-Mar-15					31-Dec-15				
	31-Mar-16	45	289			31-Mar-16	45		289	
Cardarelli Soc. Cons. a r.l.	31-Mar-15		458			31-Dec-15			1,042	
	31-Mar-16		300			31-Mar-16			740	
Como Energia Soc.Cons.a r.l.	31-Mar-15		352			31-Dec-15			900	
	31-Mar-16		312			31-Mar-16			699	
Consorzio Imolese Pulizie soc.Cons. in liquidation	31-Mar-15					31-Dec-15	49	36	48	
	31-Mar-16					31-Mar-16	49	36	48	
Consorzio Leader Soc. Cons. a r.l. in liquidation	31-Mar-15					31-Dec-15				
	31-Mar-16					31-Mar-16				
Consorzio Sermagest Soc.Cons.a r.l in liquidation	31-Mar-15					31-Dec-15				
	31-Mar-16					31-Mar-16				
CO.& MA. Soc. Cons. a r.l	31-Mar-15	90	329			31-Dec-15	360	20	2,287	
	31-Mar-16	90	388			31-Mar-16	150	20	870	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31-Mar-15	1,343	679			31-Dec-15	5,799		997	
	31-Mar-16	1,698	781			31-Mar-16	7,037		1,252	-137
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	31-Mar-15	5			10	31-Dec-15	188	2	54	267
	31-Mar-16	15				31-Mar-16	203	2	30	267
Fr.lli Bernard s.r.l.	31-Mar-15	3				31-Dec-15	58	50		
	31-Mar-16	3				31-Mar-16	61	50		
Gestlotto 6 Soc. cons. a r.l in liquidation	31-Mar-15		3			31-Dec-15				
	31-Mar-16					31-Mar-16				
Gico Systems S.r.l.	31-Mar-15		79			31-Dec-15	9		624	
	31-Mar-16	2	74			31-Mar-16	8		224	-25
Global Provincia di RN Soc.Cons.a r.l. in liquidation	31-Mar-15					31-Dec-15	25	70	18	
	31-Mar-16					31-Mar-16	25	70	18	
Global Riviera Soc.Cons.a r.l.	31-Mar-15		3			31-Dec-15	55		-105	
	31-Mar-16		3			31-Mar-16	55		-101	
Global Vicenza Soc.Cons. a r.l.	31-Mar-15	65	558			31-Dec-15	34	570	933	
	31-Mar-16	59	615			31-Mar-16	100	570	1,373	
Grid Modena S.r.l.	31-Mar-15		12			31-Dec-15	2			
	31-Mar-16					31-Mar-16	2			

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Gymnasium Soc. cons. a r.l in liquidation	31-Mar-15					31-Dec-15	1	7	33	5
	31-Mar-16					31-Mar-16	1	7	33	5
HEADMOST in liquidation	31-Mar-15					31-Dec-15				
	31-Mar-16					31-Mar-16				
IPP S.r.l.	31-Mar-15	97	87			31-Dec-15	313	60	152	
	31-Mar-16	106	49			31-Mar-16	310	59	99	-2
Legnago 2001 Soc. Cons. r.l.	31-Mar-15		1			31-Dec-15	216		84	
	31-Mar-16		1			31-Mar-16	216		85	
Livia Soc. cons. a r.l.	31-Mar-15					31-Dec-15				
	31-Mar-16					31-Mar-16				-5
Logistica Ospedaliera Soc. Cons. a r.l.	31-Mar-15		104			31-Dec-15			140	
	31-Mar-16		113			31-Mar-16			158	
Malaspina Energy Soc. Cons. a r.l.	31-Mar-15		11	14		31-Dec-15	1,047	180	91	
	31-Mar-16		1	1		31-Mar-16	1,047	181	91	
Newco DUC Bologna S.p.A	31-Mar-15					31-Dec-15			25	
	31-Mar-16		4			31-Mar-16			29	
Palazzo della Fonte S.c.p.a.	31-Mar-15	569				31-Dec-15	723			
	31-Mar-16	616				31-Mar-16	816			
P.B.S. Soc.Cons. a r.l. in liquidation	31-Mar-15					31-Dec-15		1		
	31-Mar-16					31-Mar-16				
Progetto ISOM S.p.A.	31-Mar-15	59	25	3		31-Dec-15	13,630	1,802	131	
	31-Mar-16	64	13	30		31-Mar-16	14,502	1,832	145	893
Progetto Nuovo Sant'Anna S.r.l.	31-Mar-15	43		25		31-Dec-15				
	31-Mar-16					31-Mar-16				
Roma Multiservizi S.p.A.	31-Mar-15	395	513			31-Dec-15	516		1,330	462
	31-Mar-16	380	444		-4	31-Mar-16	449		1,217	299
San Martino 2000 Soc.Cons. r.l.	31-Mar-15	440	860			31-Dec-15	717		675	
	31-Mar-16	406	840			31-Mar-16	1,383		1,376	
Savia Soc. Cons. a r.l	31-Mar-15		260			31-Dec-15	18		965	
	31-Mar-16					31-Mar-16	18		651	7
Serena S.r.l.—in liquidation	31-Mar-15					31-Dec-15		3	1	
	31-Mar-16					31-Mar-16		3		
Servizi Luce Soc. Cons. a r.l.	31-Mar-15	4	453			31-Dec-15	339		-93	
	31-Mar-16					31-Mar-16				
Servizi Marche Soc. Cons. r.l. in liquidation	31-Mar-15					31-Dec-15				
	31-Mar-16					31-Mar-16				
Servizi Napoli 5 Soc.Cons. a r.l.	31-Mar-15	362	321			31-Dec-15	2,076		1,287	
	31-Mar-16	31	317			31-Mar-16	2,111		1,603	
Se.Sa.Mo. S.p.A.	31-Mar-15	1,283		5		31-Dec-15	2,608	606	6	
	31-Mar-16	1,298		7		31-Mar-16	2,926	613	6	
SESATRE S.cons. a r.l.	31-Mar-15	4	1,082	5		31-Dec-15	-14	1,221	1,475	
	31-Mar-16	4	1,113	3		31-Mar-16	-9	1,204	2,249	
Se.Ste.Ro S.r.l.	31-Mar-15	2	113			31-Dec-15	46		921	
	31-Mar-16					31-Mar-16	46		833	53
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation	31-Mar-15					31-Dec-15	20	75	4	2
	31-Mar-16					31-Mar-16	20	75	4	2
S.I.MA.GEST3 Soc. Cons. r.l in liquidation	31-Mar-15					31-Dec-15			3	
	31-Mar-16					31-Mar-16			3	
Società Consortile Adanti Manutencoop in liquidation	31-Mar-15					31-Dec-15				
	31-Mar-16					31-Mar-16	12		11	
Steril Piemonte Soc. cons. a.r.l	31-Mar-15		188	1		31-Dec-15	11	578	334	
	31-Mar-16		183			31-Mar-16	10	575	425	42
Synchron Nuovo San Gerardo S.p.A.	31-Mar-15	2,104	16			31-Dec-15	7,915	2,123	646	
	31-Mar-16	1,220	18	43		31-Mar-16	9,057	2,206	506	-2
Tower Soc.Cons. a r.l. in liquidation	31-Mar-15					31-Dec-15		11		
	31-Mar-16					31-Mar-16	33	17	-11	

Subsidiaries of manutencoop 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-Mar-15					31-Dec-15	1			
	31-Mar-16					31-Mar-16	1			
Manutencoop Immobiliare S.p.A.	31-Mar-15	3	620			31-Dec-15	6		114	
	31-Mar-16	3	622			31-Mar-16	3		1	(71)
Nugareto Società Agricola Vinicola S.r.l.	31-Mar-15	1	2			31-Dec-15	8		39	
	31-Mar-16	7	(1)			31-Mar-16	13		(2)	
Segesta servizi per l'Ambiente S.r.l.	31-Mar-15	4				31-Dec-15	9			
	31-Mar-16	4				31-Mar-16	14			

Associates of manutencoop 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-Mar-15	19				31-Dec-15	11		2	
	31-Mar-16	22				31-Mar-16	21		2	
Consorzio Karabak 2 Società Cooperativa	31-Mar-15	1				31-Dec-15			1	
	31-Mar-16	1				31-Mar-16				
Consorzio Karabak 3 Società Cooperativa	31-Mar-15					31-Dec-15				
	31-Mar-16					31-Mar-16				
Consorzio Karabak 4 Società Cooperativa	31-Mar-15					31-Dec-15				
	31-Mar-16					31-Mar-16		0	1	
Consorzio Karabak 6 Società Cooperativa	31-Mar-15					31-Dec-15		1		
	31-Mar-16					31-Mar-16				
Sacoa S.r.l.	31-Mar-15	24				31-Dec-15	50		8	
	31-Mar-16	18				31-Mar-16	52		8	

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
TOTAL	**31-Mar-15**	**6,981**	**15,793**	**54**	**10**	**31-Dec-15**	**37,310**	**26,340**	**23,437**	**882**
	31-Mar-16	**6,121**	**13,772**	**85**	**497**	**31-Mar-16**	**41,204**	**17,441**	**18,877**	**4,471**

Statement of reconciliation of the reclassified statement of cash flows and the statutory schedules items

	For the quarter ended 31 March			
		2016		2015
CASH AND CASH EQUIVALENTS AT THE beginning OF THE year		**114,391**		**113,382**
CASH FLOW FROM CURRENT OPERATIONS:		**21,065**		**18,619**
Profit before taxes for the period	13,685		10,421	
Profit (loss) from discontinued operation	0		(243)	
Capital gain on disposal of discontinued operation	0		41	
Other impairment on discontinued operations	0		121	
Amortization, depreciation, write-downs and (write-backs) of assets	7,151		7,924	
Accrual (reversal) of provisions for risks and charges	208		1,617	
Employee termination indemnity provision	208		191	
Share of net profit of associates, net of dividends collected	(871)		(1,020)	
Financial charges (income) for the period	7,076		8,264	
Net interest received (paid) in the period	(12,519)		(15,965)	
Income tax paid in the period	9,875		(434)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	5,723		7,702	
Cash flow from the assignment of tax receivables without recourse under tax consolidation, included under changes in other operating assets	(9,471)			
USES OF PROVISIONS FOR RISKS AND CHARGES AND payments OF THE EMPLOYEE TERMINATION INDEMNITY:		(2,275)		(3,049)
Payments of Employee termination indemnity	(423)		(626)	
Utilization of provisions	(1,852)		(2,423)	
CHANGE IN adjusted NWOC:		(39,237)		(19,141)
Decrease (increase) of inventories	185		(126)	
Decrease (increase) of trade receivables	(20,513)		(16,340)	
Increase (decrease) of trade payables and advances from customers	(18,909)		(2,719)	
Adjustments:				
Change in the amount of trade receivables assigned without recourse to Factoring agencies and not yet collected by the latter	1		44	
INDUSTRIAL AND FINANCIAL Capex:		863		(4,904)
(Purchase of intangible assets, net of sales)	(1,042)		(729)	
(Purchase of property, plant and equipment)	(2,928)		(4,354)	
Proceeds from sales of property, plant and equipment	158		78	
(Acquisition of investments)	(197)		0	
Decrease (increase) of financial assets	(109)		431	
Discontinuing activities	0		50	
Reclassifications:				
Change in current financial assets, to be included in Net Financial Liabilities	4,981		(380)	
CHANGE IN ADJUSTED NET FINANCIAL LIABILITIES:		3,747		(7,832)
Net proceeds from/(reimburse of) borrowings	14,452		(466)	

	For the quarter ended 31 March			
	2016		2015	
Adjustments:				
Change in the amount of receivables assigned without recourse to Factoring agencies and not yet collected by the latter	(1)		(44)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of Profit or Loss	(5,723)		(7,702)	
Change in current financial assets, to be included in Net Financial Liabilities	(4,981)		380	
OTHER CHANGES:		5,295		(13,245)
Decrease (increase) of other current assets	(2,093)		3,130	
Increase (decrease) of other current liabilities	(2,083)		(16,375)	
Reclassifications:				
Cash flow from the assignment of tax receivables without recourse under tax consolidation, included under changes in other operating assets.	9,471			
CASH AND CASH EQUIVALENTS AT THE END OF THE period		103,850		83,830

Consolidated financial statements as of and for the year ended 31 December 2016

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010

(Translation from the original Italian text)

To the Shareholders of Manutencoop Facility Management S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Manutencoop Facility Management Group, which comprise consolidated statement of financial position as of 31 December 2016, and the consolidated statement of income, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Manutencoop Facility Management S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Manutencoop Facility Management Group as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw attention:

- to Note 13- *Provisions for Risks and Charges* of the consolidated financial statements which describes the assessment performed by the management board with reference to the fine levied on Manutencoop Facility Management S.p.A. by the Italian Competition Authority on 20 January 2016, to the related further risks and to the related effects on the financial statements.

- to Note 31- *Commitments and contingent liabilities* of the consolidated financial statements which described the investigation notified by the Public Prosecutor's Office of Naples on 3 April 2017, which involves certain executives of Manutencoop Facility Management S.p.A..

Our opinion is not qualified in respect of these matters.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations[1] with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations with the consolidated financial statements. The Directors of Manutencoop Facility Management S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. In our opinion the Report on is consistent with the consolidated financial statements of Manutencoop Facility Management Group as of 31 December 2016.

Bologna, 21 April 2017

EY S.p.A.
Signed by: Marco Menabue, partner

This report has been translated into the English language solely for the convenience of international readers.

1 The Report on Operations is not included in this Offering Memorandum.

Consolidated Financial Statements
Consolidated Statement of Financial Position
As of 31 December 2016

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

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated Financial Statements
Consolidated Statement of Financial Position
As of 31 December 2016

(in thousands of Euro)	Notes	As of 31 December 2016	As of 31 December 2015
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		109,150	109,150
Reserves		187,856	188,349
Retained earnings		(7,518)	37,498
Profit/(loss) for the year attributable to equity holders of the parent		33,649	(45,412)
Equity attributable to equity holders of the parent		*323,137*	*289,585*
Capital and reserves attributable to non-controlling interests		351	337
Profit/(loss) for the year attributable to non-controlling interests		(116)	43
Equity attributable to non-controlling interests		*235*	*380*
Total shareholders' equity	**13**	**323,372**	**289,965**
Non-current liabilities			
Employees termination indemnity	14	17,043	18,424
Provision for risks and charges, noncurrent	15	44,522	58,738
Long-term debt	17	305,482	311,686
Deferred tax liabilities	30	11,812	11,167
Other non-current liabilities		50	28
Total non-current liabilities		**378,909**	**400,043**
Current liabilities			
Provision for risks and charges, current	15	10,715	14,515
Trade payables and advances from customers	18	346,308	380,215
Current tax payables		1,363	0
Other current liabilities	18	85,909	94,572
Bank borrowings, including portion of long-term debt and other financial liabilities	17	52,839	48,563
Total current liabilities		**497,134**	**537,865**
Liabilities directly associated with assets classified as held for sale		0	0
Total liabilities directly associated with assets classified as held for sale		**0**	**0**
Total shareholders' equity and liabilities		**1,199,415**	**1,227,873**

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated Financial Statements
Consolidated Statement of Income
For the year ended 31 December 2016

(in thousands of Euro)	Notes	For the year ended 31 December 2016	For the year ended 31 December 2015
Revenue			
Revenue from sales and services	20	926,758	953,813
Other revenue	21	2,340	1,916
Total revenue		**929,098**	**955,729**
Operating costs			
Costs of raw materials and consumables	22	(117,615)	(133,155)
Changes in inventories of finished goods and semi-finished products		(55)	0
Costs of services and use of third party assets	23	(331,365)	(336,114)
Personnel costs	24	(376,266)	(380,793)
Other operating (costs)/income	25	(7,900)	(12,602)
Amortization, depreciation, write-downs and write-backs of assets	26	(32,714)	(32,493)
Accruals (reversal) to provision for risks and charges	15	10,107	(51,561)
Total operating costs		**(855,808)**	**(946,718)**
Operating income		**73,290**	**9,011**
Financial income and expenses			
Share of net profit of associates	6	1,688	90
Dividends and net income (loss) from sale of investments	27	498	(459)
Financial income	28	1,964	984
Financial expenses	29	(30,183)	(34,066)
Gains/(losses) on exchange rate		(38)	(10)
Profit/(loss) before taxes from continuing operations		**47,219**	**(24,450)**
Income taxes	30	(14,738)	(18,032)
Profit/(loss) from continuing operations		**32,481**	**(42,482)**
Profit/(loss) after taxes from discountinued operations	31	1,052	(2,887)
Net profit/(loss) for the year		**33,533**	**(45,369)**
attributable to non-controlling interests		(116)	43
Attributable to equity holders of the parent		33,649	(45,412)

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

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated Financial Statements
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

(in thousands of Euro)	Notes	For the year ended 31 December 2016	For the year ended 31 December 2015
Net profit/(loss) for the year		**33,533**	**(45,369)**
Other components of the comprehensive income, which will be subsequently reclassified under profit/(loss) for the year:			
Exchange differences on translating foreign operations		(11)	11
Effect on the shareholders' equity from associates accounted for under the equity method	6	342	67
Other components of the comprehensive income for the year, which will be subsequently reclassified under profit/(loss) for the year		***331***	***78***
Other components of comprehensive income, which will be subsequently reclassified under profit/(loss) for the year:			
Actuarial gains/(losses) on defined benefit plans		*(398)*	*831*
Income tax effect		*28*	*(188)*
Net actuarial gains/(losses) on defined benefit plans	14	**(370)**	**643**
Share of other comprehensive income of entities accounted for under the equity method		*(57)*	*52*
Other components of the comprehensive income for the year, which will be subsequently reclassified under profit/(loss) for the year	6	**(427)**	**695**
Total profit/(loss) in the statement of comprehensive income, net of taxes		**(96)**	**773**
Total comprehensive income (loss) for the year		**33,437**	**(44,596)**
Attributable to:			
Equity holders of the parent		33,553	(44,639)
Non-controlling interests		(116)	43

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated Financial Statements
Consolidated Statement of Cash Flows
For the year ended 31 December 2016

(in thousands of Euro)	Notes	For the year ended 31 December 2016	For the year ended 31 December 2015
Profit/(loss) from continuing operations		32,481	(42,482)
Income taxes		14,738	18,032
Profit/(loss) before taxes from continuing operations		**47,219**	**(24,450)**
Profit/(loss) after tax for the year from discountinued operations		1,052	(2,887)
Capital profits/(losses) on disposal of discontinued operation		(1,409)	2,225
Other unrealized impairment on discontinued operations		0	0
Amortization, depreciation, write-downs and (write-backs) of assets		32,714	32,513
Accrual (reversal) to provisions for risks and charges		(10,107)	51,561
Employee termination indemnity provision		889	838
Payments of employee termination indemnity		(2,673)	(2,769)
Utilization of provisions for risks and charges		(7,503)	(11,244)
Share of net profit of associates, net of dividends collected		(1,688)	940
Financial expenses (income)		28,257	32,891
Operating cash flows before movements in Working Capital		**86,751**	**79,618**
Of which related to discontinued operations		*(1,409)*	*(922)*
Of which related to continuing operations		*88,160*	*80,540*
Decrease (increase) of inventories		381	(92)
Decrease (increase) of trade receivables		58,123	54,552
Decrease (increase) of other current assets		4,804	(985)
Increase (decrease) of trade payables and advances from customers		(33,828)	1,060
Increase (decrease) of other current liabilities		(8,621)	(28,742)
Change in Working Capital		**20,859**	**25,793**
Net interest received (paid) in the year		(26,470)	(32,640)
Income tax paid in the year		5,301	(5,072)
Net cash flow from operating activities		**86,441**	**67,699**
Purchase of intangible assets, net of sales	4	(6,857)	(6,502)
Purchase of property, plant and equipment	3	(23,677)	(17,389)
Proceeds from sales of property, plant and equipment	3	835	792
Acquisition of investments		(505)	848
Decrease (increase) of financial assets		(491)	(932)
Net cash used in business combinations		0	(408)
Discontinuing activities	23	9,274	4,932
Net cash flow used in investing activities		**(21,421)**	**(18,659)**

(in thousands of Euro)	Notes	For the year ended 31 December 2016	For the year ended 31 December 2015
Increases of bank borrowings		0	10,000
Decreases of bank borrowings		0	(80,000)
Payment of financial lease liabilities	17	(570)	(804)
Proceeds from/(reimburse of) short term bank debt	17	(22,207)	21,180
Proceeds from non-current borrowings	17	18,387	1,614
Dividends paid		(25)	(20)
Acquisition/Sale of minority interests in subsidiaries		(4)	(1)
Net cash flow from/(used in) financing activities		**(4,419)**	**(48,031)**
Changes in cash and cash equivalents		60,601	1,009
Cash and cash equivalents at the beginning of the year		114,391	113,382
Changes in cash and cash equivalents		**60,601**	**1,009**
Cash and cash equivalents at the end of the year		**174,992**	**114,391**
Details of cash and cash equivalents:			
Cash and cash equivalent		174,992	114,391
TOTAL CASH AND CASH EQUIVALENTS		**174,992**	**114,391**

Supplementary information (in thousands of Euro)	For the year ended 31 December 2016	For the year ended 31 December 2015
Interest paid	(28,712)	(33,444)
Interest received	2,241	804
Dividends received	483	375

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated Financial Statements
Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2016

(in thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the year	Total Group's shareholders equity	Non-controlling interests	Total shareholders' equity
1 January 2016	**109,150**	**188,349**	**37,498**	**(45,412)**	**289,585**	**380**	**289,965**
Cost connected with the issue of share capital					**0**		**0**
Dividends distribution					**0**	*(25)*	**(25)**
Allocation of prior year result		(396)	(45,016)	45,412	**0**		**0**
Acquisition/Sale of minority interests in subsidiaries					**0**	*(4)*	**(4)**
Total comprehensive income (loss) for the year		(96)		33,649	**33,553**	*(116)*	**33,437**
31 December 2016	**109,150**	**187,856**	**(7,518)**	**33,649**	**323,137**	**235**	**323,372**

(in thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the year	Total Group's shareholders equity	Non-controlling interests	Total shareholders' equity
1 January 2015	**109,150**	**170,167**	**42,553**	**12,354**	**334,224**	**683**	**334,906**
Cost connected with the issue of share capital					**0**	*0*	**0**
Dividends distribution					**0**	*(20)*	**(20)**
Allocation of prior year result		17,409	(5,055)	(12,354)	**0**		
Acquisition/Sale of minority interests in subsidiaries					**0**	*(326)*	**(326)**
Total comprehensive income (loss) for the year		773		(45,412)	**(44,639)**	*43*	**(44,596)**
31 December 2015	**109,150**	**188,349**	**37,498**	**(45,412)**	**289,585**	**380**	**289,965**

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated Financial Statements
Explanatory Notes
31 December 2016

1. General Infomation

The publication of the consolidated Financial Statements of the Manutencoop Facility Management Group (the "MFM Group" or the "Group") for the year ended 31 December 2016 was authorized by resolution of the Board of Directors of 24 March 2017.

At 31 December 2016 the Group was 59.765% owned by Manutencoop Società Cooperativa, with registered office in Zola Predosa (BO), which exercises management and coordination activities over the Group. Furthermore, on 1 July 2013 the company acquired an additional stake of 7.028% with retention of title ("riserva di proprietà"), whereby it is vested with related financial and administrative rights, pursuant to and for the purposes of article 1523 of the Italian Civil Code.

1.1 Activity

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.

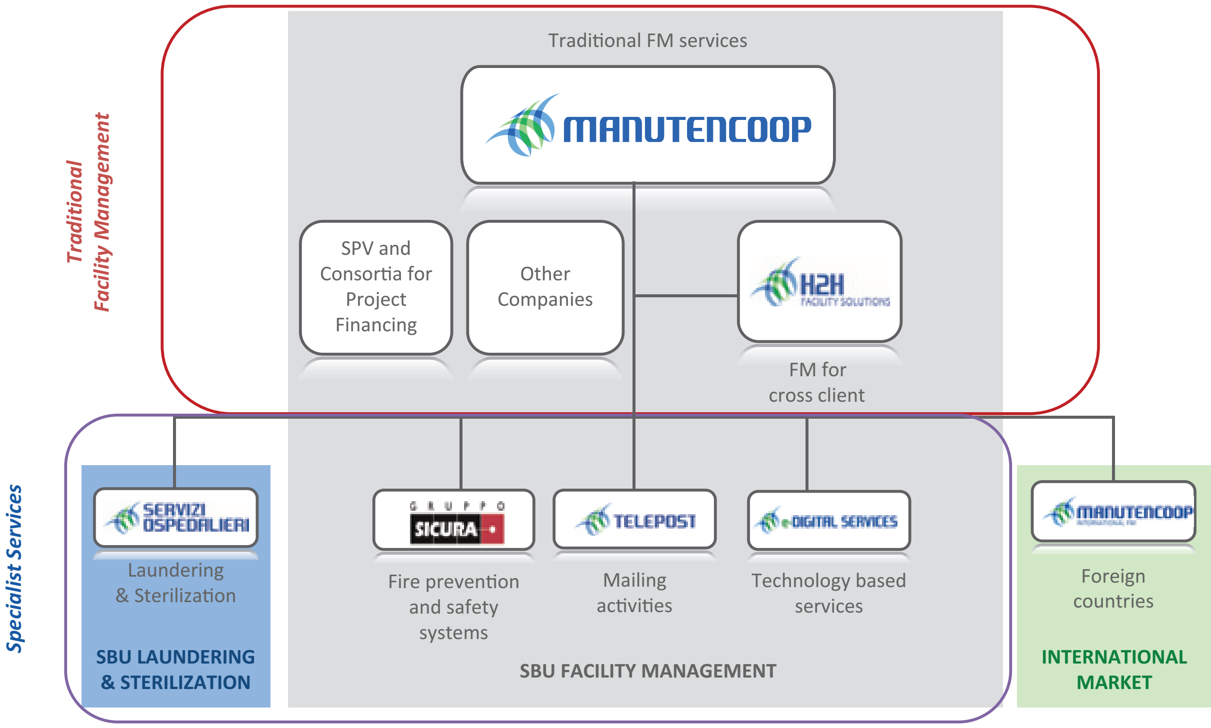
In particular, the MFM Group provides a wide and coordinated range of integrated services throughout Italy, aimed at rationalising and improving the quality of the non-strategic and auxiliary activities of major private groups, public authorities and health care facilities.

The MFM Group operates with a single operating holding company which combines so-called "traditional" facility management production resources with those related to supporting the whole Group's business. From the previous financial years a strategy has been pursued by the central holding functions to diversify: (i) operations, also through a series of acquisitions, with some "specialist" facility management services beside the historical core business (hygiene services, green spaces and technical and maintenance services): these services involve fire prevention and safety products and systems, in addition to linen rental and industrial laundering services and surgical instrument sterilization at healthcare facilities and high technology B2B services, (ii) markets, through the sub-holding Manutencoop International FM S.r.l., which was established to start the commercial development in international markets at the end of 2015.

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

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

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



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

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

- Cleaning;
- Technical Services;
- Landscaping.

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

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

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

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

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

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

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

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

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

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

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

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

2. Basis of presentation

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

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

After considering the possible areas of doubt regarding the continuation of business, including the liquidity risk described in the Notes to the Financial Statements and any other market risk associated with the pending proceedings described in the Report on Operations, the Directors decided to prepare the financial statements on the going concern basis.

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

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

2.1 Statement of compliance with international accounting standards (IFRS)

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

2.2 Changes in accounting standards and disclosures

The criteria adopted for the preparation of the consolidated Financial Statements are consistent with those used to prepare the consolidated Financial Statements of the previous year, with the exception of the aspects detailed below for the standards and interpretations which are newly issued and applicable from 1 January 2016.

The Group did not provide for the early adoption of any standard, interpretation or improvement issued but still not obligatorily in force.

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

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

- *Amendments to IFRS10, IFRS12 and IAS28—Applying the Consolidation Exception*. The amendments clarify the applicability of the consolidation exceptions for an investment entity. In fact, an Investment entity measures its investments at fair value, while its parent company (if any) will be required to consolidate the subsidiaries of the investment entity. Furthermore, it is also specified that said subsidiaries must be measured at fair value if they are other than investment entities and do not provide services related to the parent's investments activities.

- *Amendments to IFRS11—Joint Arrangements*. This amendment explains that if an entity acquires an interest in a joint operation which constitutes a form of business, it must apply, within the limits of its investment, the accounting standards and disclosure requirements laid down in IFRS 3, Business Combinations, and those in all other IFRSs that do not conflict with the provisions of IFRS 11.

- *Amendments to IAS16 and IAS38—Clarification of Acceptable Methods of Depreciation and Amortisation.* This amendment explains that it is advisable to use methods of amortisation and depreciation of fixed assets that take the actual economic benefit of using them into account. If goods or assets are used in business operations, the ratio between the revenue generated by business and the entity's total revenues is not a correct reflection of the amortisation or depreciation percentage to apply. This ratio may only be used in limited cases for the amortisation of intangible assets.

- *Amendments to IAS16 and IAS41*. This amendment explains that biological assets used in agriculture (e.g. fruit trees) continue to be subject to the requirements of IAS 16 while their products (e.g. the fruit gathered) continue to be subject to the requirements of IAS 41.
- *Amendments to IAS27—Equity Method in Separate Financial Statements*. This amendment explains that since the equity method is used for accounting for investments in subsidiaries and associates in certain countries, the option previously provided for in IAS 27 has been reinstated. Therefore, the investments in the Separate Financial Statements can be valued at cost (IAS27), in accordance with IAS39 or the new IFRS9 or by using the equity method (IAS27 amended). The method adopted must be applied homogeneously for all types of these investments.
- *Amendments to IAS1—Presentation of Financial Statements*. The amendments provide clarifications on the requirements of materiality of IAS1 and of elements recognised in the OCI Statement and in the Statement of Financial Position, which may be further disaggregated. Furthermore, it is clarified that the share of OCI of equity-accounted associates and joint ventures should be reported in aggregate as single line items, based on whether or not it will subsequently be reclassified to the Statement of Profit/loss for the year.

The adoption of the above Standards and Interpretations had no impact 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 analising the standards indicated below and is assessing the impact they will have on its consolidated Financial Statements, but did not provide for an early adoption. Hereafter are described the main development provided.

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

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

As regards impairment, the IAS39 model based on the losses incurred has been replaced by the ECL (Expected Credit Loss) model. Finally, some changes are made in Hedge Accounting, with the possibility of conducting a prospective effectiveness and quality test, measuring risk factors independently if they can be identified.

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

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

- *Amendments to IAS7—Statement of Cash Flow*s. These amendments give indications on the disclosures to be provided in relation to the liabilities that arise from financing activities, including any cash and non-cash changes (such as, for example, foreign exchange gains or losses).
- Amendments to IAS12—Recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. An entity must establish whether tax regulations restrict the tax deduction from which the temporary difference arises. Furthermore, the amendments give indications on how an entity should calculate future taxable income and explain the circumstances in which taxable income can ensure the recoverability of these assets.
- *Amendments to IFRS2—Clarifications of classification and measurement of share-based payment transactions*. These amendments clarify the effects of vesting conditions on the measurement of a share-based and cash-settled payment transaction. Furthermore, they provide clarifications relating to the classification of a share-based payment with net settlement, which might give rise to withholding tax obligations. Finally, accounting rules are laid down for the case in which any amendment to the terms and conditions of a share-based payment transaction changes the classification of the latter from cash-settled to equity-settled.
- *Amendments to IFRS4—Insurance contracts*. These amendments concern the introduction of the new standard on financial instruments (IFRS9) in the phase of transition to the new standard which will replace IFRS4. They also provide for two options for the entities that deliver insurance services: temporary exception and overlay approach.

- *Amendments to IAS40—Transfers of Investment property*. These amendments clarify when an entity should transfer a property, including properties under construction or development, to or from the category of "investment property". A change in the intended purpose cannot occur as a result of a simple change in the Management's intention.

Improvements to IFRS

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

As early as in 2014, the IASB issued a new series of amendments to IFRS (series 2012-2014, which follows the previous series 2009-2011, 2010-2012 and 2011-2013). These improvements have specifically concerned a change in the sales programmes under IFRS5—Non-current Assets Held for Sale and Discontinued Operations, the applicability of IFRS7—Financial Instruments in the condensed Interim Financial Statements, the use of discount rates under IAS19—Employee Benefits and the disclosures to be supplemented with respect to IAS34—Interim Financial Reporting. The amendments will be obligatory applicable as from the financial years that will end after 1 January 2016.

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

2.3 Discretionary assessments and significant accounting judgments, estimates and assumptions

The preparation of the consolidated Financial Statements requires Management Boards to make discretionary assessments, estimates and assumptions that affect the amounts of revenues, costs, assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements. However, given the uncertainty of these assumptions and estimates upon which estimates are based, actual results may differ from these estimates..

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 related to the adoption, starting from 2007, of the continuity of values principle for the recognition of business combinations under common control. Application of this principle gives rise to the recognition in the statement of financial position of values equal to those that would be recorded if the companies involved in the business combination had always been combined. The net assets of the acquiree and of the acquiring entity are therefore recorded on the basis of the carrying amounts included in their respective accounts before the transaction.

Uncertainty of estimates

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

Impairment test

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

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

Provisions for risks and charges and Allowance for doubtful accounts

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

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

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

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

Recognition of revenues and costs relating to contract work in progress

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

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

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

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

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

Consolidation principles

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

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

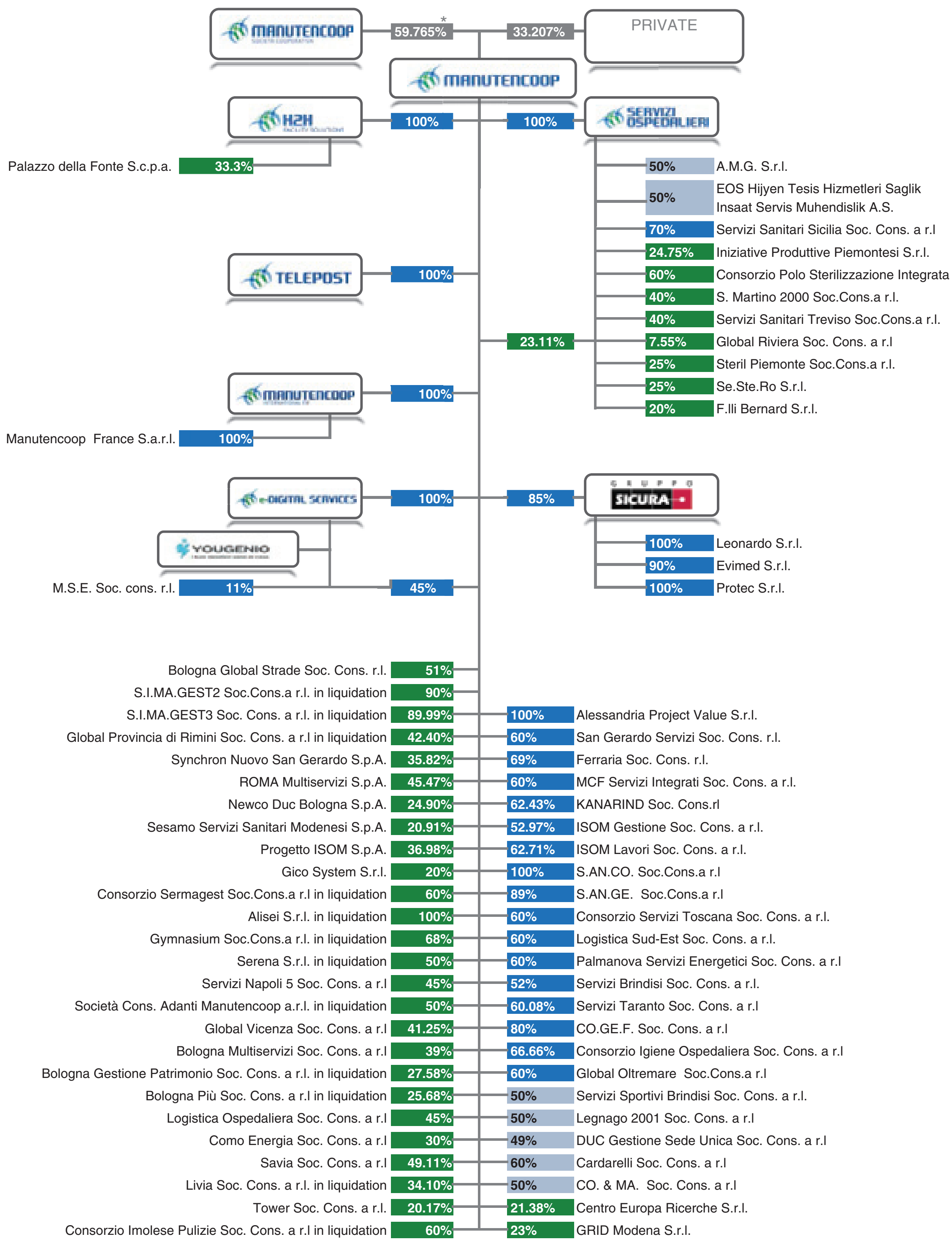
Subsidiaries are consolidated on a line-by-line basis starting from the acquisition date, i.e. the date on which the Group acquires control, and are deconsolidated on the date in which control is transferred out of the Group.

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

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

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

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



Legend:

- Subsidiaries consolidated on a line-by-line basis
- Joint Ventures consolidated by equity method
- Associates and other companies consolidated by equity method

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

We highlight during the year:

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

2.4 Summary of the significant accounting policies

Conversion of foreign currency items

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

Statements of financial position and income statements in foreign currency are translated to Euro using the reporting date exchange rates for the items of the Statement of Financial Position and average exchange rates for items of the Income Statement.

Differences arising from the translation of opening shareholders' equity at year-end exchange rates are charged to the currency conversion reserveas well as the difference arising from the translation of the result for the period at reporting date exchange rates compared to the average exchange rate. Cumulated translation reserve is reversed to the income statement at the moment of the sale or liquidation of the related investment into the foreign company.

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)	The lower useful life and contractual duration

Plant and equipment category includes not only plant and equipment, but also machinery, motor vehicles, office machines and furniture.

Borrowing costs related to the acquisition of the asset are directly recognized to the income statement except for the borrowing costs that are directly attributable to the acquisition, construction or production of an asset which justifies their capitalisation (qualifying asset).

A qualifying asset is an asset that requires a certain period of time to be ready for use.

Borrowing costs capitalization ceases when the qualifying asset is available for use

Extraordinary maintenance expenses are 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 reviewed for impairment on an annual basis, or more frequently if events or changes are identified which may give rise to impairment losses.

For the purposes of impairment test, 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 common 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 impairment tests whenever there is evidence 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 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'.

Apart from goodwill, the Group does not have any intangible assets with indefinite useful life.

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	Defined	Defined
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	Acquired	Acquired in business combination.
Impairment tests / tests on recoverable value	Annually or more frequently when there is evidence of impairment.	Annually 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 identifies the following categories for the classification of financial assets:

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 using the effective interest 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, as in the previous year, the Group only classifies the 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 realizable 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 realizable 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. Accrual 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 translated at the reporting date exchange spot rates.

Contracts for construction work and plant building

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

Contracts revenues include the initial amount agreed with the customer, in addition to the changes to the contract and price variations set out in the contract which can be determined reliably.

When the result of the contract 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 on 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 fully derecognised, 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 carried at the amortzsed cost

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 amounts 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 from construction activities by reference to the stage of completion measured by the percentage of completion method. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses incurred that are recoverable.

Sale of assets

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

Interest

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

Dividends

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

Government grants

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

Income taxes

Current taxes

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

Deferred taxes

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

Deferred tax liabilities are recognized against all temporary taxable differences, except:

when deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;

with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, in the event in which the reversal of the temporary differences can be controlled and is not likely to occur in the foreseeable future.

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

deferred tax assets connected to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;

with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent in which it is likely that the deductible temporary differences will be reversed in the immediate future and that sufficient tax profits will be generated against which the temporary differences can be used.

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

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

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

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

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

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

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

In particular, the transaction is considered a hedge if documentation exists on the relationship between the hedging instrument and the liability hedged that shows risk management objectives, the hedging strategy and methods used to verify the effectiveness of the hedge. A transaction is considered a hedge if the effectiveness is verified at the moment it starts and, going forward, confirmed during its entire life.

Within the scope of the International Accounting Standards (IFRS), these instruments are viewed as derivative financial instruments.

These derivative financial instruments are initially recognised at fair value at the date they are stipulated; subsequently, said fair value is re-measured periodically. They are accounted as assets when the fair value is positive and liabilities in the case of a negative fair value.

Any profits or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are charged directly to the income statement in the year.

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

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

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

Earnings per share

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

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

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

Operating segments

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

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

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

Methods of calculation of the costs allocated to the segments

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

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

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

Changes in accounting estimates and errors

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

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

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

3. Property, plants and equipments

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

(in thousands of Euro)	Properties	Plant and equipment	Properties leased	Plant and equipment leased	Total
As of 1 January 2016, net of accumulated depreciation and impairment	**4,801**	**57,355**	**178**	**2,038**	**64,372**
Additions due to business combination	0	0	0	0	0
Additions from acquisition	7,674	16,003	0	0	23,677
Impairment losses	0	(614)	0	0	(614)
Disposal	(135)	(700)	0	0	(835)
Depreciation of the year	(152)	(19,890)	(13)	(435)	(20,490)
Other	1,517	(1,375)	(139)	(3)	(0)
As of 31 December 2016	**13,705**	**50,779**	**26**	**1,600**	**66,110**
As of 1 January 2016					
Cost	6,949	321,551	375	4,953	333,828
Accumulated depreciation and impairment losses	(2,148)	(264,196)	(197)	(2,915)	(269,456)
Net Book Value	**4,801**	**57,355**	**178**	**2,038**	**64,372**
As of 31 December 2016					
Cost	16,005	334,864	236	4,950	**356,055**
Accumulated depreciation and impairment losses	(2,300)	(284,085)	(210)	(3,350)	(289,945)
Net Book Value	**13,705**	**50,779**	**26**	**1,600**	**66,110**

The additions from acquisitions for the year refer to the linen in the Laundering & Sterilization segment for € 11,279 thousand and to the purchases of other machinery and specific equipment for € 4,273 thousand.

Furthermore, the year show increases for acquisitions of properties for € 7,674 thousand, which fully relate to the purchase by Servizi Ospedalieri S.p.A. of the properties already used under leases in Ferrara (the registered and administrative office which is partly devoted to industrial laundering operations) and Teramo (industrial laundering plant and facilities for the sterilization of surgical instruments). The transaction was carried out with a related party, Manutencoop Immobiliare S.p.A., a company in the Manutencoop Cooperativa Group, subject to an expert's report concerning the properties for the calculation of the current market value, which corresponds to the transfer price.

Furthermore, some plant and equipment were disposed off for a total amount of € 700 thousand, concerning linen and surgical instrument for € 557 thousand. During the last quarter a loss of value was recognised as a decrease in "Plant and equipment", equal to € 614 thousand, in the form of sterilisation machinery located at the industrial site in Teramo, as a result of the reorganisation of the Teramo production site after the acquisition of the property from Manutencoop Immobiliare S.p.A. and after the bad weather which affected the area.

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

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

(in thousands of Euro)	Properties	Plant and equipment	Properties leased	Plant and equipment leased	Total
As of 1 January 2015, net of accumulated depreciation and impairment	**4,970**	**62,721**	**200**	**2,667**	**70,558**
Additions due to business combination	0	2	0	0	2
Additions from acquisition	0	17,389	0	0	17,389
Impairment losses	0	0	0	0	0
Disposal	(32)	(761)	0	0	(793)
Depreciation of the year	(137)	(21,981)	(22)	(626)	(22,766)
Other		(15)		(3)	(18)
As of 31 December 2015	**4,801**	**57,355**	**178**	**2,038**	**64,372**
As of 1 January 2015					
Cost	6,981	304,936	375	4,953	317,245
Accumulated depreciation and impairment losses	(2,011)	(242,215)	(175)	(2,286)	(246,687)
Net Book Value	**4,970**	**62,721**	**200**	**2,667**	**70,558**
As of 31 December 2015					
Cost	6,949	321,551	375	4,953	**333,828**
Accumulated depreciation and impairment losses	(2,148)	(264,196)	(197)	(2,915)	(269,456)
Net Book Value	**4,801**	**57,355**	**178**	**2,038**	**64,372**

4. Intangible assets

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

(in thousands of Euro)	Other intangible assets	Goodwill	Total
As of 1 January 2016, net of accumulated amortization and impairment	**26,005**	**370,456**	**396,461**
Additions due to business combination	0	0	0
Additions from acquisition	6,858		6,858
Disposals	(1)		(1)
Amortization of the year	(6,748)		(6,748)
Impairment losses	0		0
Other	0	0	0
As of 31 December 2016	**26,114**	**370,456**	**396,570**
As of January 1, 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**
As of 31 December 2016			
Cost	102,934	372,849	475,783
Accumulated amortization and impairment losses	(76,820)	(2,393)	(79,213)
Net Book Value	**26,114**	**370,456**	**396,570**

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

Other intangible assets, amounting to € 26,114 thousand at 31 December 2016, mainly consist of investments in software carried out as part of the projects aimed to upgrading and enhancing the corporate information systems.

The additions from acquisitions for the period (€ 6,858 thousand) were mainly attributable to the Facility management SBU, for € 6,637 thousand, of which € 738 thousand related to the investments made by the start-up Yougenio for the creation of the e-commerce portal intended for the B2C market.

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

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

(in thousands of Euro)	Other intangible assets	Goodwill	Total
As of 1 January 2015, net of accumulated amortization and impairment	**24,782**	**369,860**	**394,642**
Additions due to business combination	2	596	598
Additions from acquisition	6,614		6,614
Disposals	(112)		(112)
Amortization of the year	(5,276)		(5,276)
Impairment losses	(4)		(4)
Other	(1)	0	(1)
As of 31 December 2015	**26,005**	**370,456**	**396,461**

(in thousands of Euro)	Other intangible assets	Goodwill	Total
As of January 1, 2015			
Cost	89,572	372,253	461,825
Accumulated amortization and impairment losses	(64,790)	(2,393)	(67,183)
Net Book Value	**24,782**	**369,860**	**394,642**
As of 31 December 2015			
Cost	96,076	372,849	468,925
Accumulated amortization and impairment losses	(70,071)	(2,393)	(72,464)
Net Book Value	**26,005**	**370,456**	**396,461**

5. Impairment test of goodwill

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

SBU—Facility management

The SBU is identified with:

Manutencoop Facility Management S.p.A.

H2H Facility Solutions S.p.A.

the Group controlled by Sicura S.p.A., operating in the facility management segment as supplier of specialist services

Telepost S.p.A., a specialist company for internal mailing services for the Telecom Italia Group

e-Digital Services S.r.l., which is active in the sector of high technology services to businesses

Yougenio S.r.l., which is active in the facility management for the B2C market

Manutencoop International F.M. S.r.l. and its foreign subsidiaries, dedicated to commercial development in international markets

other minor investee companies operating in the same segment.

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

SBU—Laundering & Sterilization

The SBU is identified with:

Servizi Ospedalieri S.p.A., operating in the linen rental and industrial laundering segment for hospitals and the sterilization of linen and surgical instruments

other minor investee companies active in the same segment.

SBU—Other

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

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

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

Carrying amount of consolidated goodwill (in thousands of Euro)	**31 December 2016**	**31 December 2015**
Goodwill allocated to CGU Facility Management	358,693	358,693
Goodwill allocated to CGU Laundering/Sterilization	11,763	11,763
Goodwill allocated to CGU Other	0	0
Total goodwill	**370,456**	**370,456**

Facility management CGU goodwill

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

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

Acquisition of MCB S.p.A., a company through which the Group established the first facility management unit for "network" customers (banks, insurance companies, etc.). In 2010, MCB S.p.A. was merged by incorporation into MP Facility S.p.A. (now H2H Facility Solutions S.p.A.);

Acquisition of Teckal S.p.A., which was merged by incorporation into Manutencoop Facility Management S.p.A. in 2010, through which the Group strengthened the production structure of traditional facility management, in particular in the heat management service.

Acquisition of Altair IFM S.p.A. (the most significant transaction to date), which enabled the Group to gear the customer portfolio towards large private customers. In 2010 the larger companies in the Altair sub-group were merged by incorporation into Manutencoop Facility Management S.p.A.

Acquisition of Gruppo Sicura S.r.l. (now Sicura S.p.A.), which started the expansion in the range of specialist facility management services in the fire prevention and accident prevention market;

Acquisition of a fire fighting services business unit including its assets, equipment, trademarks and distinctive marks in addition to all the existing contractual relationships, from Triveneta Servizi S.r.l.. The transfer of the business unit came into effect on 1 August 2015.

Laundering & Sterilization CGU goodwill

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

Acquisition during the 2003 financial period of a business unit dealing with the linen rental and industrial laundering and sterilization activities for public and private healthcare of LIS S.p.A., with contracts mainly located in the Marche Region.

Acquisition during the 2006 financial period of a business unit dealing with the linen rental and industrial laundering and sterilization activities for public healthcare of Lidi Service S.p.A., the activity of which was carried out in Porto Garibaldi (province of Ferrara) plant.

Acquisition of Omasa S.p.A. in 2007, a company operating in the market for the sterilization of surgical instruments and linen, as well as following further minor acquisitions, all made by Servizi Ospedalieri S.p.A., a company operating in the linen rental and industrial laundering and sterilisation market. Omasa S.p.A. was then merged by incorporation into Servizi Ospedalieri S.p.A. on 1 July 2009.

Impairment Test

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

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

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

The expected future cash flows, for the period from 2017 to 2021, extrapolated from the Business Plan, are derived from projected cash flows obtained through:

determination of the value of the forecast gross margins according to the projection of the backlog of existing service contracts, augmented by the assumption of new portfolio acquisitions.

estimates of changes in Net Working Capital on the basis of the target days of stock rotation, the payment of amounts due and collection of receivables.

A terminal value used to estimate future results beyond the time horizon expressly considered. The terminal value was determined by applying a NOPLAT equal to 2021 EBIT adjusted by the average expected depreciation and amortisation and investments, net of a nominal tax rate. As regards long-term growth rates, an assumption of 1% was considered both for the Facility management SBU and for the Laundering & Sterilization SBU.

The expected future cash flows were discounted back at a discount rate (WACC) of 7.20% for the Facility management SBU (2015: 7.35%) and at a discount rate (WACC) of 6.61% (2015: 7.68%) for the Laundering & Sterilization SBU. The WACC was determined by using the Capital Asset Pricing Model ("CAPM"), by which the risk-free rate was calculated with reference to the curve of the rates of return of Italian long-term government bonds, while the non-diversifiable systematic risk ratio (ßeta) and the debt/equity ratio were extrapolated from the analysis of a group of comparable companies operating in the European facility management and laundering sector. In addition, in order to reflect the uncertainty of the current economy and the future market conditions, the cost of the equity component of the WACC rate was increased with a risk premium of 200 basis points for the Facility management SBU and 150 basis points for Laundering & Sterilization SBU in each period of time.

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

6. Investments accounted for under the equity method

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

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

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

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

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

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

(in thousands of Euro)	%	Total Assets	Total Liabilities	Equity	Net cash/debt position	Income	Profit (loss) for the year
Palazzo della Fonte S.c.p.a.	33.30%	85,601	(46,874)	(38,727)	(43,448)	15,016	0
Roma Multiservizi S.p.A.	45.47%	54,460	(39,680)	(14,780)	(12,196)	78,858	(2,034)
Project financing firms	< 50%	312,263	(271,231)	(41,032)	(78,133)	136,239	1,071

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

7. Other investment and non-current financial assets

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

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

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

Other investments, overall of € 3,850 thousand at 31 December 2016, are measured at purchase or establishment cost, since there is no active market in the securities concerned, which for the most part cannot be freely transferred to third parties due to limitations and restrictions preventing their free circulation.

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

€ 7,616 thousand of non-current financial receivables due from associates, affiliates and joint ventures (€ 6,413 thousand at 31 December 2015). The face value of these receivables is € 7,720 thousand, while the discounting fund amounts to € 104 thousand. Some of these are non-interest bearing since they were drawn down proportionally from each consortium partner and are thus discounte-d on the basis of their expected residual maturity, applying Eurirs as the reference interest rate, plus a spread. The increase in the gross balance of the receivables under examination that was recorded during the year mainly concerned the granting of a new loan to the Joint venture EOS for € 1,175 thousand, against the repayment of the loan granted to associate Malaspina (€ 176 thousand), which was transferred during the last quarter of the year;

€ 4,053 thousand of non-current financial receivables from third parties (€ 9,082 thousand at 31 December 2015). The variation from last year mainly arises from the collection of the remaining balance of the receivable, on 30 December 2016, for escrowed amounts relating to the transfer of MIA S.p.A., which took place in December 2014, in line with the fulfilment of some contract clauses;€ 101 thousand of securities held until maturity, showing a decrease of € 61 thousand compared to 31 December 2015 following the fair value measurement of the Banca Popolare di Vicenza shares.

8. Other non-current assets

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

9. Inventories

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

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

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

10. Trade receivables, advances to suppliers and other current assets

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

(in thousands of Euro)	31 December 2016	from related parties	31 December 2015	from related parties
Work in progress on order	18,178		19,062	
Third party trade receivables, gross	428,037		489,519	
Allowance for doubtful accounts	(33,410)		(29,500)	
Provision for discounting of trade receivables	0		0	
Trade receivables due from third parties	**412,805**	**0**	**479,081**	**0**
Receivables from parent company	60	60	74	74
Trade receivables from associates	36,261	36,261	29,242	29,242
Trade receivable from related entities	4,090	4,090	7,992	7,992
Trade receivables due from the Group	**40,411**	**40,411**	**37,308**	**37,308**
Advances to suppliers	2,879	21	2,805	2
Total receivables and advances to suppliers	**456,095**	**40,432**	**519,194**	**37,310**
Other tax receivables due within 12 months	13,629		13,701	
Other current receivables due from third parties	6,987		12,315	
Short-term receivables due from social security institutions	2,700		2,898	
Short-term receivables due from employees	**480**		472	
Other short-term operating receivables due from third parties	**23,796**	**0**	**29,386**	**0**
Other receivables from parent company	7	7	5	5
Other receivables from associates	826	826	649	649
Other short-term operating receivables due from Group companies	**833**	**833**	**654**	**654**
Accrued income	0		0	
Prepaid expenses	1,303		1,098	
Accrued income and prepaid expenses	**1,303**	**0**	**1,098**	**0**
Other current receivables	**25,932**	**833**	**31,138**	**654**

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

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

Banca Farmafactoring amounted to € 11,649 thousand, to which must be added an amount of € 1,234 thousand relating to assignments without recourse that were made in previous financial years to Credit Agricole and that were discontinued from the 2013 financial year.

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

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

(in thousands of Euro)	31 December 2015	Increases	Utilization	Releases	Other changes	31 December 2016
Provision for bad debts	29,500	4,732	(1,621)	(225)	1,024	33,410

Increases, equal to € 4,732 thousand, relate to the assessment of the risk arising from the failure to recover amounts from some customers.

The other changes relate to increase in the consolidated provision for write-down of default interest.

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

			Past due trade receivables				
(in thousands of Euro)	Total	Not yet due	< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	after 120 days
31 December 2016	394,627	266,166	27,227	16,048	6,809	7,164	71,213
31 December 2015	460,019	311,021	28,310	17,703	9,492	9,688	83,805

Other current assets, equal to € 25,932 thousand (€ 31,138 thousand at 31 December 2015) decreased by an overall amount of € 5,206 thousand in the year.

The change was essentially due to the collection of a total amount of € 5,597 thousand during the last quarter of 2016, following the settlement of the dispute relating to sums entered as receivables from a customer as early as in 2013 on account of VAT required in the application of the principle of recourse laid down in article 93, paragraph 1, of Decree Law 1 of 24 January 2012, as converted by Law 27 of 24 March 2012, following the objections raised by the Tax Authority concerning the misapplication of reduced VAT rates during an audit that was completed at the parent company MFM S.p.A., with the issue of two PVCs (Processi Verbali di Constatazione, Reports on findings). Subsequently MFM S.p.A. also filed formal notices of acceptance of the PVCs, which were followed by a voluntary tax correction (“ravvedimento operoso”) concerning the tax years after the audit, with an additional tax payment, which was also claimed from the customer on the basis of the same principle of recourse. The subsequent dispute was settled by means of an arbitration award dated August 2016, in the application of the arbitration clause laid down in the contracts, which fully acknowledged the payment of the amounts required by way of recourse for VAT (overall € 5,597 thousand) to MFM S.p.A., even in consideration of the payment of an amount of € 1,680 thousand to the customer by way of compensation, which was entered under Other operating costs as at 31 December 2016.

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

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

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

11. Cash and cash equivalents and current financial assets

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

(in thousands of Euro)	31 December 2016	31 December 2015
Bank deposits on demand	141,486	85,975
Cash on hand	38	34
Cash account with CCFS	33,468	28,382
Cash and cash equivalents	**174,992**	**114,391**
Financial receivables	1,668	3,822
Financial receivables from associates	717	1,433
Dividends	2	2
Current financial receivables	**2,387**	**5,257**

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

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

The remaining balance, equal to € 950 thousand, of the receivable for the earn-out paid on the transfer of SMAIL S.p.A. (reference should be made to note 29 below for more details);

An overall amount of € 717 thousand of receivables from short-term loans and financial accounts held with non-consolidated Group companies;

The balance of pledged current accounts dedicated to the operation of the service within the scope of assignments of trade receivables without recourse with Banca Farmafactoring, equal to € 524 thousand.

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

12. Assets classified as held for sale and liabilities directly associated with assets classified as held for sale

As early as in 2014, MFM S.p.A. classified, as held for sale, the public lighting business that was only conducted by subsidiary SMAIL S.p.A. and was subsequently transferred to third parties on 13 November 2015. Furthermore, on 30 December 2014 MFM S.p.A. transferred the total stake in MIA S.p.A., the sub-holding company of the group active in the maintenance and installation of lifting equipment (MIA Group).

In the Consolidated Financial Statements at 31 December 2016, as well as at 31 December 2015, the economic results achieved by these activities have been excluded from the perimeter of "Continuing operations" and are recognized under a single item of the Statement of Profit or Loss as "Profit (loss) from discontinued operations", in accordance with IFRS5.

Profit (loss) from discontinued operations

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

(in thousands of Euro)	31 December 2016	31 December 2015
Revenue		3,050
Operating costs		(5,641)
GROSS MARGIN	**0**	**(2,591)**
Amortization, depreciation, write-downs and write- backs		(19)
Accrual (reversal) of provisions for risks and charges		
Net financial charges		201
Capital gain (Capital losses) from discontinued operations		(1,304)
Capital gain from MIA Spa's transfer	185	
Earn-out on the transfer of the SMAIL business	1,200	
PROFIT (LOSS) BEFORE TAXES FROM DISCONTINUED OPERATIONS	**1,385**	**(3,713)**
Income taxes from discontinued operations:		
- related to profit (loss) for the year		17
- related to the capital gain (capital losses) from discontinued operations		809
- related to discontinued operations	(333)	
PROFIT (LOSS) AFTER TAXES FROM DISCONTINUED OPERATIONS	**1,052**	**(2,887)**
Basic earnings per share from discontinued operations	0.0096	(0.0264)
Diluted earnings per share from discontinued operations	0.0096	(0.0264)

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

An amount of € 970 thousand (€ 1,200 thousand, net of a tax effect of € 330 thousand) relating to the payment of the earn-out on the transfer of SMAIL S.p.A. that took place in 2014, as a result of the fulfilment of some contract conditions, and the collection of which is expected during the next 12 months;

An amount of € 182 thousand (€ 185 thousand, net of a tax effect of € 3 thousand) relating to the positive adjustment applied following the partial collection of the receivable for escrowed sums relating to the sale of MIA S.p.A. that took place in December 2014.

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

Net cash flows generated from/(used in) discontinued operations
In 2016 discontinued operations generated the following cash outflows, compared with the cash flows generated during the same period of 2015:

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

The cash flows reported at 31 December 2016 mainly related to the collection of an amount of € 3,948 thousand and € 5,000 thousand on 9 May 2016 and 30 December 2016 respectively, relating to the receivable for escrowed sums on the transfer of the total quota held in MIA S.p.A. (the sub-holding company of the related group of companies operating in the market of lifting equipment installation and maintenance) which took place on 30 December 2014. The transfer agreement provided for the definition of a preliminary price of the investment, in addition to the full repayment of the intragroup loan, which was outstanding, as at that date, between the transferred company and the transferor MFM S.p.A.. On the closing date of the transaction, a portion of the transfer price (€ 10 million) was paid by the buyer into an escrow account, as security for the future commitments entered into by the parties, which had been settled in full on the reporting date. The financial items were settled in 2015 for € 18 thousand.

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

13. Share capital and reserves

(in thousands of Euro)	31 December 2016	31 December 2015
Share Capital - Ordinary shares	109,150	109,150

Ordinary shares have a nominal value of Euro 1 each. Ordinary shares issued and fully paid up at 31 December 2016 amounted to 109,149,600.

The Parent Company does not hold own shares.

Reserves and Retained Earnings
The table below shows changes in equity reserves in the period:

(in thousands of Euro)	Share premium reserve	Legal reserve	SE reserves companies valued at equity	Cash flow hedge reserve	SORIE reserve	Other reserves	Total reserves
1 January 2015 Restated	**145,018**	**17,737**	**(854)**	**0**	**(5,781)**	**14,047**	**170,167**
Allocation of profits of previous years		646	3,803		673	12,287	17,409
Economic effects on equity			130		643		773
31 December 2015	**145,018**	**18,383**	**3,079**	**0**	**(4,465)**	**26,334**	**188,349**
Allocation of profits of previous years					(396)		(396)
Economic effects on equity			285		(370)	(11)	(96)
31 December 2016	**145,018**	**18,383**	**3,364**	**0**	**(5,233)**	**26,323**	**187,856**

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

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

The table below shows changes in *Retained earnings*:

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

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

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

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

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

14. Employee termination indemnity

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

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

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

(in thousands of Euro)	For the year ended 31 December 2016	For the year ended 31 December 2015
Curtailment	0	0
Current service costs	527	454
Interest costs on benefit obligation	362	380
Actuarial gains (losses) on defined benefit plans	398	(831)
Total	**1,287**	**3**

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

(in thousands of Euro)	For the year ended 31 December 2016	For the year ended 31 December 2015
Discount rate	1.5%	2%
Inflation rate	1.2%	1.5%
Estimated employee turnover	Dal 1.5% al 11.50%	Dal 1.5% al 11.50%

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

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

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

(in thousands of Euro)	Discount rate	Actuarial assumptions	Employee termination indemnity
Financial year ended 31 December 2016	+ 0,25 bps	+ 0,10 ppt	16,510
	- 0,25 bps	- 0,10 ppt	17,498
Financial year ended 31 December 2015	+ 0,25 bps	+ 0,09 ppt	17,939
	- 0,25 bps	- 0,09 ppt	18,930

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

(in thousands of Euro)	For the year ended 31 December 2016	For the year ended 31 December 2015
Executives	60	56
White-collar workers	1,255	1,251
Blue-collar workers	14,882	15,127
Employees	**16,197**	**16,434**

The average number of leased employees provided to the Group by Manutencoop Società Cooperativa was equal to no. 467 units at 31 December 2016 (31 December 2015: no. 526 units).

15. Provisions for risks and charges

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

(in thousand of Euro)	Provision on investment	Risk on job order	Pending litigation	Tax disputes	ISC	Severance provision	Provision for bonus	Other provision	Total
As of 1 January 2016	**65**	**8,157**	**57,717**	**478**	**192**	**4,254**	**1,326**	**1,064**	**73,253**
Accruals	8	1,640	4,366	0	0	1,400	0	417	7,831
Utilization (payments)	0	(871)	(1,634)	0	(10)	(3,654)	(1,208)	(125)	(7,503)
Unused and reversed	0	(402)	(17,356)	0	0	0	(119)	(61)	(17,938)
Other	0	(371)	(56)	0	20	0	1	(1)	(406)

(in thousand of Euro)	Provision on investment	Risk on job order	Pending litigation	Tax disputes	ISC	Severance provision	Provision for bonus	Other provision	Total
As of 31 December 2016	**73**	**8,153**	**43,037**	**478**	**202**	**2,000**	**0**	**1,294**	**55,237**
Short- term 2016	73	7,779	361	478	0	2,000	0	24	10,715
Long-term 2016	0	374	42,676	0	202	0	0	1,270	44,522
Short- term 2015	65	7,885	432	478		4,254	1,326	75	14,515
Long-term 2015		272	57,285		192			989	58,738

Provision for risks on investments
The item, amounting to € 73 thousand at 31 December 2016, includes the provision for unrecoverable future losses of Group companies and related to the subsidiary Alisei S.r.l. in liquidation.

Provision for risks on job orders
This provision includes, at consolidated level:

estimated risks relating to potential disputes with customers, on the report of works;

estimated penalties charged by customers;

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

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

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

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

On 20 January 2016 AGCM considered that it had found a breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012 and levied a fine of € 48,510 thousand against the parent company MFM S.p.A., which rejects 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%. In any case, while claiming its full non-involvement in the violations being contested, MFM S.p.A., challenged the trial judgment before the Council of State; on 1 March 2017 the latter handed down its ruling, confirming the judgment issued by the Lazio Regional Administrative Court. However, MFM S.p.A. will also challenge the Council of State's ruling, filing an appeal with the Supreme Court. On 23 December 2016 the Authority, in enforcing the Lazio Regional Administrative Court's ruling, published a new order, recalculating the fine at € 14,700 thousand, which was also challenged by MFM S.p.A. before the Lazio Regional Administrative Court.

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

On 23 November 2016 Consip S.p.A. gave MFM S.p.A. notice of the final termination of the agreements, expressly stating that it would confiscate the part of the final guarantee deposit (performance bond) which remained after the deposit had been partially released considering the work done normally up to the termination date. It also notified the intention to report the fatcs to the Italian anti-corruption authority (Autorità Nazionale Anti-Corruzione—ANAC) and to the Public Prosecutor's Office. Although ANAC issued an unfavorable opinion, which was considered to be unlawful and was promptly challenged by the company, MFM S.p.A considers that the termination of the agreement will not entail the automatic termination of existing contracts with individual schools but that termination is a mere right on the schools' part, which has not yet been used by any of them in relation to the above mentioned order.Finally, on 2 December 2016 Consip S.p.A. formally notified the Italian Anti-Corruption Authority (Autorità Nazionale Anti-Corruzione, ANAC) of its accusations against MFM S.p.A.. On 7 January 2017 the Company served a writ of summons on the entity, asking the Ordinary Court of Rome to establish the unlawfulness of the notice of termination of the agreements and order Consip S.p.A. to compensate for any damage suffered by the company.

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

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

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

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

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

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

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

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

For any additional assessment made by the Group with reference to the Risks associated with Competition and Markets, reference should be made to the corresponding paragraph included in the Report on Operations.

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

Provision for termination employee benefits
This provision has been set aside to include the amounts due for severance and employee redundancy costs, as part of the sundry restructuring plans implemented by some Group companies over the last few years. At 31 December 2015 the Group had recognized provisions totalling € 4,254 thousand (of which € 3,285 thousand in MFM S.p.A., € 704 thousand in

Telepost S.p.A. and € 266 thousand in Servizi Ospedalieri S.p.A.). In 2016 there were uses of € 3,654 thousand (of which € 3,285 thousand in MFM S.p.A.) and provisions were set aside for € 1,400 thousand, which led to a final balance of the provision equal to € 2,000 thousand.

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

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

16. Derivatives

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

17. Bank borrowing including current portions of long-term debt 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 from credit institutions and consortium members, respectively.

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

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

(in thousands of Euro)	31 December 2016	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	294,648		294,648	
C.C.F.S. loan	10,000		10,000	
Prepaid expenses on financial interest	(47)	(47)		
Accrued interest expense	10,681	10,681		
Long-term bank borrowings and current portion of long-term bank borrowings	***315,282***	***10,634***	***304,648***	***0***
Current account overdrafts, advance payments and hot money	11,857	11,857		
Finance lease obligations	914	495	419	
Loans from syndicated shareholders	357	357		
Loan from the parent company (Manutencoop Cooperativa)				
Other financial liabilities	6	6		
Obligation to factoring agencies	2,744	2,744		
Obligations from assignments of receivables with recourse	20,805	20,805		
Debt for the acquisition of investments/business units	226	226		
Options on subsidiaries' minority shareholdings	5,438	5,438		
Share capital to be paid into associates	692	277	415	
Total financial liabilities	358,321	52,839	305,482	0

(in thousands of Euro)	31 December 2015	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	293,435		293,435	
C.C.F.S. loan	10,000		10,000	
Prepaid expenses on financial interest	(52)	(52)		
Accrued interest expense	10,651	10,651		
Long-term bank borrowings and current portion of long-term bank borrowings	**314,034**	**10,599**	**303,435**	
Current account overdrafts, advance payments and hot money	34,064	34,064		
Finance lease obligations	1,485	564	888	33
Loans from syndicated shareholders	351	351		
Loan from the parent company (Manutencoop Cooperativa)	15	15		
Other financial liabilities	3	3		
Obligations from assignments of receivables with recourse	2,543	2,543		
Debt for the acquisition of investments/business units	226	146	80	
Options on subsidiaries' minority shareholdings	7,250		7,250	
Share capital to be paid into associates	277	277		
Total financial liabilities	**360,248**	**48,562**	**311,653**	**33**

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

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

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

To protect the investment of the Bondholders of the notes, the rules governing the bond issue provide for a system of guarantees and restrictions (covenants). In fact, some limitations are envisaged on the financial operations of the Issuer and of its subsidiaries, while leaving the Group the freedom of movement insofar as the operations undertaken contribute, at least potentially, added value and cash flows to the Group. These restrictions consist of limitations on the possibility of incurrence of indebtedness and of making distributions of dividends, investments and some types of payments that fall outside the scope of the so-called Restricted Group payments. Furthermore, there are provisions in relation to the allocation of sums obtained from the transfer of fixed assets, extraordinary operations and transactions with related parties and the issue of collaterals to third parties on corporate assets. The restrictions in question lie not so much in the absolute prohibition on carrying out the abovementioned operations, but rather in checking for compliance with certain financial ratios (incurrence base financial covenants), the presence of certain conditions or a quantitative limit on the performance of the above operations. Finally, periodic disclosure obligations are provided for in relation to the Group's financial position, results of operation and cash flows.

The limits and provisions envisaged in the rules governing the bond issue are in line with the market practice for similar operations. The failure by the Issuer to comply with one or more covenants, in addition to significant events that express a state of insolvency, constitute events of default. For the most of them, there is the possibility of remediation within a certain period of time. The event of default relating to the state of insolvency or the absence of remediation of any other events of default are a reason for acceleration, i.e. the forfeiture of the right to the time limit and the early redemption of the bonds. As at the reporting date of these financial statements, no events of default had occurred and the financial covenants, in relation to which no periodic check is required, had been complied with.

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

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

Accrued interest expenses

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

Current account overdrafts, advance payments and hot money

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

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

Obligations arising from finance lease

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

Syndicated loans

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

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

Due to factoring agencies

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

Obligations from assignments of receivables with recourse

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

Share capital to be paid into investee companies

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

Debt for the acquisition of investments/business units

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

Options on subsidiaries' minority shareholdings

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

18. Trade payables and advances from customers and other current liabilities

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

(in thousands of Euro)	31 December 2016	31 December 2015
Payables to suppliers	315,137	345,833
Payables to third parties	**315,137**	**345,833**
Trade payables to parent company	4,770	6,421
Trade payables to associates	14,648	17,016
Payables to associates	**19,418**	**23,437**
Payables to customers for works to be completed	11,753	10,945
Trade payables and advances from customers	**346,308**	**380,215**
Payables to directors and statutory auditors	396	552
Tax payables	9,799	12,148
Payables to social security	8,080	8,282
Collections on behalf of third parties to be remitted to them	6,017	10,477
Payables to employees	46,661	48,875
Other payables	11,360	10,292
Property collection	2,176	2,176
Other payables to third parties	**84,489**	**92,802**
Other current payables to parent company	62	131
Other payables to Group subsidiaries	(17)	462
Other current operating payables to Group	**45**	**593**
Accrued expenses	9	10
Deferred income	1,366	1,167
Accrued expenses and deferred income	**1,375**	**1,177**
OTHER CURRENT LIABILITIES	**85,909**	**94,572**

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

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

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

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

payables to employees of € 46,661 thousand, including the current monthly salaries to be paid in the months after the closing of the financial year, as well as payables for additional monthly salaries to be paid (a portion of the 14th salary, to be paid in the month of July, and the 13th salary, to be paid each year in the month of December). Furthermore, the corresponding payables to social security institutions were recognized for € 8,080 thousand;

payables to tax authorities for € 9,799 thousand, mainly relating to the balance of the IRPEF tax payable for employees, amounted to € 5,393 thousand at 31 December 2016;

receipts on behalf of Temporary Associations of Companies (ATI) for € 6,017 thousand, which relate to the amounts collected by the Group, on behalf of third parties, in relation to contracts in which MFM S.p.A. is the representative parent company of the ATI (€ 10,477 thousand at 31 December 2015).

19. Operating segments

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

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

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

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Segment Revenues	797,237	134,788	0	(2,927)	929,098
Segment costs	(741,494)	(117,241)	0	2,927	(855,808)
Operating income (loss) by segment	**55,743**	**17,547**	**0**	**0**	**73,290**
Share of net profit of associates	1,787	(99)			1,688
Net financial income (expenses)					(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**

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

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

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

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Segment revenues	819,153	138,568	2,205	(4,197)	**955,729**
Segment costs	(823,181)	(124,891)	(2,845)	4,197	**(946,720)**
Operating income (loss) by segment	**(4,028)**	**13,677**	**(640)**	**0**	**9,009**
Share of net profit of associates	(96)	186			90
Net financial income (expenses)					(33,550)
Profit (loss) before taxes					**(24,451)**
Income taxes					(18,031)
Profit (loss) from discontinued operations	(2,887)				(2,887)
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2015					**(45,369)**

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Assets allocated to the segment	520,986	125,939	821	(2,274)	645,472
Goodwill	358,693	11,763			370,456
Investments	25,058	6,076	852		31,986
Assets held for sale					
Other assets not allocated and related taxes					179,960
SEGMENT ASSETS	**904,737**	**143,778**	**1,673**	**(2,274)**	**1,227,874**
Liabilities allocated to the segment	507,842	59,179	1,719	(2,274)	566,466
Other liabilities not allocated and related taxes					371,443
SEGMENT LIABILITIES	**507,842**	**59,179**	**1,719**	**(2,274)**	**937,909**

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Total
Other segment information at 31 December 2015				
Investments in segment assets	7,683	16,319	1	24,003
Amortisation/depreciation and write-downs of segment assets	64,059	19,883	112	84,054

Geographical areas

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

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

(in thousands of Euro)	Italy	Foreign countries	Eliminations	Total
Information by Geographical Area at 31 December 2016				
Revenues	927,345	1,753		929,098
Non-current operating assets	464,989	14		465,003

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

20. Revenues from sales and services

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

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

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

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

21. Other revenues

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

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

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

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

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

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

22. Costs of raw materials and consumables

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

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

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

23. Costs for services and use of third party assets

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

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

For the year ended 31 December 2016, Costs for services and use of third party assets totalled € 331,365 thousand, marking a decrease of € 4,749 thousand compared to the previous year, mainly due to lower costs for third party services (€ 8,708 thousand). As early as in previous years the Group started up a process to increase insourcing of certain activities, which resulted in a change in the mix of production factors in favour of the cost of labour, as described in detail under note 22 below. At the same time, the Group set targets for limiting overheads relating to its organizational structures.

24. Personnel costs

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

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

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

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

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

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

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

25. Other operating costs

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

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

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

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

26. Amortization/depreciation, write-downs and write-backs of assets

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

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

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

A decrease in amortization/depreciation for a total of € 790 thousand, mainly attributable to property, plant and equipment and arising from an overall lower net book value of fixed assets recognized compared to the previous year;

Impairment losses of tangible assets for € 614 thousand, relating to the write-down of some assets used at the industrial laundering plant in Teramo, which was involved in a reorganisation after the acquisition of the property from Manutencoop Immobiliare S.p.A. and after the bad weather which affected the area.

27. Dividend and income (loss) from sale of investments

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

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

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

28. Financial income

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

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

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

29. Financial expenses

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

	For the year ended	
(in thousands of Euro)	**31 December 2016**	**31 December 2015**
Charges on bank loans and current account overdrafts	104	62
Financial charges on other loans	26,610	29,016
Financial expenses for finance leases	46	71
Financial expenses on Group financial accounts	0	15
Interest discount on assignments of receivables without recourse	1,418	0
Interest on trade payables	178	159
Other financial expenses	1,827	4,743
Financial expenses	**30,183**	**34,066**

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

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

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

30. Income taxes

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

	For the year ended	
(in thousands of Euro)	**31 December 2016**	**31 December 2015**
Current IRES tax	13,108	9,830
Current IRAP tax	4,407	4,810
(Income) costs from tax consolidation	(1,534)	(4,080)
Adjustments to current taxes of previous years	3	222
Current taxes	**15,984**	**10,782**
Prepaid/deferred IRES tax	(1,259)	6,856
Prepaid/deferred IRAP tax	(7)	(70)
Prepaid/deferred taxes relating to previous years	20	464
Prepaid/deferred taxes	**(1,246)**	**7,250**
CURRENT, PREPAID AND DEFERRED TAXES	**14,738**	**18,032**

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

More specifically, the main changes are as follows:

An increase of € 3,278 thousand in the current IRES tax balance;

A decrease of € 403 thousand in the current IRAP tax balance;

A decrease of € 2,546 thousand in the balance of income from tax consolidation;

Negative adjustments to current taxes relating to previous years for € 3 thousand (€ 222 thousand in positive adjustments at 31 December 2015);

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

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

(in thousands of Euro)	**For the year ended**			
	31 December 2016		**31 December 2015**	
Reconciliation between theoretical and effective IRES tax rate		%		%
Pre-tax profit	**48,604**		**(28,164)**	
of which discontinued operations	*1,385*		*(3,713)*	
Ordinary rate applicable		27.5%		27.5%
Effect of increases (decreases):				
– Temporary differences	5,517	3.12%	9,760	ND
– Permanent differences	(5,247)	-2.97%	54,090	ND
IRES taxable income	48,874		**35,686**	
EFFECTIVE TAX / RATE	**13,440**	**27.65%**	**9,814**	**34.85%**
of which discontinued operations	333		(17)	

The value shown as current effective IRES tax (€ 13,440 thousand) includes the contribution from discontinued operations.

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

	For the year ended			
Reconciliation between theoretical and effective IRES tax rate IRAP	**31 December 2016**		**31 December 2015**	
(in thousands of Euro)		%		%
Pre-tax profit	**48,604**		**(28,164)**	
of which discontinued operations	*1,385*		*(3,713)*	
Ordinary rate applicable		1.17%		1.17%
		2.30%		2.30%
		2.68%		2.68%
		2.78%		2.78%
		2.93%		2.93%
		2.98%		2.98%
		3.44%		3.44%
		3.90%		3.90%
		4.60%		4.60%
		4.73%		4.73%
		4.82%		4.82%
		4.97%		4.97%
Effect of increases (decreases):				
– Labour cost	4,960		335,433	
– Balance from financial management	93,494		19,349	
– Other differences between taxable base and pre-tax result	3,390		(210,157)	
IRAP taxable income	**150,448**		**116,461**	
– of which at 1.17%	0		3	
– of which at 2.3%	1,558		1,996	
– of which at 2.68%	233		493	
– of which at 2.93%	250		415	
– of which at 3.44%	68,106		0	
– of which at 3.90%	68,106		70,984	
– of which at 4.73%	1,389		1,757	
– of which at 4.82%	29,861		34,650	
– of which at 4.97%	3,963		4,359	
EFFECTIVE TAX / RATE	**4,407**	**9.07%**	**4,810**	**17.08%**
of which discontinued operations	**0**		0	

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

Deferred and prepaid taxes

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

	Financial Statement Tax Effect		Economic Tax Effect	
(in thousands of Euro)	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Prepaid taxes:				
Multi-year costs	120	197	77	136
Maintenance exceeding deductible limit	57	89	32	40
Presumed losses on receivables	5,259	4,481	(368)	2,120
Provisions for risks and charges	5,115	5,442	303	2,034
Write-downs on asset items	659	1,049	390	749
Discounting-back of receivables		401		(16)
Fees due to Directors, Statutory Auditors and Independent Auditors	330	211	(119)	(20)
Amortization	906	788	(173)	184
Interest expense	6,302	4,110	(2,192)	1,965
Employee benefits and length of service bonuses	30	43	12	52
Employee incentives	4	247	243	247
Cash cost deduction	8	7	(1)	6
Other adjustments	2,181	1,979	(195)	646
Total prepaid taxes	**20,971**	**19,044**	**(1,991)**	**8,143**
Deferred taxes:				
Tax amortisation	(1)	(15)	(14)	
Lease for tax purposes		(39)	(39)	(8)
Employee benefit discounting		(51)	(51)	
Goodwill amortisation	(9,454)	(8,616)	837	(310)
Purchase Price Allocation (PPA)	(1,828)	(1,873)	(68)	(310)
Capital gains—deferred taxation		(10)	(10)	1
Undistributed profit	(326)	15	38	(359)
Other temporary differences	(203)	(180)	32	(28)
Other consolidation adjustments		(398)		309
Total deferred taxes	**(11,812)**	**(11,167)**	**725**	**(705)**
NET PREPAID/(DEFERRED) TAXES	**9,159**	**7,877**	**(1,266)**	**7,438**

31. 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:

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

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

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

Dividends

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

32. Commitments and contingent liabilities

Financial lease

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

(in thousands of Euro)	31 December 2016 Rental fees	31 December 2016 Present value of rental fees	31 December 2015 Rental fees	31 December 2015 Present value of rental fees
Within one year	523	495	632	564
From one year to five years	439	419	929	888
After five years	0	0	34	34
TOTAL LEASE FEES	**962**	**914**	**1,595**	**1,486**
Financial costs	(48)		(109)	
PRESENT VALUE OF LEASE FEES	**914**	**914**	**1,486**	**1,486**

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

Guarantees in favour of associates for bank overdrafts and other obligations for € 16,057 thousand (31 December 2015: € 21,027 thousand);

Guarantees in favour of Factoring Agencies amounting to € 2,104 thousand (unchanged compared to 31 December 2015), to ensure correct fulfilment of factoring contracts;

other sureties granted to third parties: i) to ensure the correct fulfilment of contract obligations in place with customers amounting to € 225,516 thousand (31 December 2015: € 237,556 thousand); ii) guarantees against financial obligations amounting to € 2,225 thousand (31 December 2015: € 2,227 thousand); iii) to replace security deposits required to activate utilities or to execute lease agreements, as well as for VAT refunds from Inland Revenue Agency, for a total amount of € 4,657 thousand (31 December 2015: € 2,098 thousand).

Guarantees given within the Senior Secured Notes

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

first-recorded pledge on the shares held by MFM S.p.A. in H2H Facility Solutions S.p.A. and in Servizi Ospedalieri S.p.A., equal to 100% of the capital of the same;

assignment as security of receivables from private customers claimed by MFM S.p.A. and H2H Facility Solutions S.p.A.. At 31 December 2016 the receivables assigned as security amounted to € 68,285 thousand (€ 75,459 thousand at 31 December 2015);

execution of a deed of pledge on the current accounts held with Unicredit S.p.A., which were credited with the amounts collected from private customers assigned as security. The balance of these current accounts at 31 December 2016 was equal to € 13,627 thousand (€ 6,415 thousand at 31 December 2015);

the release by Servizi Ospedalieri S.p.A. and H2H Facility Solutions S.p.A. of a personal security for an overall maximum amount of € 48,411 thousand and € 16,907 thousand, respectively, at 31 December 2016.

The guarantees listed above may be enforced by the counterparties only in the case that one of the events of default envisaged in the abovementioned contracts occurs; up to the occurrence of the same, the assets covered by the guarantee are fully available to the Group. At 31 December 2016 no events of default had occurred.

Contingent liabilities

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

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

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

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

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

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

On 3 April 2017 the Naples Public Prosecutor's Office served a search order against some executives of the Company, which was executed at the registered office of the same. These executives are involved in the investigation started by the Naples Public Prosecutor's Office as to the tender for awarding cleaning services at a local hospital. The executives are charged, among other things, with the offence of corruption pursuant to Articles 319 and 319-bis of the Italian Criminal Code, which is potentially relevant pursuant to Legislative Decree 231 of 2001. We have learned from the press that there is a request for application for disqualifying precautionary measures against the Company on the part of the Naples Public Prosecutor's Office in relation to which the Company has not yet received any notice to date. On the contrary, on 13 April 2017 the Judge for Preliminary Investigations of the Court of Naples, who had previously taken a precautionary measure (obligation to stay pursuant to Article 283 of the Italian Code of Criminal Procedure) against the Company's executive who was the only one to be investigated and who was a Company's function manager at the time of the facts being contested, ordered the revocation of the precautionary measure at the end of the custodial interrogation. The Company declares that it is completely extraneous to the offences charged to its executives and has taken actions, within the normal relations with the control bodies, to define any appropriate in-depth analysis to be conducted.

33. Related party transaction

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

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

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

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

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

e-Digital Solutions S.r.l. signed a contract with associate Roma Multiservizi S.p.A. on the basis of which it is committed to providing an Information System service. The contract, expiring on 31 December 2017, makes provision for an annual consideration of € 815 thousand.

Manutencoop Cooperativa sub-leased to MFM S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The duration of the lease has a 5-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 1,723 thousand, to be paid in 12 monthly instalments. The contract is currently being renewed.

The affiliate company Manutencoop Immobiliare S.p.A. leased to Sicura S.r.l. the property located in Vicenza (VI), at via Zamenhof no. 363, for use as offices/warehouse. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 390 thousand, to be paid in 12 monthly instalments.

The affiliate company Manutencoop Immobiliare S.p.A. leased to MFM S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 348 thousand, to be paid in 12 monthly instalments.

On 6 July 2007, MFM S.p.A. signed a framework agreement with its parent company, Manutencoop Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Cooperativa to MFM S.p.A, pursuant to Title III, Chapter I of Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a legislative contract that does not grant rights to third parties, MFM and the parent company Manutencoop Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Cooperativa, and the operating rules for establishing and terminating said contracts.

Manutencoop Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the MFM Group, to preparing pay packets.

MFM S.p.A. signed agreements with Manutencoop Cooperativa and its subsidiaries for the provision of tax consultancy services.

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

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

(in thousands of Euro)	31 December 2015	31 December 2014
BALANCE SHEET		
ASSETS		
A) Subscribed capital, unpaid	42	104
B) Fixed assets	316,953	337,710
C) Current assets	42,257	53,040
D) Accrued income and prepaid expenses	1,811	2,033
TOTAL ASSETS	**361,063**	**392,887**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A)) Shareholders' equity:		
Share capital	7,198	8,660
Reserves	246,997	252,875
Profit/(Loss) for the year	(25,884)	(5,879)
B) Provisions for risks and charges	1,252	4,774
C) Employee Severance Indemnity	1,700	2,035
D) Payables	129,096	129,685
E) Accrued expenses and deferred income	705	737
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**361,063**	**392,887**
MEMORANDUM ACCOUNTS	**175,213**	**162,179**
INCOME STATEMENT		
A) Value of production	35,014	42,415
B) Cost of production	(34,594)	(41,993)
C) Financial income and costs	(4,881)	(4,718)
D) Value adjustments to financial assets	(20,434)	(2,755)
E) Non-recurring income and costs	151	64
Income taxes for the year	(1,140)	1,108
Profit/(Loss) for the year	**(25,884)**	**(5,879)**

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

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

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

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

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

	31 December 2016	31 December 2015
Audit services	586	591
Certification services	0	133
Other services	30	0
TOTAL fees due to the Independent Auditors	616	724

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

34. Management of financial risks: objectives and criteria

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

In 2013 the Parent Company issued secured high-yield bond due August 2020, which radically revised the composition of the sources of financing. The bond issue that has been described has then rationalised our debt structure with a view to greater future financial stability that is more consistent with medium- and long-term strategic growth and development targets. The other financial instruments that are traditionally used by the Group Companies are made up of:

short-term loans and revolving non-recourse and recourse factoring transactions targeted at funding working capital. Starting from the end of 2015 and during 2016 assignments with recourse were effected with Unicredit Factoring, while in early 2016 a 3-year contract was signed with Banca Farmafactoring for assignments with recourse;

the very short-term credit facilities used for contingent cash requirements;

medium/long-term loans with a multi-year repayment plan to cover investments in fixed assets and acquisitions of companies and business units.

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

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

Level 1: corresponds to prices of similar liabilities and assets listed on active markets.

Level 2: corresponds to prices calculated through features taken from observable market data.

Level 3: corresponds to prices calculated through other features that are different from observable market data.

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

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

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

The Group has no financial liabilities measured at fair value at 31 December 2016 and 31 December 2015. During the period under consideration there were no transfers between fair value measurement levels.

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

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

Classes of financial assets and liabilities

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

(in thousands of Euro)	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**

(in thousands of Euro)	31 December 2016	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Long-term debts	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 current portion of portion of long term debt	52,839		52,839
Total current financial liabilities	**486,419**	**0**	**486,420**
TOTAL FINANCIAL LIABILITIES	**791,951**	**0**	**791,952**
Financial income (costs)	(31,601)	**0**	(31,601)

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

(in thousands of Euro)	31 December 2015	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	3,502	3,502	
Non-current financial assets	15,657		15,657
Other non-current assets	2,180		2,180
Total non-current financial assets	**21,339**	**3,502**	**17,837**
Current financial assets			
Trade receivables and advances to suppliers	519,194		519,194
Current tax receivables	23,430		23,430
Other current assets	31,138		31,138
Current financial assets	5,257		5,257
Cash and cash equivalents	114,391		
Total current financial assets	**693,410**	**0**	**579,019**
TOTAL FINANCIAL ASSETS	**714,749**	**3,502**	**596,856**
Financial income (costs)	**525**	**(459)**	**984**

Liquidity risk

The Group's objective is to maintain a balance between funding and flexibility through the use of current account overdrafts, short-term bank loans (hot money and advances), finance leases and medium/long-term loans.

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

During the previous year, following the considerable fine issued by the Competition Authority, the Group has reviewed its financial planning in order to create the conditions for meeting this potential extraordinary outflow of cash. To this end, on 23 February 2016, MFM S.p.A. and Servizi Ospedalieri S.p.A. entered into a factoring maturity contract, without recourse (pro-soluto), with Banca Farmafactoring S.p.A. in relation to the assignment of receivables from entities in the National Health System, for an annual cumulative amount of up to € 100 million. It is a committed credit line with a term of three years.

Price risk

Risks of this nature which the Group is exposed to could involve changes in the price:

of oil products relating to heat management activities,

of cotton, the raw material in the linen used for laundering activities.

However, concerning oil products, these changes are, for the most part, accommodated by the conditions of contracts in place with customers, given that price revision is provided for both by contract, and by art. 115 of Decree Law no. 163 of 12 April 2006. Therefore, it is deemed that the effect on the Group's profit for the year arising from changes in prices, even significant, would essentially have been insignificant, in terms of amount.

Credit risk

The Group's portfolio mix, which, in the past, was made up mainly of contracts with the Public Administration, a situation that did not present insolvency problems, but which required constant contact with customers in order to minimise delays caused by the Authority's red-tape and jointly resolve problems relating to their financial management.

At present the portfolio mix also includes some large Italian industrial and banking groups, mainly organised as a network all over the country.

There are no significant credit concentration risks to report, which are carefully monitored by the Group. Furthermore, given the continuing economic downturn, the Group has equipped itself with specific procedures and structures aimed at a more efficient management of its working capital, as well as of debt collection.

Fair value

The carrying amount of the Group's financial instruments recorded in the Consolidated Financial Statements does not deviate from the fair value, including the value of those classified as assets held for sale. Market interest rates were applied to financial assets and liabilities as at the balance sheet date.

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

	Carrying Amount		Fair value	
(in thousands of Euro)	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Financial assets				
Cash and cash equivalents	174,992	114,391	174,992	114,391
Current financial assets	2,387	5,257	2,387	5,257
Investments in other associates or joint ventures	3,850	3,502	3,850	3,502
Non-current financial assets	11,769	15,657	11,769	15,657
Financial liabilities				
Loans:				
– Variable rate loans	23,846	42,332	23,846	42,332
– Fixed rate loans	328,197	303,435	328,197	303,435
Other current financial liabilities	6,278	14,482	6,278	14,482

Interest rate risk

With the bond issue launched in 2013, the Management restructured the Group's financial structure, definitely strengthening a mix between short- and medium/long-term debt in favour of the latter. The Senior Secured Notes was launched at a discount of 98.713%, with a fixed-rate coupon of 8.5% to be settled on a six-monthly basis and due in 2020. The proceeds from the Notes have been used to repay a significant portion of the loans that were previously in place, in addition to the derivative contracts.

As early as 2015 the Group's Management deemed it appropriate to rebalance the mix between short- and medium-to-long term debt, through the repurchase of an additional quota of the bond issue (June 2015) and the use of current account overdrafts, the execution of short- and very short-term (hot money) bank loan agreements and assignments of receivables. However, the financial cost of the Group's debt mainly remains fixed.

The other financial instruments of the Group exposed to interest rate risks are those listed in note 15 (to which reference is made) such as Loans (other than the Senior Secured Notes), as well as financial statement items recorded under *Cash and cash equivalents, and Receivables and other current financial assets* (note 10) and Non-current financial assets (note 7).

Interest rate sensitivity analysis

The structure of the consolidated debt is affected, to a marginal extent, by the changes in market rates, as it is mainly based on the bond issue described above, for which the Group has set the cost for its recourse to credit market at the rate of return it ensures on the coupons. For the remaining amount, the Group makes recourse to variable rate loans, which are linked to the EURIBOR performance.

The table below shows the sensitivity of pre-tax profit to reasonably possible variations in interest rates, all the other variables being kept constant.

	Increase / Decrease	Effect of the profit (loss), gross of taxes
Financial year ended 31 December 2016	+ 150 bps	(896)
	– 30 bps	179
Financial year ended 31 December 2015	+ 150 bps	(1.424)
	– 30 bps	285

Exchange rate risk

The Group operates predominantly in the national market, where it is not exposed to exchange rate risks.

Capital management

The key objective of the Group's capital management is to guarantee that a solid credit rating is maintained as well as adequate capital ratios to support operations and to maximise value for shareholders.

The Group manages the capital structure and amends it on the basis of changes in economic conditions. In order to maintain or adjust the capital structure, the Group can adjust the dividends paid to shareholders, repay principal or issue new shares.

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

	31 December 2016	31 December 2015
Employees termination indemnity	17,043	18,424
Long-term debt	305,489	345,767
Trade payables and advances from customers	346,308	380,215
Other current liabilities	85,909	94,572
Bank borrowings and current portion of long-term debt	52,832	14,482
Cash and cash equivalents	(174,992)	(114,391)
Current financial assets	(2,387)	(5,257)
Total Net Debt	**630,202**	**733,811**
Equity attribuitable to equity holders of the parent	323,137	289,585
Profit for the period attribuitable to equity holders of the parent	(33,649)	45,412
Total capital	**289,488**	**334,997**
EQUITY AND NET DEBT	**919,690**	**1,068,808**
Indebtedness ratio	68.50%	68.70%

The debt ratio substantially remained stable compared to the previous year since, against a decrease of € 45.5 million in the capital as a result of the allocation of the 2015 loss to reserves, a reduction was recorded in net debt for € 103.6 million.

35. Events after the reporting date

Amendments to regulations governing "Oneri di sistema"

MFM S.p.A. holds some major contracts for energy services for which operating payables relating to "*Oneri di Sistema*" had been recognised for a total amount of € 6.2 million during 2015. During 2016 the Group reviewed the measurements of these charges for some sites which had previously not been considered eligible for concessions; therefore no additional charges on the energy contracts involved were recognised in 2016.

On 23 February 2017 the Chamber of Deputies finally approved Decree Law 244 of 30 December 2016, the "*Milleproroghe*" Decree, and converted it into law. Specifically, the amendments affect the current regulations governing "*Oneri di sistema*" and in particular "the following paragraphs are repealed: paragraph 5 of Article 33 of Law 99 of 23 July 2009, as well as paragraphs 1 to 7 and paragraph 9 of Article 24 of Decree Law 91 of 24 June 2014, as amended and converted by law 116 of 11 August 2014. The effects (if any) of repealed rules also cease to apply, which have not yet been felt".

In short, the rule was repealed, which, except for the RIUs (Reti Interne di Utenza, Internal Utility Networks), general *oneri di sistema* are calculated by making reference to energy consumption. According to the previous Bersani Decree (Legislative Decree 79/99), *oneri di sistema* are payable according to the energy withdrawn from the grid and, accordingly, any entity that does not withdraw energy from the grid, because it produces electricity on its own account, is exempt from the payment of said charges. Therefore, according to the new regulations, the management of MFM S.p.A. believes that no additional *Oneri di Sistema* must be recognised during 2017, also given that payment obligations have ceased to apply to those relating to previous years. On the other hand, this case will remedy some distorting effects of the complex regulations governing energy self-production until 31 December 2017, which would have wrongly changed the regulatory framework for investments already made, in particular in industrial districts, thus frustrating their sustainability. Furthermore, a general reform of the relevant Regulations is desirable and expected during 2018.

Other events after the year-end

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

On 3 April the Naples Public Prosecutor's Office served a search order against some executives of the Company, which was executed at the registered office of the same. These executives are involved in the investigation started by the Naples Public Prosecutor's Office as to the tender for awarding cleaning services at a local hospital.

For more details, reference should be made to note 31.

Zola Predosa, 24 March 2017

The Chairman of the Board of Directors

Marco Canale

Annex I

Group companies

Parent company		
Name	**Registered Office**	**City**
Manutencoop Facility Management S.p.A.	Via Poli n. 4	Zola Predosa (BO)

Subsidiaries consolidated on a line-by-line basis				
Name	**Registered Office**	**City**	**% held**	**Type**
Alessandria Project Value S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
CO.GE.F. Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	80%	Subsidiary
Consorzio Igiene Ospedaliera Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	66,66%	Subsidiary
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Evimed S.r.l.	Via Zamenhof 363	Vicenza	90%	Subsidiary
e-Digital Services S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Ferraria Soc. cons. a r.l.	Via Poli 4	Zola Predosa (BO)	69%	Subsidiary
Global Oltremare Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
H2H Facility Solutions S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
ISOM Lavori Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	62,71%	Subsidiary
ISOM Gestione Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	52,97%	Subsidiary
KANARIND Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	62,43%	Subsidiary
Leonardo S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
Logistica Sud Est Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Manutencoop International FM S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Manutencoop France S.a.r.l.	4 place Louis Armand-Tour de l'Horloge	Parigi	100%	Subsidiary
MCF servizi Integrati Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Palmanova Servizi Energetici Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Protec S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
S.AN.CO S.c.a.r.l.	Via A. Saffi, 51	Bologna	100%	Subsidiary
S.AN.GE S.c.a.r.l.	Viale Sarca 336 – Strada Privata Breda – Edificio 12	Milano	89%	Subsidiary
San Gerardo Servizi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Servizi Brindisi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	52%	Subsidiary
Servizi Ospedalieri S.p.A.	Via Calvino 33	Ferrara	100%	Subsidiary
Servizi Sanitari Sicilia Soc.Cons. a r.l.	Via Calvino 33	Ferrara	70%	Subsidiary
Servizi Taranto Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60,08%	Subsidiary
Sicura S.p.A.	Via Zamenhof 363	Vicenza	85%	Subsidiary
Telepost S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Yougenio S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary

Joint ventures accounted for under the equity method				
Name	**Registered Office**	**City**	**% held**	**Type**
AMG S.r.l.	SS Laghi di Avigliana 48/a	frazione Roata Raffo Busca (CN)	50%	Joint Venture
Cardarelli Soc.cons.r.l.	S.S. Appia 7 bis Km. 11,900 Zona A.s.i. Aversa Nord	Carinaro (CE)	60%	Joint Venture
CO. & MA. Soc. Cons. a r.l.	Via del Parco n. 16	Tremestieri Etneo (CT)	50%	Joint Venture
DUC Gestione Sede Unica Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	49%	Joint Venture
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	Üniversiteler Mahallesi, Bilkent Plaza, A3 Blok, n. 4	Çankaya/ Ankara	50%	Joint Venture

Joint ventures accounted for under the equity method				
Name	**Registered Office**	**City**	**% held**	**Type**
Legnago 2001 Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	50%	Joint Venture
Malaspina Energy Soc.cons.r.l.	Via Varesina 118	Lurate Caccivio (CO)	50%	Joint Venture
Servizi Sportivi Brindisi Soc.cons.r.l.	Via Licio Giorgieri 93	Roma	50%	Joint Venture

Associates and other companies accounted for under the equity method				
Name	**Registered Office**	**City**	**% held**	**Type**
Alisei S.r.l. In liquidation	Via Cesari 68/1	Modena	100%	In liquidation
Bologna Gestione Patrimonio Soc.Cons. r.l. In liquidation	Via della Cooperazione 9	Bologna	27,58%	In liquidation
Bologna Global Strade Soc.Cons. r.l.	Via Zanardi n372	Bologna	51%	Associate
Bologna Multiservizi Soc.Cons. r.l.	Via Del Lavoro 23/4	Casalecchio di Reno (BO)	39%	Associate
Bologna Più' Soc.Cons.r.l In liquidation	Via M.E. Lepido 182/2	Bologna	25,68%	In liquidation
Centro Europa Ricerche S.r.l.	Via G. Zanardelli n. 34	Roma	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	Roma	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
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi 18	Torino	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	49,11%	Associate
Società Consortile Adanti Manutencoop a r.l.In liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Serena S.r.l. In liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Se.Ste.Ro S.r.l.	Via San Pietro 59/B	fraz. Castellina – Soragna (PR)	25%	Associate
Servizi Napoli 5 Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	45%	Associate
Servizi Sanitari Treviso Soc.Cons.a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Sesamo S.p.A.	Via C. Pisacane 2	Carpi (MO)	20,91%	Associate
Simagest 2 Soc. Cons. a r.l In liquidation	Via Poli 4	Zola Predosa (BO)	90%	In liquidation

Associates and other companies accounted for under the equity method				
Name	**Registered Office**	**City**	**% held**	**Type**
Simagest 3 Soc. Cons. a r.l In liquidation	Via Poli 4	Zola Predosa (BO)	89,99%	In liquidation
Synchron Nuovo San Gerardo S.p.A.	Via Poli 4	Zola Predosa (BO)	35,82%	Associate
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi 18	Torino	25%	Associate
Tower Soc.Cons. a r.l. In liquidation	Via Zanardi 372	Bologna	20,17%	Associate

Annex II

Valuation of investments using the Equity Method

	%	Net Book Value Dec 31, 2015	Changes of the year: Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves	Net Book Value Dec 31, 2016	Book Value	Investment Provision
Alisei S.r.l. in liquidazione	100%	(65)				(8)		(72)	0	(72)
A.M.G. S.r.l.	50%	2,257			82			2,339	2,339	
Bologna Gestione Patrimonio Soc. Cons. a. r.l. in liquidazione	27,58%	6						6	6	
Bologna Global Strade Soc. Cons. a. r.l.	51%	0	51					51	51	
Bologna Multiservizi Soc. Cons. a r.l.	39%	4						4	4	
Bologna Più Soc. Cons. a r.l.	25,68%	5						5	5	
Cardarelli Soc. Cons. a r.l.	60%	5						5	5	
Centro Europa Ricerche S.r.l.	21,38%	0	69					69	69	
Co. & Ma. Soc. Cons. a r.l.	50%	5						5	5	
Como Energia Soc. Cons. a r.l.	30%	11						11	11	
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidazione	60%	6						6	6	
Consorzio Polo sterilizzazione Integrata	60%	23			(22)			1	1	
Consorzio Sermagest in liquidazione	60%	0						0	0	
DUC Gestioni Soc.Cons. a r.l.	49%	10						10	10	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	50%	391			(163)			228	228	
F.lli Bernard S.r.l.	20%	1,239			66			1,305	1,305	
GICO Systems S.r.l.	20%	79			71			150	150	
Global Provincia di Rimini Soc.Cons. a r.l.	42,40%	4						4	4	
Global Riviera Soc.Cons. a r.l.	30,66%	9						9	9	
Global Vicenza Soc.Cons. a r.l.	41,25%	4						4	4	
Gymnasium soc. Cons. a r.l. in liquidazione	68%	7						7	7	
GRID Modena S.r.l.	23%	24	6		(6)			24	24	
IPP S.r.l.	25%	434			(45)			389	389	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34,10%	3						3	3	
Logistica Ospedaliera Soc. Cons. a r.l	45%	5						5	5	
Malaspina Energy Soc. Cons. a r.l.	50%	50	(50)					0	0	
Newco DUC Bologna S.p.A.	24,90%	387			89		(51)	425	425	
Palazzo della Fonte S.c.p.a.	33,30%	8,000						8,000	8,000	
Progetto ISOM S.p.A.	36,98%	1,143			(151)		394	1,385	1,385	
ROMA Multiservizi S.p.A.	45,47%	6,540			1,581		(58)	8,063	8,063	
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	

	%	Net Book Value Dec 31, 2015	Changes of the year: Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves	Net Book Value Dec 31, 2016	Book Value	Investment Provision
Savia soc.cons.a.r.l.	49,11%	5						5	5	
Società Consortile Adanti Manutencoop a r.l. in liquidazione	50%	10						10	10	
SE.SA.MO. S.p.A.	20,91%	1,724			281			2,005	2,005	
Se.Ste.Ro S.r.l.	25%	139			(16)			123	123	
Serena S.r.l.	50%	9						9	9	
Servizi L'Aquila Soc. Cons. a r.l. in liquidazione	60%	0	0					0	0	
Servizi Napoli 5 Soc. Cons. a r.l.	45%	5						5	5	
Servizi Sanitari Treviso (SE.SA.TRE)	40%	8						8	8	
Servizi Sportivi Brindisi Soc. Cons. a r.l.	50%	5						5	5	
Simagest 2 Soc.Cons.a r.l. in liquidazione	90%	45						45	45	
Simagest 3 Soc.Cons.a r.l. in liquidazione	89,99%	45						45	45	
Synchron Nuovo San Gerardo S.p.A.	35,82%	4,808			(77)			4,731	4,731	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000						1,000	1,000	
Tower Soc.Cons. a r.l.	20,17%	20						20	20	
NET BOOK VALUE		**28,419**	**77**	**—**	**894**	**(8)**	**285**	**30,462**	**30,534**	**(72)**

Annex III

Related party transactions

		Parent company							
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Manutencoop Società	31 December 2015	184	32,893		15	74	18,384	6,421	145
Cooperativa	31 December 2016	153	32,278		498	60	2,659	4,770	1,771

		Associates and Joint-ventures							
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Alisei s.r.l. in liquidazione	31 December 2015					3			1
	31 December 2016					3			1
AMG S.r.l.	31 December 2015		254	2		19	502	162	
	31 December 2016		234	1		1		117	
Bologna Gestione Patrimonio Soc.Cons. a r.l. in liquidazione	31 December 2015	36	65			175		50	
	31 December 2016							50	
Bologna Multiservizi Soc.Cons. a r.l.	31 December 2015		250			195		1,619	
	31 December 2016	63	247			276		1,491	
Bologna Più Soc.Cons.a r.l. in liquidazione	31 December 2015					(2)	39	13	
	31 December 2016					(2)	3	3	
Bologna Global Strade Soc. Cons. a r.l	31 December 2015								
	31 December 2016	2,674	4,788			572	336	1,395	
Cardarelli Soc. Cons. a r.l.	31 December 2015		2,132					1,042	
	31 December 2016		1,547					793	
Centro Europa Ricerche S.r.l.	31 December 2015								
	31 December 2016	8							
Como Energia Soc.Cons.a r.l.	31 December 2015		878					900	
	31 December 2016		932					1,461	
Consorzio Imolese Pulizie soc.Cons. in liquidazione	31 December 2015					49	36	48	
	31 December 2016						36	12	

		Associates and Joint-ventures							
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consorzio Leader Soc. Cons. a r.l. in liquidazione	31 December 2015								
	31 December 2016								
Consorzio Polo Sterilizzazione	31 December 2015								
Integrata a r.l.	31 December 2016								
Consorzio Sermagest Soc.Cons.a r.l in liquidazione	31 December 2015								
	31 December 2016								
CO.& MA. Soc. Cons. a r.l	31 December 2015	360	1,263			360	20	2,287	
	31 December 2016	360	1,383				20	1,007	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31 December 2015	6,104	2,824			5,799		997	
	31 December 2016	6,716	2,987			3,403		437	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	31 December 2015	78			10	188	2	54	267
	31 December 2016	215	11			496	1,175	(20)	256
Fr.lli Bernard s.r.l.	31 December 2015	29	1			58	50		
	31 December 2016	12				70	50		
Gestlotto 6 Soc. cons. a r.l in liquidazione	31 December 2015								
	31 December 2016								
Gico Systems S.r.l.	31 December 2015	6	980			9		624	
	31 December 2016	14	646			49		380	
Global Provincia di RN Soc.Cons.a r.l. in liquidazione	31 December 2015					25	70	18	
	31 December 2016						70	13	
Global Riviera Soc.Cons.a r.l.	31 December 2015		12			55		(105)	
	31 December 2016		52			55		(53)	
Global Vicenza Soc.Cons. a r.l.	31 December 2015	228	1,420			34	570	933	
	31 December 2016	103	866			144	748	594	

		Associates and Joint-ventures							
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Grid Modena S.r.l.	31 December 2015		12			2			
	31 December 2016								
Gymnasium Soc. cons. a r.l in liquidazione	31 December 2015					1	7	33	5
	31 December 2016					1	8	33	5
HEADMOST in liquidazione	31 December 2015								
	31 December 2016								
IPP S.r.l.	31 December 2015	423	250			313	60	152	
	31 December 2016	361	199			177	60	96	
Legnago 2001 Soc. Cons. r.l.	31 December 2015		4			216		84	
	31 December 2016		4			158		41	
Livia Soc. cons. a r.l.	31 December 2015			22					
	31 December 2016		8					8	
Logistica Ospedaliera Soc. Cons. a r.l.	31 December 2015		426					140	
	31 December 2016		412					24	
Malaspina Energy Soc. Cons. a r.l.	31 December 2015		39	4		1,047	180	91	
	31 December 2016		15	3					
Newco DUC Bologna S.p.A	31 December 2015							25	
	31 December 2016		7					33	
Palazzo della Fonte S.c.p.a.	31 December 2015	3,994				723			
	31 December 2016	4,009				804			
P.B.S. Soc.Cons. a r.l. in liquidazione	31 December 2015		(39)				1		
	31 December 2016								
Progetto ISOM S.p.A.	31 December 2015	233	371	24		13,630	1,802	131	
	31 December 2016	257	78	120		17,325	1,922	203	

		Associates and Joint-ventures							
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Progetto Nuovo Sant'Anna S.r.l.	31 December 2015								
	31 December 2016								
Roma Multiservizi S.p.A.	31 December 2015	1,582	1,971		4	516		1,330	462
	31 December 2016	3,326	1,584			2,416		980	
San Martino 2000 Soc.Cons. r.l.	31 December 2015	1,708	3,509			717		675	
	31 December 2016	1,610	3,436			573		423	
Savia Soc. Cons. a r.l	31 December 2015		1,202			18		965	
	31 December 2016		1					314	
Serena S.r.l.—in liquidazione	31 December 2015						3	1	
	31 December 2016						3		
Servizi l'Aquila Soc.Cons. a r.l. in liquidazione	31 December 2015								
	31 December 2016	0	5						
Servizi Luce Soc. Cons. a r.l.	31 December 2015	35	1,542			339	(93)		
	31 December 2016								
Servizi Marche Soc. Cons. r.l. in liquidazione	31 December 2015								
	31 December 2016								
Servizi Napoli 5 Soc.Cons. a r.l.	31 December 2015	1,395	1,282			2,076		1,287	
	31 December 2016	1,414	1,318			1,944		1,311	
Se.Sa.Mo. S.p.A.	31 December 2015	5,161		27		2,608	606	6	
	31 December 2016	5,182		25		1,486	618	6	
SESATRE S.cons. a r.l.	31 December 2015	15	4,526	19		(14)	1,221	1,475	
	31 December 2016	16	4,419	9		4	524	1,687	
Se.Ste.Ro S.r.l.	31 December 2015	15	501			46		921	
	31 December 2016					46		815	
S.I.MA.GEST2 Soc. Cons. r.l. in liquidazione	31 December 2015					20	75	4	2
	31 December 2016						75	13	2

		Associates and Joint-ventures							
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
S.I.MA.GEST3 Soc. Cons. r.l in liquidazione	31 December 2015							3	
	31 December 2016							3	
Società Consortile Adanti Manutencoop in liquidazione	31 December 2015								
	31 December 2016	25	52			37		63	
Steril Piemonte Soc. cons. a.r.l	31 December 2015	(1)	727	3		11	578	334	
	31 December 2016		696	1		7	576	267	
Synchron Nuovo San Gerardo S.p.A.	31 December 2015	7,979	631	78		7,915	2,123	646	
	31 December 2016	5,246	433	173		10,173	2,333	658	
Tower Soc.Cons. a r.l. in liquidazione	31 December 2015						11		
	31 December 2016					33	17	(11)	

		Subsidiaries of Manutencoop Cooperativa							
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Cerpac S.r.l. in liquidazione	31 December 2015					1			
	31 December 2016					1			
Manutencoop Immobiliare S.p.A.	31 December 2015	10	2,483			6		114	
	31 December 2016	10	2,382			6		(47)	
Nugareto Società Agricola Vinicola S.r.l.	31 December 2015	9	52			8		39	
	31 December 2016	7	43			16		42	
Segesta servizi per l'Ambiente S.r.l.	31 December 2015	17				9			
	31 December 2016	17				17			

		Associates of Manutencoop Cooperativa or Other related parties							
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consorzio Karabak Società Cooperativa	31 December 2015	62	2			11		2	
	31 December 2016	123	1			23		1	
Consorzio Karabak 2 Società Cooperativa	31 December 2015	3	1					1	
	31 December 2016	80	1					1	
Consorzio Karabak 3 Società Cooperativa	31 December 2015								
	31 December 2016								
Consorzio Karabak 4 Società Cooperativa	31 December 2015								
	31 December 2016							1	
Consorzio Karabak 5 Società Cooperativa	31 December 2015								
	31 December 2016								
Consorzio Karabak 6 Società Cooperativa	31 December 2015		1				1		
	31 December 2016								
Sacoa S.r.l.	31 December 2015	75	20			50		8	
	31 December 2016	81	19			58		8	

		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
TOTAL	**31 December 2015**	**29,740**	**62,484**	**179**	**29**	**37,310**	**26,340**	**23,437**	**882**
	31 December 2016	**32,082**	**61,084**	**332**	**498**	**40,432**	**11,233**	**19,423**	**2,035**

Annex IV

Statement of reconciliation of the reclassified statement of cash flows and the statutory schedules items

	For the year ended 31 December			
		2016		2015
CASH AND CASH EQUIVALENTS AT THE beginning OF THE year		114,391		113,382
CASH FLOW FROM CURRENT OPERATIONS:		64,778		55,676
Profit before taxes for the year	47,219		(24,450)	
Profit (loss) from discontinued operation	1,052		(2,887)	
Capital gain on disposal of discontinued operation	(1,409)		2,225	
	32,713		32,513	
Accrual (reversal) of provisions for risks and charges	(10,107)		51,561	
Employee termination indemnity provision	889		838	
Share of net profit of associates, net of dividends collected	(1,688)		940	
Financial charges (income) for the period	28,257		32,891	
Net interest received (paid) in the period	(26,471)		(32,639)	
Income tax paid in the period	5,299		(5,072)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	(1,507)		(243)	
Cash flow relating to the assignment of receivables without recourse for taxes under tax consolidation regime, included in changes in other operating assets	(9,471)			
USES OF PROVISIONS FOR RISKS AND CHARGES		(10,175)		(14,012)
AND payments OF THE EMPLOYEE TERMINATION INDEMNITY:				
Payments of Employee termination indemnity	(2,672)		(2,769)	
Utilization of provisions	(7,503)		(11,244)	
CHANGE IN adjusted NWOC:		13,193		55,588
Decrease (increase) of inventories	381		(92)	
Decrease (increase) of trade receivables	58,123		54,552	
Increase (decrease) of trade payables and advances from customers	(33,828)		1,060	
Adjustments:				
Change in the amount of trade receivables assigned without recourse to Factoring agencies and not yet collected by the latter	(11,484)		69	
INDUSTRIAL AND FINANCIAL Capex:		(25,247)		(17,047)
(Purchase of intangible assets, net of sales)	(6,857)		(6,502)	
(Purchase of property, plant and equipment)	(23,677)		(17,389)	
Proceeds from sales of property, plant and equipment	835		793	
(Acquisition of investments)	(505)		848	
Decrease (increase) of financial assets	(490)		(932)	
Net cash used in business combinations	0		(408)	
Net cash from assets held for sale	9,274		4,932	
Reclassifications:				
Net change in the balance of short-term financial assets,	(3,411)		1,685	
to be included in the balance of net financial liabilities				
Payables for acquisition of equity investments and business combinations	(415)		(433)	

	For the year ended 31 December			
		2016		2015
CHANGE IN ADJUSTED NET FINANCIAL LIABILITIES:		12,426		(49,089)
Proceeds from non-current borrowings	0		10,000	
Repayment of non-current borrowings	0		(80,000)	
Payment of financial lease liabilities	(570)		(804)	
Proceeds from/(repayment of) short term bank debt	(22,207)		21,180	
Other changes in financial debt	18,386		1,615	
Adjustments:				
Change in the amount of receivables assigned without recourse	11,484		(69)	
to Factoring agencies and not yet collected by the latter				
Reclassifications:				
Non-cash net financial charges accounted for under				
the Statement of Profit or Loss	1,507		243	
Net change in the balance of short-term financial assets,	3,411		(1,685)	
to be included in the balance of net financial liabilities				
Payables for acquisition of equity investments and business combinations	415		433	
OTHER CHANGES:		5,625		(29,747)
Decrease (increase) of other current assets	4,804		(985)	
Increase (decrease) of other current liabilities	(8,621)		(28,742)	
Dividends paid	(25)		(20)	
Change in scope of consolidation	(4)		0	
Reclassification:				
Cash flow relating to the assignment of receivables without recourse for taxes under tax consolidation regime, included in changes in other operating assets	9,471		0	
CASH AND CASH EQUIVALENTS AT THE END OF THE period		174,992		114,391

Consolidated financial statements as of and for the year ended 31 December 2015

Independent auditor's report
in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Manutencoop Facility Management S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Manutencoop Facility Management Group, which comprise the consolidated statement of financial position as of 31 December 2015, and the consolidated statement of income, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management board's responsibility for the consolidated financial statements

The management board of Manutencoop Facility Management S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Manutencoop Facility Management Group as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw attention to Note 15 to the consolidated financial statements, which describes the assessment performed by the management board with reference to the fine levied on Manutencoop Facility Management S.p.A by the Italian Competition Authority on 20 January 2016 and to the related effects on the financial statements. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations[1] with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations with the consolidated financial statements. The management board of Manutencoop Facility Management S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. In our opinion the Report on Operations is consistent with the consolidated financial statements of Manutencoop Facility Management Group as of 31 December 2015.

Bologna, 12 April 2016

Reconta Ernst & Young S.p.A.
Signed by: Marco Menabue, partner

This report has been translated into the English language solely for the convenience of international readers.

[1] The Report on Operations is not included in this Offering Memorandum.

Consolidated financial statements
Consolidated statement of financial position
As of 31 December 2015

(thousands of Euro)	Notes	As of 31 December 2015	As of 31 December 2014
Assets			
Non-current assets			
Property. plant and equipment	4	62,155	67,691
Property, plant and equipment under lease	4	2,217	2,867
Goodwill	5-6	370,456	369,860
Other intangible assets	5	26,005	24,782
Investments accounted for under the equity method	7	28,484	29,390
Other investments	8	3,502	3,341
Non-current financial assets	8	15,657	18,449
Other non-current assets	8	2,180	1,787
Deferred tax assets		19,044	27,439
Total non-current assets		**529,700**	**545,606**
Current assets			
Inventories	9	4,763	5,115
Trade receivables and advances to suppliers	10	519,194	580,629
Current taxes receivables		23,430	28,922
Other current assets	10	31,138	30,632
Current financial assets	11	5,257	3,501
Cash and cash equivalents	11	114,391	113,382
Total current assets		**698,173**	**762,181**
Assets classified as held for sale	12	0	5,003
Total assets classified as held for sale		**0**	**5,003**
Total assets		**1,227,873**	**1,312,790**

The accompanying notes are an integral part of the
Consolidated Financial Statements

Consolidated financial statements
Consolidated statement of financial position
As of 31 December 2015

(thousands of Euro)	Notes	As of 31 December 2015	As of 31 December 2014
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		109,150	109,150
Reserves		188,349	170,167
Retained earnings		37,498	42,553
Profit/(loss) for the year attributable to equity holders of the parent		(45,412)	12,354
Equity attributable to equity holders of the parent		*289,585*	*334,224*
Capital and reserves attributable to non-controlling interests		337	409
Profit for the period attributable to non-controlling interests		43	273
Equity attributable to non-controlling interests		*380*	*682*
Total shareholders' equity	**13**	**289,965**	**334,906**
Non-current liabilities			
Employees termination indemnity	14	18,424	21,207
Provision for risks and charges, non-current	15	58,738	12,373
Long-term debt	17	311,686	379,001
Deferred tax liabilities		11,167	11,755
Other non-current liabilities		28	28
Total non-current liabilities		**400,043**	**424,364**
Current liabilities			
Provision for risks and charges, current	15	14,515	20,559
Trade payables and advances from customers	18	380,215	380,821
Current tax payables		0	4
Other current liabilities	18	94,572	123,624
Bank borrowings, including portion of long-term debt, and other financial liabilities	17	48,563	28,512
Total current liabilities		**537,865**	**553,520**
Liabilities directly associated with assets classified as held for sale	11	0	0
Total liabilities directly associated with assets classified as held for sale		**0**	**0**
Total shareholders' equity and liabilities		**1,227,873**	**1,312,790**

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated financial statements
Consolidated statement of income for the year ended 31 December 2015

(in thousands of Euro)	Notes	For the year ended 31 December 2015	For the year ended 31 December 2014
Revenue			
Revenue from sales and services		953,813	970,524
Other revenue		1,916	3,766
Total revenue		**955,729**	**974,290**
Operating costs			
Cost of raw materials and consumables		(133,155)	(135,524)
Costs of services and use of third party assets		(336,114)	(364,040)
Personnel costs		(380,793)	(374,210)
Other operating costs		(12,602)	(7,645)
Amortization, depreciation, write-downs and write-backs of assets	5-6-10	(32,493)	(38,635)
Accruals (reversals) to provision for risks and charges	15	(51,561)	(7,238)
Total operating costs		**(946,718)**	**(927,292)**
Operating income		**9,011**	**46,998**
Financial income and expenses			
Share of net profit of associates	8	90	1,198
Dividends and net income/(loss) from sale of investments		(459)	427
Financial income		984	5,679
Financial expenses		(34,066)	(42,313)
Gains/(losses) on exchange rate		(10)	3
Profit/(loss) before taxes from continuing operations		**(24,450)**	**11,992**
Income taxes		(18,032)	(11,414)
Profit/(loss) from continuing operations		**(42,482)**	**578**
Profit/(loss) after taxes from discontinued operations		(2,887)	12,049
Net profit/(loss) for the year		**(45,369)**	**12,627**
Attributable to non-controlling interests		43	273
Attributable to equity holders of the parent		**(45,412)**	**12,354**

(in Euro)	For the year ended 31 December 2015	For the year ended 31 December 2014
Basic earnings/(losses) per share	(0.416)	0.113
Diluted earnings/(losses) per share	(0.416)	0.113
Basic earnings/(losses) per share from continuing operations	(0.390)	0.003
Diluted earnings/(losses) per share from continuing operations	(0.390)	0.003

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated financial statements
Consolidated statement of comprehensive income for the year ended 31 December 2015

(thousands of Euro)	Notes	For the year ended 31 December 2015	For the year ended 31 December 2014
Net profit/(loss) for the year		**(45,369)**	**12,627**
Other components of the comprehensive income, which will be subsequently reclassified under profit/(loss) for the year:			
Exchange differences on translating foreign operations		11	1
Effect on the shareholders' equity from associates accounted for under the equity method		67	(1,003)
Other components of the comprehensive income for the year, which will be subsequently reclassified under profit/(loss) for the year		78	(1,002)
Other components of comprehensive income, which will be subsequently reclassified under profit/(loss) for the year:			
Actuarial gains (losses) on defined benefit plans		*831*	*(1,843)*
Income tax effect		*(188)*	*507*
Net actuarial gains (losses) on defined benefit plans	14	643	(1,336)
Share of other comprehensive income of entities accounted for under the equity method	8	*52*	*(92)*
Other comprehensive income (loss) for the year, net of tax		695	(1,428)
Total profit (loss) in the statement of comprehensive income, net of taxes		**773**	**(2,430)**
Total comprehensive income (loss) for the year		**(44,596)**	**10,197**
Attributable to:			
Equity holders of the parent		(44,639)	9,924
Non-controlling interests		43	273

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated financial statements
Consolidated statement of cash flows
for the year ended 31 December 2015

(thousands of Euro)	Notes	For the year ended 31 December 2015	For the year ended 31 December 2014
Profit/(loss) from continuing operations		**(42,482)**	**578**
Income taxes		18,032	11,414
Profit/(loss) before taxes from continuing operations		**(24,450)**	**11,992**
Profit/(loss) after tax for the year from discontinued operations		(2,887)	12,049
Capital profits/(losses) on disposal of discontinued operation		*2,225*	*(13,351)*
Other unrealized impairment on discontinued operations		*0*	*2,752*
Amortization, depreciation, write-downs and (write-backs) of assets		32,513	40,645
Accrual (reversal) to provisions for risks and charges		51,561	7,296
Employee termination indemnity provision		838	1,459
Payments of employee termination indemnity		(2,769)	(7,983)
Utilization of provisions for risks and charges		(11,244)	(10,296)
Share of net profit of associates, net of dividends collected		940	363
Financial expenses (income)		32,891	36,597
Operating cash flows before movements in Working Capital		**79,618**	**81,523**
Of which related to discontinued operations		*(922)*	*1,784*
Of which related to continuing operations		*80,540*	*79,739*
Decrease (increase) of inventories		(92)	345
Decrease (increase) of trade receivables		54,552	97,624
Decrease (increase) of other current assets		(985)	(3,216)
Increase (decrease) of trade payables and advances from customers		1,060	(70,805)
Increase (decrease) of other current liabilities		(28,742)	(23,865)
Change in Working Capital		**25,793**	**83**
Net interest received (paid) in the year		(32,640)	(34,019)
Income tax paid in the year		(5,072)	(29,005)
Net cash flow from operating activities		**67,699**	**18,582**
Purchase of intangible assets, net of sales	5	(6,502)	(9,267)
Purchase of property, plant and equipment	4	(17,389)	(17,520)
Proceeds from sales of property, plant and equipment	4	792	1,812
Acquisition of investments		848	692
Decrease (increase) of financial assets		(932)	5,836
Net cash used in business combinations		(408)	0
Discontinuing activities	10	4,932	58,842
Net cash flow used in investing activities		**(18,659)**	**40,395**
Net proceeds from/(repayment of) borrowings	12	(48,010)	(130,026)
Dividends paid		(20)	(107)
Acquisition/Sale of minority interests in subsidiaries		(1)	0
Net cash flow from / (used in) financing activities		**(48,031)**	**(130,133)**

(thousands of Euro)	Notes	For the year ended 31 December 2015	For the year ended 31 December 2014
Changes in cash and cash equivalents		**1,009**	**(71,156)**
Cash and cash equivalents at the beginning of the year		113,382	184,538
Changes in cash and cash equivalents		**1,009**	**(71,156)**
Cash and cash equivalents at the end of the year		**114,391**	**113,382**
Details of cash and cash equivalents:			
Cash and cash equivalent		114,391	113,382
TOTAL CASH AND CASH EQUIVALENTS		**114,391**	**113,382**

Supplementary information (in thousand of Euro)	Notes	For the year ended 31 December 2015	For the year ended 31 December 2014
Interest paid		(33,444)	(39,444)
Interest received		804	5,425
Dividends received		375	1,900

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated financial statements
Consolidated statement of changes in shareholders' equity for the year ended 31 December 2015

(thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the year	Total Group's shareholders equity	Non-controlling interests	Total shareholders' equity
1 January 2015	**109,150**	**170,167**	**42,553**	**12,354**	**334,224**	**683**	**334,906**
Cost connected with the issue of share capital					**0**	*0*	**0**
Dividends distribution					**0**	*(20)*	**(20)**
Allocation of prior year result		17,409	(5,055)	(12,354)	**0**		
Acquisition/Sale of minority interests in subsidiaries						*(326)*	**(326)**
Total comprehensive income (loss) for the year		773		(45,412)	**(44,639)**	*43*	**(44,596)**
31 December 2015	**109,150**	**188,349**	**37,498**	**(45,412)**	**289,585**	**380**	**289,965**

(thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the year	Total Group's shareholders equity	Non-controlling interests	Total shareholders' equity
1 January 2014	**109,150**	**167,797**	**33,606**	**13,747**	**324,300**	**1,955**	**326,255**
Cost connected with the issue of share capital					**0**	*0*	**0**
Dividends distribution					**0**	*(158)*	**(158)**
Allocation of prior year result		4,800	8,947	(13,747)	**0**	*1,388*	**1,388**
Acquisition/Sale of minority interests in subsidiaries					**0**	*0*	**0**
Total comprehensive profit (loss) for the year		(2,430)		12,354	**9,924**	*273*	**10,197**
31 December 2014	**109,150**	**170,167**	**42,553**	**12,354**	**334,224**	**683**	**334,906**

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated Financial Statements
Explanatory notes
31 December 2015

The publication of the consolidated Financial Statements of Manutencoop Facility Management S.p.A. Group (the "MFM Group" or the "Group") for the year ended 31 December 2015 was authorized by resolution of the Management Board of 18 March 2016.

The Group is 71.89% owned by Manutencoop Società Cooperativa, with registered office in Zola Predosa (BO), which in turn exercises management and coordination activities over the Group. On 1 July 2013 the company acquired an additional stake of 7.028% with retention of title ("*riserva di proprietà*"), whereby it is vested with related financial and administrative rights, pursuant to and for the purposes of article 1523 of the Italian Civil Code.

1. General Information

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.

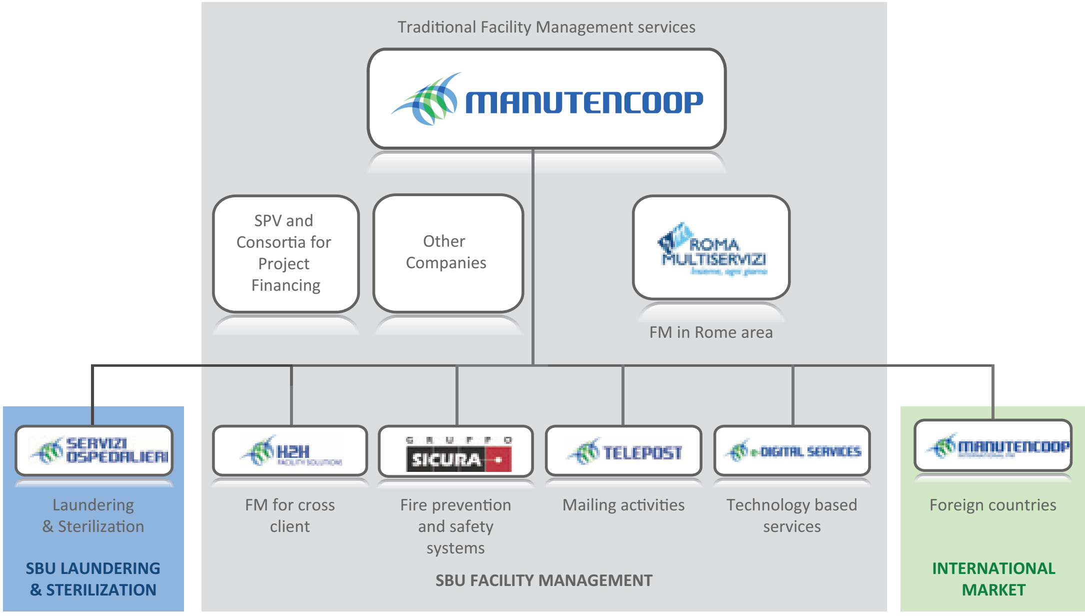
At present the MFM Group is structured around a single operating holding company which combines so-called "traditional" facility management production resources with those related to supporting the whole Group's business. At the same time, in the previous financial years a diversification strategy was pursued which, through a series of acquisitions, has placed 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.

During 2015 the Group outlined its strategic objective of growth in international markets, devoting specialised personnel to exploring new areas of action in and outside Europe. On 22 November 2015 the sub-holding Manutencoop International FM S.r.l. was established with a quota capital wholly owned by the Parent CompanyManutencoop Facility Management S.p.A. (hereafter referred to "MFM S.p.A."), for the purpose of creating or acquiring shareholdings in foreign countries for the local development of new business undertakings.

Furthermore, e-Digital Services S.r.l. was also established, which was also wholly owned by MFM S.p.A., with the objective of embarking on a path to growth in B2B and B2C services markets.

Finally, the negotiations with a third party regarding the sale of the public lighting company conducted by subsidiary SMAIL S.p.A. ended with closing on 13 November 2015, completing the Group's exit from an area of business (street lighting) which the management had decided was not strategic for the Group's future development. The legal entity SMAIL S.p.A., as resulting from the carve-out described, was then merged by incorporation into MFM S.p.A., with statutory, accounting and tax effects from 1 January 2016. At the same time, MACO S.p.A., a company active in sector of *building management*, which was not considered to be strategic any longer, was merged by incorporation into MFM S.p.A., again with effects from 1 January 2016.

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, the Group embarked on a path to growth in the markets of B2B and 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. Basis of presentation

The consolidated Financial Statements at 31 December 2015 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 2015 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 liquidity risk described in the Notes to the Financial Statements and any other market risk associated with the pending proceedings described in the Report on Operations, 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 2015 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 2015 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 2015. 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 2015
On 1 January 2015 IFRIC 21, *Levies*, has come into effect. It is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets which states the method for recognising liabilities for the payment of levies other than income tax, especially as regards the obligating event and the time the liability is recognised.

The 2011-2013 series of Annual Improvements to IFRS has also come into force. The series includes minor amendments to and clarifications of various previously issued Standards. The adoption of the above Standards and Interpretations has had no impact at all on the Group's Consolidate Financial Statements.

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

IFRS14—Regulatory Deferral Accounts (applicable from the financial years that will end after 1 January 2016). The new standard is an interim rule whose purpose is to improve the comparability of the financial disclosures of entities that operate in government regulated markets, such as some industrial sectors in which governments control the prices of particular goods or services provided by private entities (i.e. gas, water, electricity). An entity that already provides its financial disclosures in conformity to IFRS need not apply IFRS 14. This standard, in fact, only allows an entity that is a first-time adopter to continue using the previous accounting standards if its production is regulated. It is not obligatory to adopt the standard, but if it is not adopted in an entity's first IFRS financial statements, the entity will not be entitled to adopt it in subsequent financial periods. The standard also requires the balances related to regulated activities to be presented separately in the statement of financial position, income statement and OCIs. Specific information must also be given regarding the nature of these activities and the risks attached to them.

IFRS15—Revenues from contracts with customers (applicable from the financial years that will end after 1 January 2017). The new standard replaces the previous IAS11—Construction contracts, IAS18—Revenue, IFRIC13—Customer Loyalty Programme, IFRIC15—Agreements for the construction of real estate, IFRIC18—Transfers of Assets from Customers, SIC31—Barter Transactions Involving Advertising Services. This standard provides a model for the recognition and measurement of all revenues from non-financial assets, including the disposals of property, plant and equipment or intangible assets. The general principle is that the entity must recognise revenue in the amount corresponding to the consideration to which it expects to be entitled for transferring goods or providing a service to a customer. Guidelines are laid down for identifying the contract, the performance obligations and the transaction price. If there are multiple services, suggestions are also given regarding the allocation of their prices. Finally, the criteria for accounting for the revenue when the performance obligation has been satisfied are explained and suggestions are made for accounting for the incremental costs of obtaining the contract if these costs are directly attributable to its performance. Finally, the standard provides guidance on its application to specific issues such as licences, guarantees, right of withdrawal, agency relationships, termination of contracts. The standard is applicable according to a full retrospective approach or a modified retrospective approach.

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.

Some amendments to existing standards have also been issued, clarifying some particular points, which will be applicable for periods commencing on or after 1 January 2016:

- *Amendments to IFRS10, IFRS12 and IAS28—Applying the Consolidation Exception.* The amendments clarify the applicability of the consolidation exceptions for an investment entity. In fact, an Investment entity measures its investments at fair value, while its parent company (if any) will be required to consolidate the subsidiaries of the investment entity. Furthermore, it is also specified that said subsidiaries must be measured at fair value if they are other than investment entities and do not provide services related to the parent's investments activities.

- *Amendments to IFRS11—Joint Arrangements.* This amendment explains that if an entity acquires an interest in a joint operation which constitutes a form of business, it must apply the accounting standards and disclosure requirements laid down in IFRS 3, *Business Combinations*, and those in all other IFRSs that do not conflict with the provisions of IFRS 11.

- *Amendments to IAS16 and IAS38—Clarification of Acceptable Methods of Depreciation and Amortisation.* This amendment explains that it is advisable to use methods of amortisation and depreciation of fixed assets that take the actual economic benefit of using them into account. If goods or assets are used in business operations, the ratio between the revenue generated by business and the entity's total revenues is not a correct reflection of the amortisation or depreciation percentage to apply. This ratio may only be used in limited cases for the amortisation of intangible assets.

- *Amendments to IAS16 and IAS41*. This amendment explains that biological assets used in agriculture (e.g. fruit trees) continue to be subject to the requirements of IAS 16 while their products (e.g. the fruit gathered) continue to be subject to the requirements of IAS 41.
- *Amendments to IAS27—Equity Method in Separate Financial Statements.* This amendment explains that since the equity method is used for accounting for investments in subsidiaries and associates in certain countries, the option previously provided for in IAS 27 has been reinstated. Therefore, the investments in the Separate Financial Statements can be valued at cost (IAS27), in accordance with IAS39 or the new IFRS9 or by using the equity method (IAS27 amended). The method adopted must be applied homogeneously for all types of these investments.
- *Amendments to IAS1—Presentation of Financial Statements.* The amendments provide clarifications on the requirements of materiality of IAS1 and of elements recognised in the OCI Statement and in the Statement of Financial Position, which may be further disaggregated. Furthermore, it is clarified that the share of OCI of equity-accounted associates and joint ventures should be reported in aggregate as single line items, based on whether or not it will subsequently be reclassified to the Statement of Profit/loss for the year.

New or revisited IFRS and interpretations issued by the IASB or IFRIC, which have still not completed the approval process at the competent EU bodies.

As early as in 2014, the IASB issued a new series of amendments to IFRS (series 2012-2014, which follows the previous series 2009-2011, 2010-2012 and 2011-2013). The Annual improvement of international standards is the instrument by which the IASB introduces amendments or improvements to the standards that are already being applied, thus promoting the ongoing review of the accounting policies of the IAS adopters. The amendments will be obligatory applicable as from the financial years that will end after 1 January 2016. The last series of improvements has specifically concerned a change in the sales programmes under *IFRS5—Non-current Assets Held for Sale and Discontinued Operations,* the applicability of *IFRS7—Financial Instruments* in the condensed Interim Financial Statements, the use of discount rates under *IAS19—Employee Benefits* and the disclosures to be supplemented with respect to *IAS34—Interim Financial Reporting*.

2.3 Discretionary assessments and significant accounting assumptions

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

Discretionary assessments

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

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

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

At 31 December 2015, the carrying amount of the goodwill stood at € 370,456 thousand (31 December 2014 restated: € 369,860 thousand). More details are given in note 6.

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

Recognition of the present value of liabilities for Put Options on minority shares of subsidiaries and of the present value of liabilities for Earn-outs on acquisitions made
The Group holds majority interests in subsidiaries in relation to which the minority shareholders hold PUT options, which can be exercised in the future at prices determined on the basis of certain parameters that require estimates from management for the purposes of reliable valuation.

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

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

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

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

The cost of defined-benefit pension plans and of any other post-employment medical benefit, as well as the present value of the defined-benefit liability, are determined on the basis of actuarial assumptions. Actuarial assessments require various assumptions to be made which can differ from actual developments in the future. These assumptions also include the calculation of the discount rate, future pay rises, the mortality rate and future increases in pensions. Owing to the complexity of the assessment and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All the assumptions are reviewed on an annual basis. For more details, reference is made to note 14.

Consolidation principles

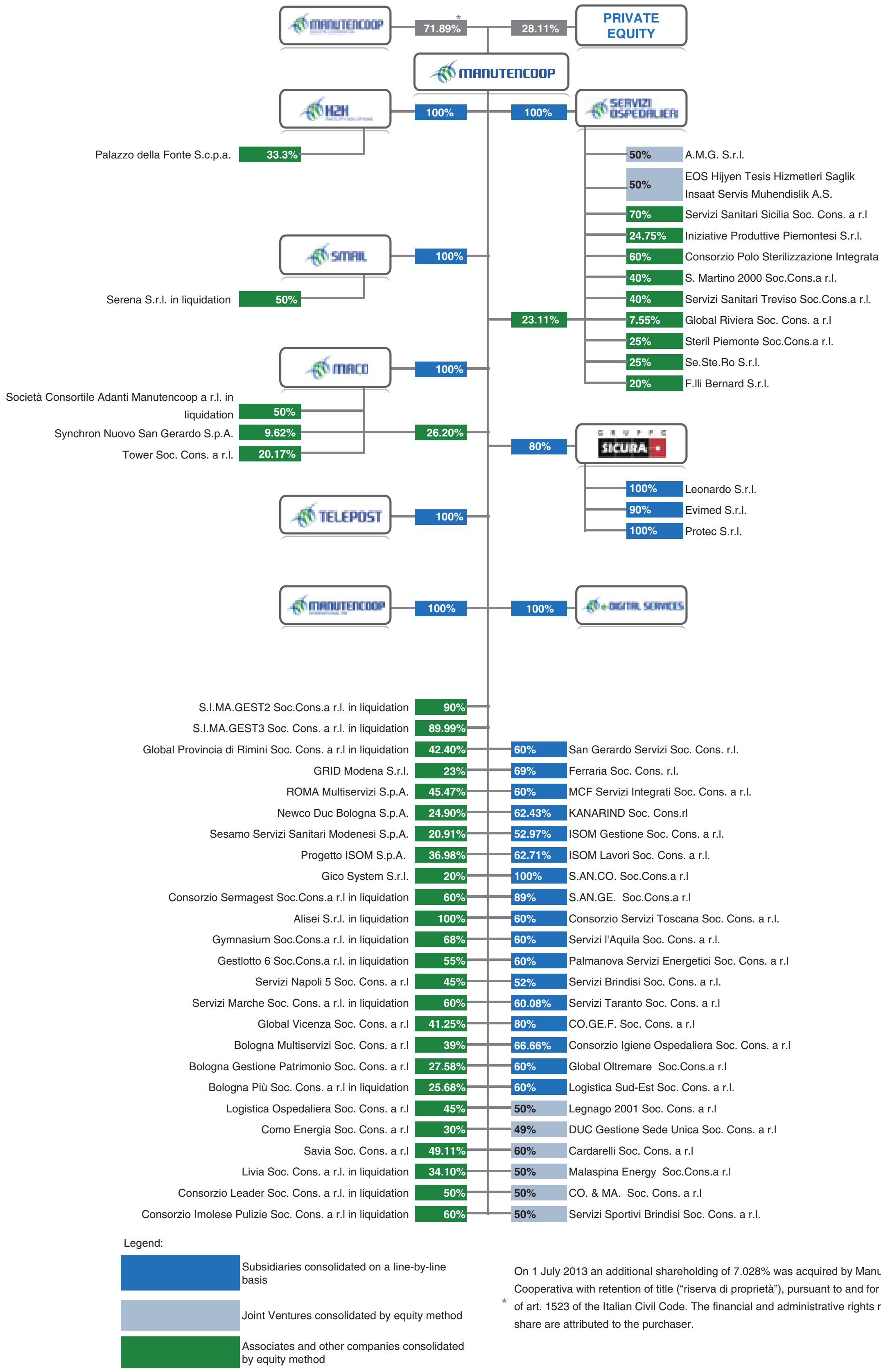
The Consolidated Financial Statements include the financial statements of Manutencoop Facility Management S.p.A. (the ''Parent Company, "MFM S.p.A." or simply "MFM") and its subsidiaries, prepared as at 31 December 2015. The financial statements of the subsidiaries have been prepared by adopting for 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 30 December 2015 is shown below.



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

In the period the following changes occurred in the scope of consolidation:

- the incorporation of San Gerardo Servizi Soc. Cons a r.l., owned by MFM MFM S.p.A. (60%) on 24 March 2015, responsible for the operation of facility management services within the project finance of the San Gerardo Hospital in Monza;
- the incorporation of Manutencoop International F.M. S.r.l. on 20 November 2015 and of e-Digital Services S.r.l. on 25 November, the quota capitals of which are wholly owned by MFM S.p.A.;
- the transfer of the entire investment (33.33%) held by MFM S.p.A. in United Facility Solutions, which was completed on 6 March 2015;
- the sale on 4 June 2015 of 20% of the equity of Progetto Nuovo Sant'Anna S.r.l., in which MFM S.p.A. previously had a 24% interest, has therefore been reclassified among "Other Equity investments";
- the sale to third parties of the entire investments held directly by subsidiary Sicura S.p.A. in Firing S.r.l. on 1 October 2015.

2.4 Summary of the significant 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:

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

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

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

A qualifying asset is an asset that requires a certain period of time to be ready for use. The capitalisation of financial costs ceases when all the activities needed to make the qualifying asset ready for use have been completed.

Extraordinary maintenance expenses are only included in the carrying amount of the asset when the company is likely to receive the associated economic benefits in the future and the cost can be reliably measured. The costs of repairs, maintenance or other operations to ensure the functioning of the assets are charged to the income statement in the year in which they are incurred.

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

Goodwill

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

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

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

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

Other intangible assets

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

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

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

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

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

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

Equity investments in joint venture and in associates

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

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

Impairment of assets

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

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

Financial assets

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

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

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

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

The accounting policies applied by the Group are the following:

Loans and receivables

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

Available-for-sale financial assets

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

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

Inventories

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

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

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

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

Trade receivables and other receivables

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

Contracts for construction work and plant building

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

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

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

Cash and cash equivalents

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

Loans

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

Derecognition of financial assets and liabilities

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

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

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

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

Impairment of financial assets

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

Assets valued according to the amortised cost criterion

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

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

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

Assets recognised at cost

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

Available-for-sale financial assets

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

Provisions for risks and charges

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

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

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

Provision for employee termination benefits

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

Employee benefits

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

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

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

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

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

The Group has no other significant defined benefit pension plans.

Leasing

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

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

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

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

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

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

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

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

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

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

Revenue recognition

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

Provision of services

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

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

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

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

Revenues billed at the balance sheet date, which exceed the amount accrued on the basis of the progress status of the service, are suspended under advances from customers, and classified under trade payables. The considerations, also as part of multi-service contracts, are, as a rule, defined separately by service type and the amount of revenues to be attributed to the individual services is quantified at fair value.

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

Building activity

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

Sale of assets

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

Interest

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

Dividends

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

Government grants

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

Income taxes

Current taxes

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

Deferred taxes

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

Deferred tax liabilities are recognized against all temporary taxable differences, except:

- when deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;

- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, in the event in which the reversal of the temporary differences can be controlled and is not likely to occur in the foreseeable future.

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

- deferred tax assets connected to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;

- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent in which it is likely that the deductible temporary differences will be reversed in the immediate future and that sufficient tax profits will be generated against which the temporary differences can be used.

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

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

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

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

VAT

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

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

Derivative financial instruments and cash flow hedges

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

In particular, the transaction is considered a hedge if documentation exists on the relationship between the hedging instrument and the liability hedged that shows risk management objectives, the hedging strategy and methods used to verify the effectiveness of the hedge. A transaction is considered a hedge if the effectiveness is verified at the moment it starts and, going forward, confirmed during its entire life.

Within the scope of the International Accounting Standards (IFRS), these instruments are viewed as derivative financial instruments.

These derivative financial instruments are initially recognised at fair value at the date they are stipulated; subsequently, said fair value is re-measured periodically. They are accounted as assets when the fair value is positive and liabilities in the case of a negative fair value.

Any profits or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are charged directly to the income statement in the year.

Service concession arrangements

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

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

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

Earnings per share

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

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

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

Operating segments

An operating segment is made up of a clearly identifiable group of assets and operations which provides a collection of related products and services, subject to risks and rewards other than those of other Group business sectors. For operational purposes, the Group is structured into business areas that coincide with the "strategic business units" in which the Group operates. No operating segments were combined for the purpose of determining the operating segments subject to disclosure obligations.

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

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

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

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

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

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

3. Business combinations

Introduction
On 29 July 2015 Sicura S.p.A. acquired a fire fighting services business unit from Triveneta Servizi S.r.l., including its assets, equipment, trademarks and distinctive marks in addition to all the existing contractual relationships. The transfer of the business unit came into effect on 1 August. The transaction took place for a total consideration of € 568 thousand, partially paid up on the closing date (€ 408 thousand). The remainder (€ 160 thousand) will be paid by 28 February 2017. No future adjustments to the purchase price are expected.

Accounting effects of the acquisition

The acquisition constituted a business combination; therefore, the Group accounted for it according to IFRS 3.

	Value at acquisition date	Book Value
Assets		
Property, plant and equipments	2	2
Other intangible assets	2	2
Total assets	**4**	**4**
Liabilities		
Employee termination indemnity	32	32
Total liabilities	**32**	**32**
Fair value of net assets	**(28)**	**(28)**
GOODWILL FROM THE BUSINESS COMBINATION	**596**	
Total cost of the business combination		
Consideration paid to the transferor	408	
Deferred consideration for the acquisition	160	
TOTAL COST OF THE BUSINESS COMBINATION	**568**	
Net Liquidity used in the acquisition		
Payments to the transferor	(408)	
NET LIQUIDITY USED IN THE ACQUISITION	**(408)**	

The fair value of assets and liabilities acquired through the business combination was negative for € 28 thousand, while the total cost of the business combination was equal to € 568 thousand. The net liquidity used in the combination was equal to € 408 thousand.

4. Property, plant and equipment

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

(in thousands of Euro)	Properties	Plant and equipment	Properties leased	Plant and equipment leased	Total
As of 1 January 2015, net of accumulated depreciation and impairment	4,970	62,721	200	2,667	70,558
Additions due to business combination	0	2	0	0	2
Additions from acquisition	0	17,389	0	0	17,389
Impairment losses	0	0	0	0	0
Disposal	(32)	(761)	0	0	(793)
Depreciation of the year	(137)	(21,981)	(22)	(626)	(22,766)
Other		(15)		(3)	(18)
As of 31 December 2015	**4,801**	**57,355**	**178**	**2,038**	**(64,372)**
As of January 1, 2015					
Cost	6,981	304,936	375	4,953	317,245
Accumulated depreciation and impairment losses	(2,011)	(242,215)	(175)	(2,286)	(246,687)

(in thousands of Euro)	Properties	Plant and equipment	Properties leased	Plant and equipment leased	Total
Net Book Value	**4,970**	**62,721**	**200**	**2,667**	**70,558**
As of 31 December 2015					
Cost	6,949	321,551	375	4,953	**333,828**
Accumulated depreciation and impairment losses	(2,148)	(264,196)	(197)	(2,915)	(269,456)
Net Book Value	**4,801**	**57,355**	**178**	**2,038**	**64,372**

The additions from acquisitions for the year mainly refers to the purchase of linen in the Laundering & Sterilization segment (€10,658 thousand) and to the purchases of plant, machinery and specific equipment (€ 3,602 thousand). In the period ended 31 December 2015, some plant and equipment were disposed of for a total amount of € 761 thousand, manly relating to disposals concerning linen (€ 395 thousands) and surgical instrument (€ 303 thousand).

Other changes mainly relate to reclassifications of lower amounts under classes and categories of assets, first of all after the repurchase of leased assets and equipment. These changes are not recognized in the financial year.

The table below shows the changes in property, plant and equipment (owned and under a finance lease) in the year ended 31 December 2014.

(in thousands of Euro)	Properties	Plant and equipment	Properties leased	Plant and equipment leased	Total
As of 1 January 2014, net of accumulated depreciation and impairment	5,243	72,077	222	3,376	80,918
Additions from acquisition	8	17,512			17,520
Impairment losses	(23)	0	0	0	(23)
Disposal	(35)	(1,774)		(2)	(1,811)
Depreciation of the year	(162)	(24,387)	(22)	(685)	(25,256)
Other	(61)	(707)		(22)	(790)
As of 31 December 2014	**4,970**	**62,721**	**200**	**2,667**	**70,558**
As of January 1, 2014					
Cost	7,296	294,984	375	6,215	308,870
Accumulated depreciation and impairment losses	(2,053)	(222,907)	(153)	(2,839)	(227,952)
Net Book Value	**5,243**	**72,077**	**222**	**3,376**	**80,918**
As of 31 December 2014					
Costd	6,981	304,936	375	4,953	317,245
Accumulated Depreciation and impairment losses	(2,011)	(242,215)	(175)	(2,286)	(246,687)
Net Book Value	**4,970**	**62,721**	**200**	**2,667**	**70,558**

5. Intangible assets

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

(in thousands of Euro)	Other intangible assets	Goodwill	Total
As of 1 January 2015, net of accumulated amortization and impairment	24,782	369,860	394,642
Additions due to business combination	2	596	598
Additions from acquisition	6,614		6,614
Disposals	(112)		(112)
Amortization of the year	(5,276)		(5,276)

(in thousands of Euro)	Other intangible assets	Goodwill	Total
Impairment losses	(4)		(4)
Other	(1)	0	(1)
As of 31 December 2015	**26,005**	**370,456**	**396,461**
As of January 1, 2015			
Cost	89,572	372,253	461,825
Accumulated amortization and impairment losses	(64,790)	(2,393)	(67,183)
Net Book Value	**24,782**	**369,860**	**394,642**
As of 31 December 2015			
Cost	96,076	372,849	468,925
Accumulated amortization and impairment losses	(70,071)	(2,393)	(72,464)
Net Book Value	**26,005**	**370,456**	**396,461**

Goodwill is tested annually for impairment; for more details please refer to note 6 below. The increase recorded in the year was mainly attributable to the Sicura S.r.l.'s acquisition of a business unit from Triveneta Servizi S.r.l..

Other intangible assets, amounting to € 26, 005 thousand at 31 December 2015, 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 (€ 6,614 thousand) were attributable almost entirely to the investments in software used in the corporate IT systems within the Facility Management SBU (€ 6,408 thousand).

The amortisation charges of intangible assets amounted to € 5,276 thousand in the year ended 31 December 2015.

The table below shows the changes in intangible assets in the year ended 31 December 2014.

(in thousands of Euro)	Other intangible assets	Goodwill	Total
As of 1 January 2014, net of accumulated amortization and impairment	**29,062**	**415,094**	**444,156**
Additions from acquisition	9,276		9,276
Disposals	(9)		(9)
Amortization of the year	(8,285)		(8,285)
Impairment losses	(4,418)		(4,418)
Other	(844)	(45,234)	(46,078)
As of 31 December 2014	**24,782**	**369,860**	**394,642**
As of January 1, 2014			
Cost	85,558	417,487	503,045
Accumulated amortization and impairment losses	(56,496)	(2,393)	(58,889)
Net Book Value	**29,062**	**415,094**	**444,156**
As of 31 December 2014			
Cost	89,572	372,253	461,825
Accumulated amortization and impairment losses	(64,790)	(2,393)	(67,183)
Net Book Value	**24,782**	**369,860**	**394,642**

6. Impairment testing 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.
- SMAIL S.p.A. and the Group controlled by Sicura S.p.A., operating in the facility management segment as suppliers of more specialist services
- Telepost S.p.A. which provides internal mailing services for the Telecom Italia Group
- Manutencoop International F.M. S.r.l. and e-Digital Services S.r.l. (newly-established companies)
- other minor investee companies operating in the same segment.

At 31 December 2014, the SMAIL S.p.A. business unit used in the public lighting equipment maintenance business was classified as an asset held for sale pursuant to IFRS5, and then transferred to third parties during 2015. With effect from 1 January 2016, SMAIL S.p.A. was merged into MFM S.p.A..

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 operating in the same segment.

SBU—Other

The SBU is identified with:

- MACO S.p.A., to which the business unit relating to Group ''building'' activities was conferred in 2009; this company has also been the object of assessments by the Management as to the exit from the market of this business, since Management does not consider it to be strategic any longer.
- Other minor investee companies operating in the same segment.

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

The table below sets forth the carrying amounts of the goodwill recognized in the Consolidated Financial Statements at 31 December 2015, relating to the different CGUs, compared with the figures for the year ended 31 December 2014.

Book value of consolidated goodwill (in thousands of Euro)	**31 December 2015**	**31 December 2014**
Goodwill CGU Facility Management	358,693	358,097
Goodwill CGU Laundering/Sterilization	11,763	11,763
Goodwill CGU Other	0	0
Totale goodwill	**370,456**	**369,860**

Facility Management CGU goodwill

The goodwill allocated to the Facility Management CGU, which amounted to € 358,693 thousand at 31 December 2015, 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.

In 2015 the value of goodwill pertaining to the Facility Management CGU increased by € 596 thousand following the subsidiary Sicura S.p.A.'s acquisition of the Triveneta Servizi S.r.l. business unit, as described in note 3.

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.

At 31 December 2015 total goodwill attributable to the Laundering & Sterilization CGU, unchanged with respect to the previous year, amounted to € 11,763 thousand.

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 Management Board 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 individual CGUs used for the impairment test were taken from their respective 2016 Budgets (approved by the Management Board on 16 December 2015) and the Management's forecasts for the period from 2016 to 2019, which project the assumptions in the 2016 budget using growth rates which are more conservative than those in the previously approved 2015-2019 Long-term Plan owing to the purpose of the test and the requirements of the applicable standards.

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 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 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 2019 EBIT adjusted by the average expected depreciation and amortisation and investments, net of a nominal tax rate. As regards long-term growth rates, an assumption of 1% was considered both for the Facility Management SBU and for the Laundering & Sterilization SBU.
- The expected future cash flows were discounted back at a discount rate (WACC) of 7.35% for the Facility Management SBU (2014: 7.35%) and at a discount rate (WACC) of 7.68% (2014: 6.61%) for the Laundering & Sterilization SBU. The WACC was determined by using the Capital Asset Pricing Model ("CAPM"), by which the risk-free rate was calculated with reference to the curve of the rates of return of Italian long-term government bonds, while the non-diversifiable systematic risk ratio (*ßeta*) and the debt/equity ratio were extrapolated from the analysis of a group of comparable companies operating in the European facility management and laundering sector. In addition, in order to reflect the uncertainty of the current economy and the future market conditions, the cost of the equity component of the WACC rate was increased with a risk premium of 100 basis points for the Facility Management SBU and 150 basis points for Laundering & Sterilization SBU in each period of time.

For all CGUs/SBUs analysed, the analysis confirmed that the recoverable value of the same exceeds the associated carrying amount, therefore not requiring any write-downs. On a prudential basis, a "Worst Case" was outlined with reference to the WACC and to the growth rates applied. However, in simulating nil growth rates (equal to 0%), also in combination with WACCs exceeding those applied by a percentage point (and, then, equal to 8.35% for Facility Management and to 8.68% for Laundering & Sterilization, respectively), there would be no need to make write-downs in both CGUs/SBUs, as the recoverable value would exceed the related book value.

7. Investments accounted for under the equity method

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

At 31 December 2015 the net-book value of investments valued at Equity amounted to € 28,419 thousand, compared to a figure of € 29,330 thousand in the previous year.

	31 December 2015	31 December 2014
Investments valued at Equity	28,484	29,390
Provision for risks on investments	(65)	(60)
INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	**28,419**	**29,330**

The breakdown of changes during the year is shown in Annex II attached to the Consolidated Financial Statements.

In 2015 investments accounted for under the equity method overall recorded a positive result equal to €90 thousand, for the share attributable to the Group, as a result of the recognition of income from equity investments of € 1,861 thousand and write-downs of € 1,771 thousand. Furthermore, positive effects were recognized directly in the consolidated equity to an overall amount of € 119 thousand.

Below are the main financial statements data relating to the most important companies, 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	Liabilities	Shareholders' equity	Net financial position	Revenues	Profit (loss) for the year
Palazzo della Fonte S.c.p.a. . .	33%	89,757	(51,030)	(38,727)	(46,389)	15,919	0
Roma Multiservizi S.p.A.	45%	57,380	(40,566)	(16,814)	(15,334)	79,397	630
Project financing companies	<50%	250,351	(223,691)	(26,661)	(71,236)	120,005	2,320

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.

8. Other investments and non-current financial assets

The table below sets forth the breakdown of other non-current assets at 31 December 2015 and at 31 December 2014:

	31 December 2015	31 December 2014
Other investments	3,502	3,341
Non-current financial assets	15,657	18,449
Other non-current assets	2,180	1,787
OTHER NON-CURRENT ASSETS	**21,339**	**23,577**

The financial assets accounted for as *Other investments* relate to investments in companies in which the Group has no significant or controlling interests and that have been acquired for strategic/production purposes. There are also investments in National Cooperative Consortia, as well as investments in production sites, or in other minor activities such as industrial 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 € 15,657 thousand at 31 December 2015 (€18,449 thousand at 31 December 2014), are composed of:

- € 6,413 thousand of non-current financial receivables due from associates, affiliates and joint ventures (€ 7,541 thousand at 31 December 2014). The face value of these receivables is € 6,521 thousand, while the discounting fund amounts to € 109 thousand. Some of these are non-interest bearing since they were drawn down proportionally from each consortium partner and are thus discounted on the basis of their expected residual maturity, applying Eurirs as the reference interest rate, plus a spread The decrease recognised in the year was mainly linked to the divestment of the shareholders' loan which MFM S.p.A. had granted to

Progetto Nuovo Sant'Anna S.r.l. after the sale of its shares during the period (€ 4,218 thousand), as against new loans to project financing companies (Progetto ISOM S.p.A. for € 1,596 thousand, Synchron Nuovo San Gerardo S.p.A. for € 2,064 thousand).

- € 9,082 thousand of non-current financial receivables from third parties (€ 10,745 thousand at 31 December 2014), the main balance of which is made up of the receivable for amounts in escrow relating to the transfer of MIA S.p.A. that took place in December 2014. The variation from last year mainly arises from the classification of a part of these receipts (nominal amount of € 5 million) among short-term financial assets in conformity to some provisions of the sale agreement, in addition to the increase in the loan to Arena Sanità for € 1,942 thousand.
- € 162 thousand of securities held to maturity (this value remained unchanged compared to 31 December 2014).

9. Other non-current assets

Other non-current assets, amounting to € 2,180 thousand at 31 December 2015 (€1,787 thousand at 31 December 2014) mainly consist of security deposits related to long-term manufacturing contracts (€ 1,031 thousand) and long-term prepaid expenses relating to certain job orders (€ 869 thousand).

10. Inventories

The Group recognized inventories of € 4,763 thousand at 31 December 2015, marking a decrease of € 352 thousand compared to the previous year.

	31 December 2015	31 December 2014
Inventories of raw materials, consumables and goods for resale	4,877	5,257
Provision for write-down of raw materials, finished products and goods for resale	(114)	(142)
INVENTORIES	**4,763**	**5,115**

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.

11. Trade receivables, advances to suppliers and other current assets

The following table includes the breakdown of *Trade receivables and advances to suppliers and Other current operating receivables* at 31 December 2015 and 31 December 2014:

(in thousands of Euro)	**31-Dec-15**	*from related parties*	**31-Dec-14**	*from related parties*
Work in progress on order	19,062		21,242	4
Third party trade receivables, gross	489,519		552,564	
Allowance for doubtful accounts	(29,500)		(37,507)	
Provision for discounting of trade receivables	0		(57)	
Trade receivables due from third parties	**479,081**		**536,242**	**4**
Receivables from parent company	74	74	113	113
Trade receivables from associates	29,242	29,242	34,801	34,801
Trade receivable from sister entities	7,992	7,992	7,706	7,706
Trade receivables due from the Group	**37,308**	**37,308**	**42,620**	**42,620**
Advances to suppliers	2,805	2	1,767	
Total receivables and advances to suppliers	**519,194**	**37,310**	**580,629**	**42,624**

(in thousands of Euro)	31-Dec-15	*from related parties*	31-Dec-14	*from related parties*
Other tax receivables due within 12 months	13,701		10,999	
Other current receivables due from third parties	12,315		13,776	
Short-term receivables due from social security institutions	2,898		4,057	
Short-term receivables due from employees	472		485	
Other short-term operating receivables due from third parties	**29,386**		**29,317**	**0**
Other receivables from parent company	5	5	9	9
Other receivables from associates	649	649	78	78
Other short-term operating receivables due from Group companies	**654**	**654**	**87**	**87**
Accrued income	0		1	0
Prepaid expenses	1,098		1,227	0
Accrued income and prepaid expenses	**1,098**		**1,228**	**0**
Other current receivables	**31,138**	**654**	**30,632**	**87**

The balance of *trade receivables and advances to suppliers*, which also includes inventories of contract work in progress, amounted to € 519,194thousand at 31 December 2015, showing a decrease of € 61,435 thousand compared to the amount at 31 December 2014. The changes reported in the period mainly concerned a decrease in trade receivables from third parties, which amounted to € 479,081 thousand at 31 December 2015 (31 December 2014: € 536,242 thousand). Trade receivables from the Group amounted to € 37,308 thousand (€ 42,620 thousand as at 31 December 2014).

Since many of the Group's customers are Public Authorities, who are notorious for long payment delays, it was necessary to discount trade receivables in the past. Changes in the provision for discounting of trade receivables in 2015 are shown below:

	31 December 2014	Increases	Uses	Other changes	31 December 2015
Provision for discounting of trade receivables	57		(57)		0

The provision has been set to zero, since collections are now in line with market practice after the substantial improvement in average sale days outstanding and the discounting impact is no longer judged to be significant.

A specific provision for bad debts was recognized in connection with non-performing receivables, which are difficult to fully recover, amounting to € 29,500 thousand at 31 December 2015 (at 31 December 2014: € 37,507 thousand). Below are the reported the changes in the year:

	31 December 2014	Increases	Uses	Releases	Other changes	31 December 2015
Provision for bad debts	37,507	4,485	(12,241)	(113)	(138)	29,500

The other changes relate to amounts previously classified as *provisions for future charges* that for the purpose of clarification have been reclassified and directly deducted from the asset items to which they referred. The same section also reports an increase in the consolidated provision for write-down of default interest.

€ 9,395 thousand of the amount used during the period was employed in a non-performing trade receivables assignment without recourse transaction carried out during the last quarter.

These accounts had already been written down to their assumed realisable value in the accounts for 31 December 2014 and they were therefore written off on the date on which they were assigned.

An analysis of trade receivables at 31 December 2015 and as at the end of the previous year is provided below, broken down by maturity.

			Overdue trade receivables				
	Total	Trade receivables reaching maturity	< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	after 120 days
31 December 2015 . . .	460,019	311,021	28,310	17,703	9,492	9,688	83,805
31 December 2014 . . .	515,057	338,880	35,276	22,162	8,698	10,380	99,661

The balances shown are net of the provision for bad debts but include the effect of discounting.

Other current assets, equal to € 31,138 thousand (€ 30,632 thousand at 31 December 2014) increased by an overall amount of € 506 thousand in the year.

This item includes the receivables arising from the periodic VAT settlements of some Group companies (€ 10,648 thousand compared to € 7,982 thousand at 31 December 2014). The same item had also been recognizing, since 2012, receivables of € 2,587 thousand from the Tax Authorities on account of refund following the petition submitted for the deduction of IRAP (Local Production Activities) tax from the IRES (Corporate Income) tax base by companies not adhering to the National Tax Consolidation agreement with Manutencoop Società Cooperativa.

Finally, the item also recognizes € 2,176 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*.

12. Cash and cash equivalents and current financial assets

A breakdown of the balance as at 31 December 2015 and 31 December 2014 is shown below:

(in thousands of Euro)	**31-Dec-15**	**31-Dec-14**
Bank deposits on demand	85,975	108,529
Cash on hand	34	36
Cash account with CCFS	28,382	4,817
Cash and cash equivalents	**114,391**	**113,382**
Financial receivables	3,822	2,005
Financial receivables from associates	1,433	1,494
Dividends	2	2
Current financial receivables	**5,257**	**3,501**

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

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

At 31 December 2015 *Current financial assets* amounted to € 5,257 thousand (at 31 December 2014: € 3,501 thousand). At 31 December 2015 the following items had been mainly recognised:

- receivables for amounts yet to be collected on disposals of equity investments in previous years for € 3,738 thousand, in conformity to provisions in the agreement;
- an overall amount of € 1,433 thousand of receivables from short-term loans and financial accounts held with non-consolidated Group companies.

13. Assets classified as held for sale and liabilities directly associated with assets as held for sale

On 13 November 2015 SMAIL S.p.A. transferred to third parties the public lighting business unit, which had already been classified under assets held for sale at 31 December 2014.

Furthermore, on 30 December 2014 MFM S.p.A. transferred the total stake in MIA S.p.A., the sub-holding company of the group active in the maintenance and installation of lifting equipment (MIA Group).

In the Consolidated Financial Statements at 31 December 2015, as well as in the Consolidated Financial Statements at 31 December 2014, 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.

Non-current assets held for sale

At 31 December 2014 *Non-current assets held for sale* was set to zero during 2015 (at 31 December 2014: € 5,003 thousand).

	31 December 2015	31 December 2014
Assets related to the transferred SMAIL S.p.A.	0	5,003
NON-CURRENT Assets held for sale	**0**	**5,003**

Income from discontinued operations

Below is the breakdown of income from discontinued operations:

	31 December 2015	31 December 2014
Revenue	3,050	31,655
Operating costs	(5,641)	(28,250)
GROSS MARGIN	***(2,591)***	***3,405***
Amortization, depreciation, write-downs and write- backs	(19)	(2,011)
Accrual (reversal) of provisions for risks and charges		(58)
Net financial charges	201	34
Capital gain (Capital losses) from discontinued operations	(1,304)	13,351
Write-down recognized on the restatement at fair value		(2,751)
Profit (loss) before taxes from discontinued operations	***(3,713)***	***11,970***
Income taxes from discontinued operations:		
—related to profit (loss) for the year	17	(183)
—related to the capital gain (capital losses) from discontinued operations	809	(106)
—related to fair-value measurement		368
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	***(2,887)***	***12,049***
Basic earnings per share from discontinued operations	(0.0264)	0.1104
Diluted earnings per share from discontinued operations	(0.0264)	0.1104

The result of discontinued operations for the period ended 31 December 2015 was a loss of € 2,887 thousand, which was determined by:

- The net profit for the year relating to the business perimeter transferred by SMAIL S.p.A., totalling € 1,600 thousand, including the related tax effect;
- Charges accrued in 2016 in relation to disposals of equity investments in previous years (€ 1,286 thousand, including the related tax effect).

At 31 December 2014, Profit (loss) from discontinued operations showed a profit of € 12.049 thousand, which included net capital gain from the transfer of the quota held in MIA S.p.A. equal to € 13,351 thousand.

Net cash flows generated from/(used in) discontinued operations In 2015 and 2014, non-current assets classified as held for sale generated the following cash outflows:

	31 December 2015	31 December 2014
Profit/(loss) for the year from discontinued operations	**(662)**	**1,450**
Amortization, depreciation, write-downs and (write-backs) of assets	19	2,010
Accrual (reversal) of provisions		58
Employee termination indemnity provision	4	339
Payments of employee termination indemnity	(57)	(1,937)
Utilization of provisions	(25)	(102)
Financial expenses (income) for the year	(201)	(34)
CASH FLOW RELATED TO THE PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	**(922)**	**1,784**
Net transfer price of Unilift S.r.l. property		74
Repayment of MFM S.p.A. loan to Energyproject S.r.l.	50	3,905
Net transfer price relating to the transfer of SMAIL	4,900	0
Net cash flow from MIA S.p.A.'s transfer	(18)	54,863
CASH FLOW FROM INVESTMENTS	**4,932**	**58,842**

The cash flows relating to the business of SMAIL S.p.A., which was disposed of on 13 November 2015, include an amount of € 4,900 thousand corresponding to the net price of the disposal itself, which was collected in full at the time of the closing.

The agreement for the transfer of the quota of the total quota held in MIA S.p.A. (the sub-holding company of the related group of companies operating in the market of lifting equipment installation and maintenance), took place on 30 December 2014, provided for the definition of a preliminary price of the investment, in addition to the full repayment of the intragroup loan, which was outstanding, as at that date, between the transferred company and the former Parent Company MFM S.p.A.. On the closing date the buyer followed up the payment, totalling € 60,405 thousand, in connection with the repayment of the intragroup loan and a portion of the preliminary consideration relating to the transfer of the equity, while a portion of the transfer price (€ 10 million) was paid by the buyer into an escrow account, as security for the future commitments entered into by the parties. As of 31 December 2015 a € 5 million portion of this escrow was reclassified as a short-term financial asset since it is expected to be released in the first part of 2016 after it has been verified whether some contractual requirements have been met, which could reduce the amount to be paid by the buyer.

Furthermore, according to the transfer agreement, the price set before closing would have been the object of a settlement. At 31 December 2014, the management had made an estimate of this price adjustment, on the basis of the information to hand at the time. Therefore, the financial items were settled in 2015 for € 18 thousand.

Finally, the agreement for the transfer of the quota held in Energyproject S.r.l. provided for the procedures to repay the loan granted by MFM S.p.A. to the same company, equal to € 4,155 thousand as at the date of execution of the agreement. A portion of the same was collected in 2014 (€3,905 thousand) and € 50 thousand in 2015.

14. Share capital and reserves

	31 December 2015	31 December 2014
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 2015 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 2014 Restated	**145,018**	**17,468**	**241**	**0**	**(4,445)**	**9,515**	**167,797**
Allocation of profits of previous years		269				4,532	**4,800**
Economic effects on equity			(1,095)		(1,336)		**(2,431)**
31 December 2014	**145,018**	**17,737**	**(854)**	**0**	**(5,781)**	**14,047**	**170,167**
Allocation of profits of previous years		646	3,803		673	12,287	**17,409**
Economic effects on equity			130		643		**773**
31 December 2015	**145,018**	**18,383**	**3,079**	**0**	**(4,465)**	**26,334**	**188,349**

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

- The reserve originating from transactions under common control and it includes the differences between the purchase cost and the net carrying amount of the assets acquired under business combinations between entities under common control, for a negative amount of € 45,400 thousand at 31 December 2015.
- The Parent Company's extraordinary reserve (€ 73,229 thousand).

The table below shows changes in *Retained earnings*:

	Accumulated profits (losses) of the Parent Company	Consolidation reserve	Total retained earnings
1 January 2014 Restated	**3,809**	**29,797**	**33,606**
Allocation of profits of previous years		8,947	**8,947**
31 December 2014	**3,809**	**38,744**	**42,553**
Allocation of profits of previous years		(5,055)	**(5,055)**
31 December 2015	**3,809**	**33,689**	**37,498**

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

	31 December 2015	31 December 2014
Equity attributable to minority interests	**380**	**682**
of which attributable to:		
Subsidiaries of Sicura S.p.A.	306	608
Other minor consortia	74	74

	31 December 2015	31 December 2014
Profit (loss) attributable to minority interests	**43**	**273**
of which attributable to:		
Subsidiaries of Sicura S.p.A.	43	100
Subsidiaries of MIA S.p.A.		173

MFM S.p.A. holds a stake of 80% in the share capital of Sicura S.p.A.. However, no equity attributable to minority interests has been recognized as the Parent Company holds a Call option on the minority interest, linked to a put option in favour of the minority shareholder which is recognised as a financial liability. Therefore, the equity attributable to minority interests relates to the minorities present in some indirect subsidiaries relating to the same sub-group.

15. Employee termination indemnity

Below are the changes in the liabilities relating to Employee Termination Indemnity (TFR) in 2015 are shown below, compared with changes in the previous year.

	For the year ended	
	31 December 2015	31 December 2014
At 1 January	**21,207**	**27,599**
Increases from business combinations	32	
Current service cost	454	660
Interest costs on benefit obligations	380	877
Curtailment	0	(78)
Benefits paid	(2,461)	(7,514)
Transfers of businesses/branches	(49)	(1,711)
Net actuarial (gains)/ losses from benefit obligations	(831)	1,843
Other changes	(308)	(469)
At 31 December	**18,424**	**21,207**

Increases for business combinations related to the acquisition of the business unit of Triveneta Servizi S.r.l. (€ 32 thousand). Decreases from transfers of businesses/branches (€ 49 thousand) relate to the sale to third parties of the subsidiary Firing S.r.l..

The financial year also saw the recognition of actuarial gains of € 831 thousand (actuarial losses of € 1,843 thousand at 31 December 2014), mainly as a result of a positive change in the discount rate compared to the previous year.

Below is the breakdown of the net cost of the benefit relating to ESI:

(in thousands of Euro)	For the year ended 31 December 2015	For the year ended December 2014
Curtailment	0	(78)
Current service costs	454	660
Interest costs on benefit obligation	380	877
Actuarial gains (losses) on defined benefit plans	(831)	1,843
TFR period expense	**(3)**	**3,302**

The curtailments reported during the 2014 financial year concerned MFM S.p.A., for which a corporate restructuring plan has been embarked on which has changed the actuarial assumptions regarding its liabilities.

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

	For the year ended 31 December 2015	For the year ended December 2014
Discount rate	2,00%	1.6%
Inflation rate	1.5%	1.5%
Estimated employee turnover	From 1.5% to 11.50%	From 1.5% to 11.50%

The discount rates used to assess the TFR obligation are defined on the basis of curves of rates of return of high-quality fixed-interest securities, the amounts and maturity dates of which correspond to the amounts and maturity dates of the payments of expected future benefits. In 2015 the discount rate was equal to 2% (2014: 1.60%).

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	+ 0.25 bps	+ 0.09 pps	17.939
31 December 2015	- 0.25 bps	- 0.09 pps	18.930
Financial year ended	+ 0.25 bps	+ 0.09 pps	21.794
31 December 2014	- 0.25 bps	- 0.09 pps	20.644

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

	For the year ended 31 December 2015	For the year ended December 2014
Executives	57	58
White-collar workers	1,251	1,462
Blue-collar workers	15,127	14,402
Employees	**16,434**	**15,922**

In 2015, the average number of leased personnel employed, including those shown in the table, stood at 526 (2014: 582).

16. Provision for risks and charges

The breakdown and changes in the provisions for risks and charges in 2015 are shown below:

	Provision on investment	Risk on job order	Pending litigation	Tax disputes	ISC	Severance provision	Provision for bonus	Other provision	Total
As of January 1, 2015	**60**	**6,264**	**10,268**	**685**	**177**	**11,726**	**2,544**	**1,208**	**32,932**
Additions due to business combination	0	0	0	0	0	0	0	0	**0**
Accruals	8	2,715	50,912			1,603	334	47	**55,619**
Utilization (payments)	(3)	(897)	(1,816)	(162)	(2)	(6,788)	(1,446)	(130)	**(11,244)**
Unused and reversed		(47)	(1,647)	(45)		(2,152)	(106)	(61)	**(4,058)**
Other		122			17	(135)			**4**
As of December 31, 2015	**65**	**8,157**	**57,717**	**478**	**192**	**4,254**	**1,326**	**1,064**	**73,253**
Short- term 2015	65	7,885	432	478		4,254	1,326	75	**14,515**
Long-term 2015		272	57,285		192			989	**58,738**
Short- term 2014	60	5,873	661	685		11,726	1,503	51	**20,559**
Long-term 2014		391	9,607		177		1,041	1,157	**12,373**

Provision for risks on investments

The item, amounting to € 65 thousand at 31 December 2015, includes the provision for unrecoverable future losses of Group companies and fully 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 year-end amounted to € 8,157 thousand, against accruals of € 2,715 thousand, in addition to uses, releases and other changes that led to an overall decrease of € 821 thousand in the provision.

Provision for pending disputes

At the end of the financial year, the company assesses the risk of having to pay future compensation in the event of unsuccessful legal disputes with customers, suppliers, employees and others. In the year ended 31 December 2015 the provision recorded total increases for accruals of € 50,912 thousand and decreases for uses, releases and other changes of € 3,463 thousand.

Accruals were mainly recognized to cover risks of MFM S.p.A. for € 50,215 thousand and Servizi Ospedalieri S.p.A. for € 483 thousand. Uses and releases in the year, totalling € 3,463 thousand, refer to the provisions recognized in previous years due to the settlement of disputes with suppliers and legal proceedings with other parties.

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

The Directors have obtained the opinion of the Company's lawyers and continue to place reliance on the case for the defence but advise a conservative approach in calculating the estimate of the amount to recognise in the accounts for this dispute, in which they see some uncertain factors. Therefore, in view of the uncertainty surrounding the final outcome of the hearing at which the merits of the case are to be considered, they decided that setting aside the amount of the fine in full is the solution which is the most coherent with the requirements of IAS 37 for the purposes of recognising provisions for risks and charges.

Likewise, the directors of associate Roma Multiservizi S.p.A. (which is 45.47%-owned by MFM S.p.A.), on which a fine of € 3,378 thousand was imposed in the same context, decided to set aside a provision for risks to the same amount, which affects the net result attributable to the Group for the financial year ended 31 December 2015 for € 1,536 thousand, as this was an investment consolidated according to the Equity method.

The Group, as described in note 34 (*Management of Financial Risk*), has in any case revised its financial planning in order to create the conditions to deal with this extraordinary outflow of cash. The abovementioned provision is a non-recurring provision, as it was set aside as a result of an event that occurred outside the ordinary course of business of the Company: in fact, this charge certainly arises from an accidental, non-recurring event that cannot be connected to the core or non-core business of the Company. Additional risks associated with measures that could take CONSIP against possible reject of the appeal against the Authority's order, as described in Note 32 (*Commitments and contingent liabilities*) were considered by Management as possible but not probable.

Tax litigation

In 2015 uses totalled € 162 thousand and releases € 45 thousand, as a result of the completion of certain tax assessments.

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 2014 the Group had recognized provisions totalling € 11,726 thousand (of which € 6,730 thousand in MFM S.p.A., € 2,707 thousand in Telepost S.p.A., € 87 thousand in H2H Facility Solutions S.p.A., € 280 thousand in MACO S.p.A. and € 1,923 thousand in Servizi Ospedalieri S.p.A.). In 2015 there were uses of € 6,788 thousand (of which € 5,047 thousand in MFM S.p.A., € 896 in Servizi Ospedalieri S.p.A. and € 613 in Telepost S.p.A.).

Provision for bonuses

This provision includes accrual for future payments in relation to the s bonus system adopted by the Group in favour of the top and middle management. As early as in the course of 2014 this incentive plan was not applied and, therefore, there was an allocation of the residual amounts. The changes that occurred in the year ended 31 December 2015 comprised new accruals for € 334 thousand and uses and releases for a total of € 1,552 thousand.

Other provisions for risks and charges

The provision, amounting to € 1,064 thousand at 31 December 2015 recognized accruals of € 47 thousand in the year, net of releases for € 61 thousand, as well as uses of € 130 thousand.

17. Derivatives

At 31 December 2015, the Group did not record any derivative assets or liabilities.

18. Bank borrowing including current portion of long term debt 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 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 2015 and at 31 December 2014.

	31 December 2015	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	293,435		293,435	
C.C.F.S. loan	10,000		10,000	
Prepaid expenses on financial interest	(52)	(52)		
Accrued interest expense	10,651	10,651		
Long-term bank borrowings and current portion of long-term bank borrowings	**314,034**	**10,599**	**303,435**	
Current account overdrafts, advance payments and hot money	34,064	34,064		
Finance lease obligations	1,485	564	888	33
Loans from syndicated shareholders	351	351		
Loan from the parent company (Manutencoop Cooperativa)	15	15		
Other financial liabilities	3	3		
Obligations from assignments of receivables with recourse	2,543	2,543		
Debt for the acquisition of investments/business units	226	146	80	
Options on subsidiaries' minority shareholdings	7,250		7,250	
Share capital to be paid into associates	277	277		
Total financial liabilities	**360,248**	**48,562**	**311,653**	**33**

	31 December 2014	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	370,280			370,280
BPV loan	12,869	12,869		
Prepaid expenses on financial interest	(54)	(54)		
Accrued interest expense	13,464	13,464		
Long-term bank borrowings and current portion of long-term bank borrowings	**396,559**	**26,278**	**0**	**370,280**
Finance lease obligations	2,289	775	1,409	105
Loans from syndicated shareholders	375	375		
Loan from the parent company (Manutencoop Cooperativa)	26	26		
Other financial liabilities	733	733		
Due to factoring agencies	53	53		
Debt for the acquisition of investments / business units	66	66		
Options on subsidiaries' minority shareholdings	7,207		7,207	
Share capital to be paid into associates	5	5		
Debt for dividends to other Shareholders	200	200		
Total financial liabilities	407,513	28,512	8,616	370,385

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

On 2 August 2013 the Parent Company MFM S.p.A. issued secured High Yield bonds (Senior Secured Notes) due 1 August 2020, reserved for institutional investors. The proceeds of the transaction were used to repay most of the existing bank loans and replace the revolving programmes for the assignment of trade receivables without recourse. The bonds, which are listed on the Euro MTF Market of the Luxembourg Stock Exchange and on the Extra MOT Pro Segment of the Italian Stock Exchange, was issued for a nominal value of € 425 million, with an issue price below par by 98.713%, with a fixed annual 8.5% coupon on a six-monthly settlement basis. The change in the balance compared to the year ended 31 December 2014 was due to the € 80 million nominal value buy-back transaction and to the recognition of the amortised cost for the period.

To protect the investment of the Bondholders of the notes, the rules governing the bond issue provide for a system of guarantees and restrictions (covenants). In fact, some limitations are envisaged on the financial operations of the Issuer and of its subsidiaries, while leaving the Group the freedom of movement insofar as the operations undertaken contribute, at least potentially, added value and cash flows to the Group. These restrictions consist of limitations on the possibility of incurrence of indebtedness and of making distributions of dividends, investments and some types of payments that fall outside the scope of the so-called Restricted Group payments. Furthermore, there are provisions in relation to the allocation of sums obtained from the transfer of fixed assets, extraordinary operations and transactions with related parties and the issue of collaterals to third parties on corporate assets. The restrictions in question lie not so much in the absolute prohibition on carrying out the abovementioned operations, but rather in checking for compliance with certain financial ratios (incurrence base financial covenants), the presence of certain conditions or a quantitative limit on the performance of the above operations. Finally, periodic disclosure obligations are provided for in relation to the Group's financial position, results of operation and cash flows.

The limits and provisions envisaged in the rules governing the bond issue are in line with the market practice for similar operations. The failure by the Issuer to comply with one or more covenants, in addition to significant events that express a state of insolvency, constitute events of default. For the most of them, there is the possibility of remediation within a certain period of time. The event of default relating to the state of insolvency or the absence of remediation of any other events of default are a reason for acceleration, i.e. the forfeiture of the right to the time limit and the early redemption of the bonds. As at the reporting date of these financial statements, no events of default had occurred and the financial covenants, in relation to which no periodic check is required, had been complied with.

In the 2014 financial year there was a substantial development in the market which led to average lending rates being observed which were well under historical averages, at the same time as a trend reversal on the part of Italian public authorities, whose payments gradually became more reliable, providing regular and constant cash flows. The Group therefore started to consider its options for rebalancing its sources of finance towards various credit lines and in the fourth quarter of 2014 this process had already led to a € 45 million buy-back transaction. Given the opportunity further to reduce the average financial cost of debt, the Group launched a tender offer on 19 May 2015 for an € 80 million portion of the bond issue, which was bought back at par, with financial settlement on 3 June 2015. The transaction entailed the recognition of € 1.9 million financial costs for the proportional write-off of the upfront fees paid when the bonds were issued, accounted for at amortised cost in compliance with IAS 39. None of the notes purchased (nominal value € 125 million) were cancelled; they were deposited in a securities account with Unicredit S.p.A. and are reported in the Statement of Financial Position as a straight reduction of total financial debt since, from the accounting point of view, they constitute the repayment of a debt. Furthermore, an amount of € 14 million of the same were pledged against the committed 3-year credit line of € 10 million obtained from CCFS.

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

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

Banca Popolare di Vicenza loan (MFM S.p.A.)

he loan with Banca Popolare di Vicenza was stipulated for € 50 million and will expire on 31 December 2015, with repayments in half-yearly instalments. The loan has variable interest rates equal to 1-month Euribor plus a spread. The residual debt was paid off during the year, as provided for in the relevant agreements.

Accrued interest expenses

At 31 December 2015 the Group recognised accrued interest expenses of € 10,651 thousand, of which € 10,625 thousand relating to the amount accrued on the coupon of the Senior Secured Notes due 2 February 2016. The balance of the latter items includes an amount accrued on the total coupons being paid equal to € 15,052 thousand, net of accrued income of € 4,427 thousand relating to the Notes held on securities accounts.

Obligations arising from finance lease

The lease agreements entered into are not secured and refer to the companies MFM S.p.A., 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.

Obligations from assignments of receivables with recourse

During the year MFM S.p.A. entered into an agreement for the assignment with recourse (*pro-solvendo*), of trade receivables with Unicredit Factoring S.p.A., concerning receivables from Public Authorities. The assignment took place on 28 October 2015 at a nominal value of receivables of € 5,442 thousand, while the amount of receivables assigned but not yet collected by the factor at 31 December 2015 amounted to € 2,543 thousand.

Syndicated loans

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

The balance of this item, equal to € 351 thousand, remained almost unchanged compared to 31 December 2014.

Share capital to be paid into associates

The Group recognized liabilities for capital contribution to be paid to unconsolidated companies for € 277 thousand, against € 5 thousand at 31 December 2014. The change compared to the previous year was due to the recognition of a Servizi Ospedalieri S.p.A.'s debt to associate EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S. for € 273 thousand.

Debt for the acquisition of investments/business units

This item, amounting to € 226 thousand at 31 December 2015 (€ 66 thousand at 31 December 2014) relates to the amounts still not paid to the transferor within business combinations.
The increase recorded in the year was due to the Sicura S.p.A.'s acquisition of the business unit from Triveneta Servizi S.r.l.. This transaction provides for a deferred payment of € 160 thousand.

Potential debt for the acquisition of investments/business units

Potential debt for the acquisition of investments was recognized to an amount of € 7,250 thousand (€ 7,207 thousand at 31 December 2014).

At 31 December 2015 a present value of €7,250 thousand was also recognized for the Put option held by the minorities of Sicura S.p.A. in relation to 20% of the share capital that is still owned by them (€ 7,207 thousand at 31 December 2014). In connection with the fair value measurement of the same liability, the Group recognized net financial costs against their fair value for € 43 thousand.

19. Trade payables and advances from customers and other current liabilities

The table below sets forth the breakdown of the item at 31 December 2015 and 31 December 2014:

(in thousands of Euro)	31 December 2015	31 December 2014
Payables to suppliers	345,833	347,061
Payables to third parties	**345,833**	**347,061**
Trade payables to parent company	6,421	10,897
Trade payables to associates	17,016	15,798
Payables to associates	**23,437**	**26,695**
Payables to customers for works to be completed	10,945	7,065
Trade payables and advances from customers	**380,215**	**380,821**
Payables to directors and statutory auditors	552	706
Tax payables	12,148	44,292
Payables to social security	8,282	9,152
Collections on behalf of third parties to be remitted to them	10,477	11,859
Payables to employees	48,875	47,149
Other payables	10,292	6,429
Property collection	2,176	2,176
Other payables to third parties	**92,802**	**121,763**
Other current payables to Manutencoop Cooperativa	131	80
Other payables to Group subsidiaries	462	701
Other current operating payables to Group	**593**	**781**
Accrued expenses	10	6
Deferred income	1,167	1,074
Accrued expenses and deferred income	**1,177**	**1,080**
OTHER CURRENT LIABILITIES	**94,572**	**123,624**

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

Trade payables and advances from customers at 31 December 2015 amounted to € 380,215 thousand, against a balance of € 380,821 thousand at 31 December 2014.

Trade payables to Manutencoop Group, amounting to € 23,437 thousand at 31 December 2015, are mainly composed of payables due to Manutencoop Cooperativa for € 6,421 thousand, Bologna Multiservizi Soc. Cons. a r.l. for € 1,619 thousand, Se.Sa.Tre. Soc. Cons. a r.l. for € 1,475 thousand, CO.& MA. Soc. Cons. a r.l for € 2,287 thousand and Roma Multiservizi S.p.A. for € 1,330 thousand.

Other current liabilities showed a balance of € 94,572 thousand at 31 December 2015 and are mainly made up of the following items:

- payables to employees of € 48,875 thousand, including the current monthly salaries to be paid in the months after the closing of the financial year, as well as payables for additional monthly salaries to be paid (a portion of the 14th salary, to be paid in the month of July). Furthermore, the corresponding payables to social security institutions were recognized for € 8,282 thousand.
- payables to tax authorities for € 12,148 thousand, mainly related to the balance of the VAT payables due from Group subsidiaries (€ 44,292 thousand at 31 December 2014).
- Other payables to Temporary Associations of Companies for € 10,477 thousand, which relate to the amounts collected by the Group, on behalf of third parties, mainly relating to job orders under Consip agreements.

20. Operating segments

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

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

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

	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Segment revenues	819,153	138,568	2,205	(4,197)	**955,729**
Segment costs	(823,181)	(124,891)	(2,845)	4,197	**(946,720)**
Operating income (loss) by segment	**(4,028)**	**13,677**	**(640)**	**0**	**9,009**
Share of net profit of associates	(96)	186			90
Net financial income (expenses)					(33,550)
Profit (loss) before taxes					**(24,451)**
Income taxes					(18,031)
Profit (loss) from discontinued operations	(2,887)				(2,887)
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2015					**(45,369)**

	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Assets allocated to the segment	520,986	125,939	821	(2,274)	645,472
Goodwill	358,693	11,763			370,456
Investments	25,058	6,076	852		31,986
Assets held for sale					
Other assets not allocated and related taxes					179,960
SEGMENT ASSETS	**904,737**	**143,778**	**1,673**	**(2,274)**	**1,227,874**
Liabilities allocated to the segment	507,842	59,179	1,719	(2,274)	566,466
Other liabilities not allocated and related taxes					371,443
SEGMENT LIABILITIES	**507,842**	**59,179**	**1,719**	**(2,274)**	**937,909**

	Facility Management	Laundering & Sterilization	Other Activities	Total
Other segment information at 31 December 2015				
Investments in segment assets	7,683	16,319	1	24,003
Amortisation/depreciation and write-downs of segment assets	64,059	19,883	112	84,054

Information on the operating segments for the financial year ended 31 December 2014

	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Segment Revenues	824,370	144,856	8,654	(3,590)	974,290
Segment costs	(791,206)	(130,098)	(9,578)	3,590	(927,292)
Operating income (loss) by segment	**33,164**	**14,758**	**(924)**	**0**	**46,998**
Share of net profit of associates	1,057	141			1,198
Net financial income (expenses)					(36,204)
Profit (loss) before taxes					**11,992**
Income taxes					(11,413)
Profit (loss) from discontinued operations	12,049				**12,049**
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2014					**12,627**

	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Assets allocated to the segment	**564,369**	**139,484**	**5,125**	**(2,268)**	**706,710**
Goodwill	358,097	11,763			369,860
Investments	26,611	5,270	852		32,733
Assets held for sale	5,003				5,003
Other assets not allocated and related taxes					198,484
SEGMENT ASSETS	**954,080**	**156,517**	**5,977**	**(2,268)**	**1,312,790**
Liabilities allocated to the segment	485,668	69,014	6,170	(2,268)	558,584
Other liabilities not allocated and related taxes					419,300
SEGMENT LIABILITIES	**485,668**	**69,014**	**6,170**	**(2,268)**	**977,884**

	Facility Management	Laundering & Sterilization	Other Activities	Total
Other segment information at 31 December 2014				
Investments in segment assets	10,780	16,016	0	26,796
Amortisation/depreciation and write-downs of segment assets	18,565	21,933	146	40,644

Geographical areas

The Group conducts its core business in Italy. At 31 December 2015 the activities conducted abroad were entirely marginal for the Group and generated revenues amounting to € 2,430 thousand (€ 1,435 thousand at 31 December 2014).

The information by geographical area required by IFRS 8 is shown below for the years ended 31 December 2015 and 2014.

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

	Italy	Foreign countries	Eliminations	Total
Information by Geographical Area at 31 December 2014				
Revenues	972,855	1,435		974,290
Non-current operating assets	466,793	194		466,987

21. Revenues from sales and services

The breakdown of the item is shown below for the years ended 31 December 2015 and 31 December 2014:

	For the year ended	
	31 December 2015	31 December 2014
Revenues from product sales	9,545	9,329
Service revenues	825,018	820,594
Revenues from construction activities and plant installation	86,519	100,876
Other sales revenues	32,731	39,725
REVENUES from SALES AND SERVICES	**953,813**	**970,524**

At 31 December 2015, the item *Revenues from sales and services* amounted to € 953,813 thousand (€ 970,524 thousand at 31 December 2014).

The decrease recorded in this item was attributable to the reduced volumes achieved towards some big accounts and to the continuing effects of the price pressure, already noted in previous years.

22. Other revenue

The breakdown of the item is shown below for the years ended 31 December 2015 and 2014:

	For the year ended	
	31 December 2015	31 December 2014
Grants	546	613
Asset capital gains	392	503
Recovery of costs - seconded personnel	270	137
Payment of damages	513	620
Revenues for leases and rentals		15
Other revenues	195	1,878
OTHER REVENUES	**1,916**	**3,766**

At 31 December 2015, the balance of *Other revenues* was € 1,916 thousand compared to € 3,766 thousand in 2014. Capital gains were predominantly realised by Servizi Ospedalieri through the sale of linen and machinery no longer usable in linen rental and industrial laundering activities.

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

Finally, an amount of € 546 thousand was recognised as operating grants, mainly relating to employee training projects.

23. Costs of raw materials and consumables

The breakdown of the item is shown below for the years ended 31 December 2015 and 31 December 2014:

	For the year ended	
	31 December 2015	31 December 2014
Change in inventories of fuel and raw materials	(93)	342
Fuel consumption	61,135	65,974
Consumption of raw materials	55,759	48,280
Purchase of semi-finished/finished products	634	6,319
Purchase of auxiliary materials and consumables	11,788	10,084
Packaging	1,747	1,951
Other purchases	2,185	2,574
CONSUMPTION OF RAW MATERIALS AND CONSUMABLES	**133,155**	**135,524**

At 31 December 2015 the item amounted to € 133,155 thousand compared to € 135,524 thousand at 31 December 2014. The decrease, equal to € 2,369 thousand, is mainly due a decrease in fuel prices, used within integrated service contracts, compared to the previous year.

24. Costs for services and use of third party assets

The breakdown of the item is shown below for the years ended 31 December 2015 and 31 December 2014:

	For the year ended	
	31 December 2015	31 December 2014
Third-party services	228,092	245,147
Consortia services	10,996	11,808
Equipment maintenance and repair	6,833	6,874
Professional services	35,225	38,754
Statutory Auditors' fees	484	655
Transport	8,057	9,125
Advertising and promotion	287	578
Bonuses and commissions	2,265	2,368
Insurance and sureties	4,852	4,776
Bank services	295	299
Utilities	7,870	9,488
Travel expenses and reimbursement of expenses	3,368	3,541
Employee services	6,507	7,414
Other services	1,756	1,579
Costs for services	**316,887**	**342,406**
Buildings' rentals	15,382	17,625
Operating leasing of equipments	3,845	4,009
Costs for leased assets	**19,227**	**21,634**
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**336,114**	**364,040**

For the year ended 31 December 2015, *Costs for services and use of third party assets* totalled € 336,114 thousand, marking a decrease of € 27,926 thousand compared to the previous year, mainly due to lower costs for third party services (€ 17,055 thousand). As early as in previous years the Group started up a process to increase insourcing of certain activities, which resulted in a change in the mix of production factors in favour of the cost of labour, as described in detail under note 24 below. At the same time, the Group set targets for limiting overheads relating to its organizational structures, also by reducing recourse to professional services.

25. Personnel costs

The breakdown of the item is shown below for the years ended 31 December 2015 and 31 December 2014:

	For the year ended	
	31 December 2015	**31 December 2014**
Wages and salaries	247,153	238,370
Social security charges	78,539	75,977
Secondment costs	33,601	37,478
ESI paid to INPS (National Social Security Institute) and to funds	14,616	14,208
Directors' fees	1,776	2,077
Other personnel costs	979	1,554
Current benefits	**376,664**	**369,664**
Employee termination indemnity provision	834	1,120
Subsequent benefits	**834**	**1,120**
Incentives and severance	3,295	3,426
Employment termination benefits	**3,295**	**3,426**
PERSONNEL COSTS	**380,793**	**374,210**

At 31 December 2015, *Personnel Costs*, equal to € 380,793 thousand, showed an increase of € 6,583 thousand compared to the same period in the previous year (€ 374,210 thousand).

The financial year saw:

- the insourcing process described in note 23, and partly due to the use of personnel in the changed contracts in the Hygiene segment;
- additional reorganisation efforts for certain Group companies, which also entailed, in 2015, costs for mobility, extraordinary redundancy schemes and early retirement incentives.

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

The ratio between *Revenues from sales and services* and the total amount of costs for internal and external personnel used in production (cost of employed workers, cost of external workers, services provided by consortia and professional services) came to 146% at 31 December 2015 (144% at 31 December 2014). This effects is due to the different mix of the orders in the backlog, which require higher workforce.

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

26. Other operating costs

The breakdown of the item is shown below for the years ended 31 December 2015 and 31 December 2014:

	For the year ended	
	31 December 2015	**31 December 2014**
Capital losses on disposals of assets	40	298
Losses on receivables	35	73
Other taxes	1,824	2,088
Fines and penalties	1,732	1,747
Other operating costs	8,971	3,439
OTHER OPERATING COSTS	**12,602**	**7,645**

Other operating costs amounted to € 12,602 thousand, showed an increase of € 4,957 thousand compared to the previous year (€ 7,645 thousand at 31 December 2014).

€ 6,152 thousand is reported among *Other operating costs* for "system charges" (*oneri di sistema*) related to energy services contracts as a result of some recent changes in electricity regulations (which concerned, among others: Legislative Decree no. 79/1999, Industry Ministry's Decree 26/2000, Laws 83/2003 and 368/2003).

27. Amortization/depreciation, write downs and write-backs of assets

The breakdown of the item is shown below for the years ended 31 December 2015 and 31 December 2014:

	For the year ended	
	31 December 2015	**31 December 2014**
Amortisation of intangible assets	5,266	6,996
Depreciation of property, plant and equipment	22,762	25,152
Write-backs of assets	0	(61)
Write-downs of receivables, net of releases	4,372	2,107
Write-downs of other equity investments	21	0
Impairment of Property, Plant and Equipment	0	23
Impairment of Intangible Assets	1	4,418
Other write-downs	71	0
AMORTISATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS	**32,493**	**38,635**

At 31 December 2015, l the item *Amortization/depreciation, write-downs and write-backs of assets* amounted to € 32,493 thousand compared to € 38,635 thousand at 31 December 2014. The decrease of € 6,142 thousand was determined by the net effect of the following main changes:

- A decrease in amortization/depreciation for a total of € 4,120 thousand, as a result of a lower net book value of fixed assets recognized compared to the previous year;
- An increase in the write-downs of trade receivables for € 2,265 thousand, mainly due to a general higher risk of the receivables recognized.

In the previous year impairment losses of tangible and intangible assets had been also accounted for, totalling € 4,441 thousand, relating to the write-off of the residual net value of specific software used in the facility management operations, which proved to be no longer suitable and strategic to be used for company business purposes.

28. Dividends and income from sales of investments

The breakdown of the item is shown below for the years ended 31 December 2015 and 31 December 2014:

	For the year ended	
	31 December 2015	31 December 2014
Dividends	360	345
Capital gains (capital losses) from sale of equity investments	(819)	82
DividendS, INCOME AND CHARGES FROM INVESTMENTS	**(459)**	**427**

In 2015, dividends were collected from other companies not included under the scope of consolidation. They amounted to € 360 thousand, € 217 thousand of which from investee companies of the Parent Company MFM S.p.A. and € 143 thousand from investee companies of Servizi Ospedalieri S.p.A.. Capital losses were also accounted for, which mainly arose from the transfer of a 20% quota of the capital held in Progetto Nuovo S. Anna S.r.l., which is currently held for the remaining quota of 4%.

29. Financial income

The breakdown of the item is shown below for the years ended 31 December 2015 and 31 December 2014:

	For the year ended	
	31 December 2015	31 December 2014
Interest on bank current accounts	64	518
Interest on non-proprietary and intercompany current accounts	224	261
Interest on trade receivables	238	985
Interest from discounting of non-interest bearing loans	177	333
Interest and other income from securities	2	38
Capital gains on securities		3,400
Other financial income	279	144
FINANCIAL INCOME	**984**	**5,679**

Financial income recorded a decrease compared to the previous year, equal to € 4,695 thousand. However, this item had recorded, during the previous year, financial capital gains of € 3,400 thousand related to the buy-back of bonds on the open market for € 45 million.

30. Financial expenses

The breakdown of the item is shown below for the years ended 31 December 2015 and 31 December 2014:

	For the year ended	
	31 December 2015	31 December 2014
Charges on bank loans and current account overdrafts	62	4
Financial charges on other loans	29,016	37,077
Financial expenses for finance leases	71	112
Financial expenses on Group financial accounts	15	70
Interest on trade payables	159	45
Other financial expenses	4,743	5,005
Financial expenses	**34,066**	**42,313**

In 2015 *Financial costs* recorded a decrease of € 8,247 thousand compared to the previous year. The main change relates to the recognition of lower charges relating to the Senior Secured Notes for € 7,343 thousand, related to the repurchase transactions carried out in the previous financial year and in the current financial year.

Other financial costs also include costs relating to fees payable to the financial intermediaries which participated in the transaction for € 1,069 thousand (€ 113 thousand in 2014), as well as charges relating to accounting for loans according to the amortised cost method required by IAS39 for € 3,171 thousand (€ 1,902 thousand of which related to the write-off of the same on the portion of Notes of € 80 million repurchased during 2015) against total charges of € 3,542 thousand in 2014 (€ 1,162 thousand of which related to the write-off on the repurchases of € 45 million in 2014 and € 879 thousand related to the Revolving Credit Facility which was paid off during 2014).

Finally, at 31 December 2015 the Group recognised charges correlated to contingent liabilities for the acquisition of investments (Earn-out and Put option) for € 43 thousand (€ 880 thousand at 31 December 2014).

31. Income taxes

The breakdown of the item is shown below for the years ended 31 December 2015 and 31 December 2014:

	For the year ended	
	31 December 2015	**31 December 2014**
Current IRES tax	9,830	10,105
Current IRAP tax	4,810	9,550
(Income) costs from tax consolidation	(4,080)	(1,439)
Adjustments to current taxes of previous years	222	(3,573)
Current taxes	**10,782**	**14,643**
Prepaid/deferred IRES tax	6,856	(3,593)
Prepaid/deferred IRAP tax	(70)	283
Prepaid/deferred taxes relating to previous years	464	81
Prepaid/deferred taxes	**7,250**	**(3,229)**
CURRENT, PREPAID AND DEFERRED TAXES	**18,032**	**11,414**

In 2015 the Group recorded taxes totalling € 18,031 thousand, marking an increase of € 6,617 thousand compared to the taxes recognized at 31 December 2014.

More specifically, the main changes are as follows:

- a substantial stability in the current IRES tax balance;
- a decrease of € 4,740 thousand in IRAP tax balance;
- an increase of € 2,.641 thousand in the balance of income from tax consolidation;
- negative adjustments to current taxes relating to previous years for € 221 thousand (€ 3,573 thousand in positive adjustments at 31 December 2014);
- recognition of a net charge amounting to €7,250 thousand, relating to the total balance of prepaid and deferred taxes against the recognition of a net income of € 3,229 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 6).

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 2015 and 31 December 2014 to pre-tax profit is as follows:

Reconciliation between theoretical and effective IRES tax rate	31 December 2015	%	31 December 2014	%
Pre-tax profit	**(28,164)**		**23,962**	
of which discontinued operations	(3,713)		11,970	
Ordinary rate applicable		27.50%		27.50%
Effect of increases (decreases):				
—Temporary differences	9,760	ND	33,050	37.93%
—Permanent differences	54,090	ND	(16,394)	18.82%
IRES taxable income	**35,686**		**40,617**	
EFFECTIVE TAX / RATE	**9,814**	**34.85%**	**11,170**	**46.61%**
of which discontinued operations	**(17)**		**1,065**	

The value shown as current effective IRES tax (€ 9,814 thousand) includes the contribution from discontinued operations.

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

Reconciliation between theoretical and effective IRES tax rate IRAP	31 December 2015	%	31 December 2014	%
Pre-tax profit	**(28,164)**		**23,962**	
of which discontinued operations	*(3,713)*		*11,97*	
Ordinary rate applicable		1.17%		1.17%
		2.30%		2.30%
		2.68%		2.68%
		2.78%		2.78%
		2.93%		2.93%
		2.98%		2.98%
		3.44%		3.44%
		3.90%		3.90%
		4.60%		4.60%
		4.73%		4.73%
		4.82%		4.82%
		4.97%		4.97%
Effect of increases (decreases):				
—Labour cost	335,433		351,172	
—Balance from financial management	19,349		6,971	
—Other differences between taxable base and pre-tax result	(210,157)		(161,629)	
IRAP taxable income	**116,461**		**220,475**	
—of which at 1.17%	3		1,343	
—of which at 2.3%	1,996		0	
—of which at 2.68%	493			
—of which at 2.93%	415			
—of which at 2.98%			2,347	
—of which at 3.44%			11,754	
—of which at 3.90%	70,984		129,316	
—of which at 4.60%			8,172	
—of which at 4.73%	1,757		4,004	
—of which at 4.82%	34,650		53,220	
—of which at 4.97%	4,359		10,319	
EFFECTIVE TAX / RATE	**4,810**	**17.08%**	**10,015**	**35.40%**
of which discontinued operations	***0***		***466***	

In 2015, as in 2014, the Group companies did not pay income taxes in areas other than Italy.

Deferred and prepaid taxes

At 31 December 2015, the Group recorded deferred tax assets of € 19,044 thousand, net of deferred tax liabilities of € 11,167 thousand, as shown below:

	Financial Statement Tax Effect		Economic Tax Effect	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Prepaid taxes:				
Multi-year costs	197	333	136	51
Maintenance exceeding deductible limit	89	138	40	(2)
Presumed losses on receivables	4,481	6,889	2,120	(178)
Provisions for risks and charges	5,442	8,002	2,034	1,192
Write-downs on asset items	1,049	1,865	749	(349)
Discounting-back of receivables	401	19	(16)	3
Fees due to Directors, Statutory Auditors and Independent Auditors	211	210	(20)	219
Amortization	788	1,013	184	(286)
Interest expense	4,110	6,075	1,965	(5,618)
Employee benefits and length of service bonuses	43	62	52	(62)
Substitute tax				1,385
Employee incentives	247	516	247	473
Cash cost deduction	7	13	6	19
Other adjustments	1,979	2,304	646	(270)
Total prepaid taxes	**19,044**	**27,439**	**8,143**	**(3,423)**
Deferred taxes:				
Tax amortisation	(15)	(48)		(13)
IFRS work in progress valuation		(2)		(3)
Lease for tax purposes	(39)	(46)	(8)	(3)
Employee benefit discounting	(51)	9		(541)
Goodwill amortisation	(8,616)	(8,926)	(310)	801
Purchase Price Allocation (PPA)	(1,873)	(2,180)	(310)	(75)
Capital gains—deferred taxation	(10)	(9)	1	
Undistributed profit	15	(329)	(359)	56
Other temporary differences	(180)	(220)	(28)	(108)
Other consolidation adjustments	(398)		309	
Total deferred taxes	**(11,167)**	**(11,751)**	**(705)**	**114**
NET PREPAID/(DEFERRED) TAXES	**7,877**	**15,688**	**7,438**	**(3,309)**

32. 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 2015	31 December 2014
Net profit attributable to shareholders (in thousands of Euro)	(45,412)	12,354
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)	**(0.416)**	**0.113**

	For the year ended	
(in thousands of Euro)	31 December 2015	31 December 2014
Net earnings deriving from continuing operations	(42,482)	578
Net profit /(loss) deriving from continuing operations pertaining to minority interests (in thousands of Euro)	(43)	(273)
Net profit deriving from continuing operations pertaining to the Group	(42,525)	305
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)	**(0.390)**	**0.003**

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

Dividends

The Parent Company did not distribute dividends in 2013, 2014 and 2015 financial years.

33. Commitments and contingent liabilities

Financial lease

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

	31 December 2015		31 December 2014	
	Rental fees	Present value of rental fees	Rental fees	Present value of rental fees
Within one year	632	564	877	775
From one year to five years	929	888	1,492	1,408
After five years	34	34	109	105
TOTAL LEASE FEES	**1,595**	**1,486**	**2,478**	**2,288**
Financial costs	(109)		(190)	
PRESENT VALUE OF LEASE FEES	**1,486**	**1,486**	**2,288**	**2,288**

At 31 December 2015 the Group granted sureties to third parties for:

- guarantees in favour of associates amounting to € 21,027 thousand (31 December 2014: € 18,075 thousand);
- other sureties granted to third parties: i) to ensure the correct fulfilment of contract obligations in place with customers amounting to € 237,556 thousand (31 December 2014: € 231,702 thousand) ii) 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 € 2,098 thousand (31 December 2014: € 1,792 thousand).
- guarantees in favour of Factoring Agencies amounting to € 2,104 thousand (31 December 2014: € 2,104 thousand), to ensure correct fulfilment of factoring contracts.

Guarantees given within the Senior Secured Notes

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

- first-recorded pledge on the shares held by MFM S.p.A. in H2H Facility Solutions S.p.A. and in Servizi Ospedalieri S.p.A., equal to 100% of the capital of the same;
- assignment as security of receivables from private customers claimed by MFM S.p.A. and H2H Facility Solutions S.p.A.. At 31 December 2015 the receivables assigned as security amounted to € 75,459 thousand (€ 77,793 thousand at 31 December 2014);
- execution of a deed of pledge on the current accounts held with Unicredit S.p.A., which were credited with the amounts collected from private customers assigned as security. The balance of these current accounts at 31 December 2015 was equal to € 6,415 thousand;
- the release by Servizi Ospedalieri S.p.A. and H2H Facility Solutions S.p.A. of a personal security for an overall maximum amount of € 48,411 thousand and € 16,907 thousand, respectively, at 31 December 2014.

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 2015 no events of default had occurred.

Contingent liabilities

Claim for damages for the burning in the former “Area Olivetti” in Scarmagno (TO)

MFM S.p.a. is a party to an action before the Court of Ivrea regarding a fire which broke out in the former Olivetti area at Scarmagno, in the Province of Turin, on 19 March 2013. The charges are causing a fire by negligence and violations of safety regulations against three MFM S.p.A. employees, the owner of one of MFM’s sub-contractors and the owner of the firm which stocked material whose combustion is alleged to have led to the fire spreading over a vast area. At the hearing on 14 October 2015, MFM S.p.A. was summoned as liable in civil law by the plaintiffs jointly and severally with the other persons allegedly responsible and ordered to pay all the financial and non-financial damages under Article 538 of the Italian Code of Criminal Procedure, also on a provisional basis or, subordinately, to settle such damages in another venue. At the hearing on 23 December 2015 MFM S.p.A. appeared as the party responsible for damages.

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

After careful consideration of the facts available at this preliminary stage of the dispute, the Management deemed that the risk is possible but not probable.

Enforcement of the CONSIP performance bond

As a result of the AGCM fine ruling on 20 January 2016 (reference should be made to note 15 Provisions for risks and charges), CONSIP initiated a procedure to terminate the Agreements entered into with MFM S.p.A. regarding cleaning and other services provided in order to keep school buildings and Public Administration training establishments clean and in working order.

In a subsequent notice of 26 February 2016, the Authority accepted the request to stay the procedure pending the outcome of the appeal before the Lazio Regional Administrative Court (TAR). The unfavourable outcome (if any) of the proceedings on the merits before the TAR might entail, as an indirect consequence of the possible termination referred to above, the enforcement of the performance bond issued at the time of the tender, amounting to about Euro 24.5 million. The Management believes that this risk is possible but not probable as the risk of enforcement of the performance bond might arise only in the event that the appeal filed against the Antitrust Authority's order is rejected and, as a result, CONSIP decides to make use of its right to withdraw from the Agreements and to also start the procedure for enforcing the bond. In this scenario too, there could be a number of reasonable grounds for MFM S.p.A. to oppose this decision before court.

34. Related party transaction

Related party transactions were performed under normal market conditions, i.e. in line with conditions that would be applied between aware and independent parties. Market prices are applied to both commercial and financial transactions. Non-interest bearing loans are only disbursed in the case of pro-quota financing granted by syndicated shareholders to consortium companies. These loans were, however, discounted in the financial statements of the Parent Company MFM S.p.A..

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

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

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

- MFM signed a contract with associate Roma Multiservizi S.p.A. on the basis of which it is committed to providing an Information System service. The contract, expiring on 31 December 2014, was extended for additional 12 months and makes provision for an annual consideration of € 850 thousand.
- Manutencoop Cooperativa sub-leased to MFM S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The duration of the lease has a 5-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 1,722 thousand, to be paid in 12 monthly instalments.
- The affiliate company Manutencoop Immobiliare S.p.A. leased to Gruppo Sicura S.r.l. the property located in Vicenza (VI), at via Zamenhof no. 363, for use as offices/warehouse. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 390 thousand, to be paid in 12 monthly instalments.
- The affiliate company Manutencoop Immobiliare S.p.A. leased to MFM S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 348 thousand, to be paid in 12 monthly instalments.

- On 6 July 2007, MFM S.p.A. signed a framework agreement with its parent company, Manutencoop Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Cooperativa to MFM S.p.A, pursuant to Title III, Chapter I of Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a legislative contract that does not grant rights to third parties, MFM and the parent company Manutencoop Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Cooperativa, and the operating rules for establishing and terminating said contracts.
- Manutencoop Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the MFM Group, to preparing pay packets.
- MFM S.p.A. signed agreements with Manutencoop Cooperativa and its subsidiaries for the provision of tax consultancy services.

The breakdown of the balances relating to the transactions carried out by the Group's Companies with related parties is provided in Annex III attached to the Consolidated Financial Statements at 31 December 2015.

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 2014	31 December 2013
BALANCE SHEET		
ASSETS		
A) Subscribed capital, unpaid	104	155
B) Fixed assets	337,710	342,646
C) Current assets	53,040	42,031
D) Accrued income and prepaid expenses	2,033	2,256
TOTAL ASSETS	**392,887**	**387,088**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A)) Shareholders' equity:		
Share capital	8,660	11,741
Reserves	252,875	252,548
Profit/(Loss) for the year	(5,879)	338
B) Provisions for risks and charges	4,774	3,959
C) Employee Severance Indemnity	2,035	2,384
D) Payables	129,685	115,315
E) Accrued expenses and deferred income	737	803
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**392,887**	**387,088**
MEMORANDUM ACCOUNTS	**162,179**	**175,405**
INCOME STATEMENT		
A) Value of production	42,415	42,859
B) Cost of production	(41,993)	(42,037)
C) Financial income and costs	(4,718)	(3,060)
D) Value adjustments to financial assets	(2,755)	1,631
E) Non-recurring income and costs	64	186
Income taxes for the year	1,108	759
Profit/(Loss) for the year	**(5,879)**	**338**

Remuneration of members of the Management Board, executives with strategic responsibilities and members of the Supervisory Board

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

	31 December 2015	31 December 2014
Board of Directors/Management Board		
Short-term benefits	995	1,097
Post-employment benefits	0	0
Total Board of Directors/Management Board	**995**	**1,097**
Executives with strategic responsibilities		
Short-term benefits	3,456	2,642
Post-employment benefits	116	166
Total other executives with strategic responsibilities	**3,572**	**2,808**
Board of Statutory Auditors / Supervisory Board		
Short-term benefits	328	477
Total Board of Statutory Auditors / Supervisory Board	**328**	**477**

Since 2008, MFM S.p.A.'s Corporate Governance has been structured under a "two-tier" governance and control system, through the appointment of the Management Board and Supervisory Board.

The table below reports the fees accounted for in the 2015 consolidated income statement for audit and non-audit services rendered by Reconta Ernst & Young S.p.A. and by other entities in its network:

	31 December 2015	31 December 2014
Audit services	591	733
Certification services	133	27
Other services	0	40
TOTAL fees due to the Independent Auditors	**724**	**800**

Other services involved formalities required by local administrative entities and services rendered for tax issues.

35. Management of financial risks: objectives and criteria

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 Management Board, which are reviewed periodically. The main objective of these guidelines is to guarantee the presence of a liability structure that is balanced with the composition of the balance sheet assets, in order to maintain a high level of capital strength.

In 2013 the Parent Company issued secured high-yield bond due August 2020, which radically revised the composition of the sources of financing. The bond issue that has been described has then rationalised our debt structure with a view to greater future financial stability that is more consistent with medium- and long-term strategic growth and development targets. The other financial instruments that are traditionally used by the Group Companies are made up of:

- short-term loans and revolving non-recourse and recourse factoring transactions targeted at funding working capital. During 2015 assignments with recourse were effected with Unicredit Factoring, while in early 2016 a 3-year programme was signed with with Banca Farmafactoring for assignments with recourse;

- the very short-term credit facilities used for contingent cash requirements;
- medium/long-term loans with a multi-year repayment plan to cover investments in fixed assets and acquisitions of companies and business units.

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

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

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

The table below shows the hierarchy for each class of financial asset measured at fair value at 31 December 2015 and 31 December 2014:

	31 December 2015	Hierarchy			31 December 2014	Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss								
Financial receivables, securities and other non-current financial assets	162	162			163	163		
—of which securities	162	162			163	163		
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	**162**	**162**			**163**	**163**		

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

The Group has no financial liabilities measured at fair value at 31 December 2015 and 31 December 2014.

In 2015 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 2015:

	31 December 2015	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	3,502	3,502	
Non-current financial assets	15,657		15,657
Other non-current assets	2,180		2,180
Total non-current financial assets	**21,339**	**3,502**	**17,837**
Current financial assets			
Trade receivables and advances to suppliers	519,194		519,194
Current tax receivables	23,430		23,430
Other current assets	31,138		31,138
Current financial assets	5,257		5,257
Cash and cash equivalents	114,391		
Total current financial assets	**693,410**	**0**	**579,019**
TOTAL FINANCIAL ASSETS	**714,749**	**3,502**	**596,856**
Financial income (costs)	**525**	**(459)**	**984**

	31 December 2015	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	311,686		311,686
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	28		28
Total non-current financial liabilities	**311,714**	**0**	**311,714**
Current financial liabilities			
Trade payables and advances from customers	380,215		380,215
Current tax payables	0		0
Other current liabilities	94,572		94,572
Bank borrowings and other financial liabilities	48,563		48,563
Total current financial liabilities	**523,350**	**0**	**523,350**
TOTAL FINANCIAL LIABILITIES	**835,064**	**0**	**835,064**
Financial income (costs)	**(34,066)**	**0**	**(34,066)**

The same information for the year ended 31 December 2014 is shown below:

	31 December 2014	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	3,341	3,341	
Non-current financial assets	18,449		18,449
Other non-current assets	1,787		1,787
Total non-current financial assets	**23,577**	**3,341**	**20,236**
Current financial assets			
Trade receivables and advances to suppliers	580,629		580,629
Current tax receivables	28,922		28,922
Other current assets	30,632		30,632
Current financial assets	3,501		3,501
Cash and cash equivalents	113,382		
Total current financial assets	**757,066**	**0**	**643,684**
TOTAL FINANCIAL ASSETS	**780,643**	**3,341**	**663,920**
Financial income (costs)	**6,106**	**427**	**5,679**

	31 December 2014	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	379,001		379,001
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	28		28
Total non-current financial liabilities	**379,029**	**0**	**379,029**
Current financial liabilities			
Trade payables and advances from customers	380,821		380,821
Current tax payables	4		4
Other current liabilities	123,625		123,625
Bank borrowings and other financial liabilities	28,512		28,512
Total current financial liabilities	**532,962**	**0**	**532,962**
TOTAL FINANCIAL LIABILITIES	**911,991**	**0**	**911,991**
Financial income (Costs)	**(42,313)**	**35**	**(42,348)**

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.

Following the considerable fine issued by the Competition Authority, equal to € 48,510 thousand, while the Company hopes that it will obtain a stay of the ruling and is confident that the Court will accept its case at the time of the appeal on the merits, it has reviewed its financial planning in order to create the conditions for meeting this extraordinary outflow of cash, formally due before the end of April 2016. To this end, on 23 February 2016, MFM S.p.A. and Servizi Ospedalieri S.p.A. entered into a factoring maturity contract, without recourse (*pro-soluto*), with Banca Farmafactoring S.p.A. in relation to the assignment of receivables from entities in the National Health System, for an annual amount of up to € 100 million. It is a committed credit line with a term of three years.

Price risk

Risks of this nature which the Group is exposed to could involve changes in the price:

- of oil products relating to heat management activities,
- of cotton, the raw material in the linen used for laundering activities.

However, concerning oil products, these changes are, for the most part, accommodated by the conditions of contracts in place with customers, given that price revision is provided for both by contract, and by art. 115 of Decree Law no. 163 of 12 April 2006. Therefore, it is deemed that the effect on the Group's profit for the year arising from changes in prices, even significant, would essentially have been insignificant, in terms of amount.

Credit risk

The Group's portfolio mix, which, in the past, was made up mainly of contracts with the Public Administration, a situation that did not present insolvency problems, but which required constant contact with customers in order to minimise delays caused by the Authority's red-tape and jointly resolve problems relating to their financial management.

At present the portfolio mix also includes some large Italian industrial and banking groups, mainly organised as a network all over the country.

There are no significant credit concentration risks to report, which are carefully monitored by the Group. Furthermore, given the continuing economic downturn, the Group has equipped itself with specific procedures and structures aimed at a more efficient management of its working capital, as well as of debt collection.

Fair value

The carrying amount of the Group's financial instruments recorded in the Consolidated Financial Statements does not deviate from the fair value, including the value of those classified as assets held for sale. Market interest rates were applied to financial assets and liabilities as at the balance sheet date.

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

	Carrying Amount		Fair value	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Financial assets				
Cash and cash equivalents	114,391	113,382	114,391	113,382
Receivables and other current financial assets	5,257	3,501	5,257	3,501
Other minority interests	3,502	3,341	3,502	3,341
Non-current financial receivables	15,657	18,449	15,657	18,449
Financial liabilities				
Loans:				
—Variable rate loans	42,332	21,590	42,332	21,590
—Fixed rate loans	303,435	370,280	303,435	370,280
Other current financial liabilities	14,482	15,643	14,482	15,643
Financial liabilities for non-current derivatives	0	0	0	0

Interest rate risk

With the bond issue launched in 2013, the Management restored the Group's financial structure, definitely strengthening a mix between short- and medium/long-term debt in favour of the latter. The Senior Secured Notes was launched at a discount of 98.713%, with a fixed-rate coupon of 8.5% to be settled on a six-monthly basis and due in 2020. The proceeds from the Notes have been used to repay a significant portion of the loans that were previously in place, in addition to the derivative contracts. As a result of this operation, the Group now applies a fixed rate to the financial cost of its debt.

The other financial instruments of the Group exposed to interest rate risks are those listed in note 17 (to which reference is made) such as *Loans* (other than the Senior Secured Notes), as well as financial statement items recorded under *Cash and cash equivalents*, and *Receivables and other current financial assets* (note 11) and *Non-current financial assets* (note 8).

Interest rate sensitivity analysis

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

The table below shows the sensitivity of pre-tax profit to reasonably possible variations in interest rates, all the other variables being kept constant.

	Increase/Decrease	Effect of the profit (loss), gross of taxes
Financial year ended	+ 150 bps	(1,424)
31 December 2015	– 30 bps	285

In the previous year the Consolidated profit had recorded the cost of bond coupons, which also included proceeds from the Notes repurchased during the fourth quarter only. Likewise, the proceeds from the Notes repurchased during 2015 contribute to the Consolidated results from June 2015 only.

The table below shows the sensitivity of 2014 and 2015 pre-tax profits had the abovementioned transactions occurred at the beginning of the respective financial years:

	Consolidated financial statements at 30 December 2015		Consolidated financial statements with bond issue at 1 January 2015	
	Net financial costs	Profit before taxes	Net financial costs	Profit before taxes
Financial year ended 31 December 2015	33,082	(24,450)	30,211	(27,321)

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 2015	31 December 2014
Employee termination indemnity	18,424	21,207
Interest-bearing loans	345,767	405,229
Trade payables and advances from customers	380,215	380,821
Other current payables	94,572	123,624
Other current financial liabilities	14,481	2,285
Cash and cash equivalents	(114,391)	(113,382)
Other current financial assets	(5,257)	(3,501)
Total Net Debt	**733,811**	**816,283**
Group shareholders' equity	289,585	334,224
Undistributed net profit (loss)	45,412	(12,354)
Total capital	**334,997**	**321,870**
EQUITY AND NET DEBT	**1,068,808**	**1,138,153**
Indebtedness ratio	68.70%	71.70%

A change was recorded in the debt ratio compared to 31 December 2014, which was mainly due to a reduction of € 82.5 million in net debt compared to a capital increase of € 13.1 million.

36. Events after the reporting date

On 23 February 2016, MFM S.p.A. and Servizi Ospedalieri S.p.A. entered into a factoring maturity contract, without recourse (*pro-soluto*), with Banca Farmafactoring S.p.A. in relation to the assignment of receivables from entities in the National Health System, for an annual amount of up to € 100 million. It is a committed credit line with a term of three years.

On 19 February 2016 client Telecom Italia formally exercised its right of withdrawal from its contract with MFM S.p.A. for Telecom Italia Group, hygiene and other Facility Management services owing to the committal for trial of MFM S.p.A.'s Managing Director Claudio Levorato in a current criminal case. During 2015 the contract generated about € 25 million p.a. of consolidated turnover and has a residual order backlog of about € 29 million, employing more than 450 FTEs. The trade receivables related to this contract are not included in the assets issued as security in accordance with provisions of the Senior Secured Notes financing agreement because their assignment was prohibited under the contract with Telecom Italia. MFM S.p.A. immediately started an internal review of almost all its contracts with clients in the Private sector; none of these contracts contain clauses allowing their termination after a similar occurrence. Furthermore, the Code of Public Contracts which governs contracts concluded with Public Authorities and Public Healthcare Institutions do not state that a mere committal for trial can be a cause of their termination; on the contrary, what is required is a final conviction for a serious criminal offence that detracts from the professional integrity of the person concerned.

Finally, on 29 February 2016, Claudio Levorato resigned from his office as Chairman and CEO of the Management Board of MFM S.p.A.. This decision was taken because the Group wished to make a tangible change in Manutencoop Group 's management and prevent the current legal proceedings in which he is involved from adversely affecting its activities, even if no final and non-appealable judgments have been handed down.

The Vice Chairman of the Management Board and other two members resigned from their positions on the Management Board on the same date. Finally, on 1 March, other four members also resigned from their positions with the resulting of the reset of the entire Management Board. Pursuant to the Company Bylaw, the Company's Supervisory Board then called the Extraordinary Shareholders' Meeting on 6 April 2016 in order to appoint the new members of the new Management Board.

Zola Predosa, 18 March 2016

The Chairman and CEO
Claudio Levorato

Annexes

Annex I

Group companies

Parent company		
Ragione Sociale	**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
CO.GE.F. Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	80%	Subsidiary
Consorzio Igiene Ospedaliera Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	66.66%	Subsidiary
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Evimed S.r.l.	Via Zamenhof 363	Vicenza	90%	Subsidiary
E-Digital Services S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Ferraria Soc. cons. a r.l.	Via Poli 4	Zola Predosa (BO)	69%	Subsidiary
Global Oltremare Soc.Cons. r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
H2H Facility Solutions S.p.A. (Manutencoop Private Sector Solutions S.p.A.)	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
ISOM Lavori Soc. Cons.rl	Via Poli 4	Zola Predosa (BO)	62.71%	Subsidiary
ISOM Gestione Soc. Cons.rl	Via Poli 4	Zola Predosa (BO)	52.97%	Subsidiary
KANARIND Soc. Cons.rl	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
MACO S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Manutencoop International FM S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
MCF servizi Integrati Soc. cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Palmanova Servizi Energetici Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Protec S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
S.AN.CO S.c.a.r.l.	Via A. Saffi, 51	Bologna	100%	Subsidiary
S.AN.GE S.c.a.r.l.	Viale Piero Alberto Pirelli 21	Milan	89%	Subsidiary
San Gerardo Servizi Soc. Cons. r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Servizi Brindisi Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	52%	Subsidiary
Servizi l'Aquila Soc. Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Servizi Ospedalieri S.p.A.	Via Calvino 33	Ferrara	100%	Subsidiary
Servizi Sanitari Sicilia Soc.Cons.a r.l.	Via Calvino 33	Ferrara	70%	Subsidiary
Servizi Taranto Soc.Cons. a.r.l.	Via Poli 4	Zola Predosa (BO)	60.08%	Subsidiary
Sicura S.p.A.	Via Zamenhof 363	Vicenza	80%	Subsidiary
Società Manutenzione Illuminazione S.p.A. (SMAIL S.p.A.)	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Telepost S.p.A.	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

Joint ventures accounted for under the equity method				
Name	Registered Office	City	% held	Type
DUC Gestione Sede Unica Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	49%	Joint Venture
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	Üniversiteler Mahallesi, Bilkent Plaza, A3 Blok, n. 4	Çankaya/ Ankara	50%	Joint Venture
Legnago 2001 Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	50%	Joint Venture
Malaspina Energy Soc.cons.r.l.	Via Varesina 118	Lurate Caccivio (CO)	50%	Joint Venture
Servizi Sportivi Brindisi Soc.cons.r.l.	Via Licio Giorgieri 93	Rome	50%	Joint Venture

Associates and other companies accounted for under the equity method				
Name	Registered Office	City	% held	Type
Alisei S.r.l. in liquidation	Via Cesari 68/1	Modena	100%	In liquidation
Bologna Gestione Patrimonio Soc.Cons. r.l.	Via della Cooperazione 9	Bologna	27.58%	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
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 Leader Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
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
Geslotto6 Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	55%	In liquidation
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
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi 18	Torino	24.75%	Associate
Livia Soc.Cons. a r.l. in liquidation	Via Roma 57/B	Zola Predosa (BO)	34.10%	Associate
Logistica Ospedaliera Soc. Cons. a r.l	Via C. Alberto Dalla Chiesa 23/I	Caltanissetta (CL)	45%	Associate
Newco Duc Bologna S.p.A.	Via M.E. Lepido 182/2	Bologna	24.90%	Associate
Palazzo della Fonte S.c.p.a.	Via Calamandrei, 255	Arezzo (AR)	33.30%	Associate
Progetto ISOM S.p.A.	Via Poli 4	Zola Predosa (BO)	36.98%	Associate
Roma Multiservizi S.p.A.	Via Tiburtina 1072	Rome	45.47%	Associate
San Martino 2000 Soc.Cons. a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Savia Soc.Cons. a r.l.	Via B. Vanzetti 1	Forlì	49.11%	Associate
Società Consortile Adanti Manutencoop a r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Serena S.r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation

Associates and other companies accounted for under the equity method				
Name	**Registered Office**	**City**	**% held**	**Type**
Se.Ste.Ro S.r.l.	Via San Pietro 59/B	fraz. Castellina—Soragna (PR)	25%	Associate
Servizi Marche Soc. Cons. a r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	60%	In liquidation
Servizi Napoli 5 Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	45%	Associate
Servizi Sanitari Treviso Soc.Cons.a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Sesamo S.p.A.	Via C. Pisacane 2	Carpi (MO)	20.91%	Associate
Simagest 2 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	90%	In liquidation
Simagest 3 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	89.99%	In liquidation
Synchron Nuovo San Gerardo S.p.A.	Via Poli 4	Zola Predosa (BO)	35.82%	Associate
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi 18	Torino	25%	Associate
Tower Soc.Cons. a r.l. in liquidation	Via Zanardi 372	Bologna	20.17%	Associate

Annex II

Valuation of investments using the Equity Method

	%	Net Book Value Dec 31, 2014	Changes of the year: Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves	Net Book Value Dec 31, 2015	Book Value	Investment Provision
Alisei s.rl. in liquidation	100%	(60)				(5)		(65)		(65)
A.M.G. S.r.l.	50%	2,200			57			2,257	2,257	
Bologna Gestione Patrimonio	27.58%	6						6	6	
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	
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 Leader Soc.Cons. a r.l. in liquidation	50%	5	(5)					0	0	
Consorzio Polo sterilizzazione Integrata	60%	23						23	23	
Consorzio Sermagest in liquidation	60%	0						0	0	
Costruzione Manutenzione Immobili	40%	84	(77)	(15)	10			0	0	
DUC Gestioni Soc.Cons. a r.l.	49%	10						10	10	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	50%	50	620		(279)			391	391	
F.lli Bernard S.r.l.	20%	808			431			1,239	1,239	
Geslotto 6 soc. cons. a r.l.	55%	50	(50)					0	0	
GICO Systems S.r.l.	20%	59			20			79	79	
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						24	24	
Headmost Division Service FM S.p.A.	25%	0						0	0	
IPP S.r.l.	25%	453			(19)			434	434	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34.10%	3						3	3	
Logistica Ospedaliera Soc. Cons. a r.l	45%	5						5	5	
Malaspina Energy Soc. Cons. a r.l.	50%	50						50	50	
Newco DUC Bologna S.p.A.	24.90%	(160)			218		329	387	387	
P.B.S. Soc.Cons. a r.l. in liquidation	25%	25	(25)					0	0	
Palazzo della Fonte S.c.p.a.	33.30%	8						8	8	
Progetto ISOM S.p.A.	36.98%	1,929			(552)		(234)	1,143	1,143	
Progetto Nuovo Sant'Anna S.r.l.	24%	1,653	(1,552)		(72)		(28)	0	0	
ROMA Multiservizi S.p.A.	45.47%	7,330			(844)		52	6,540	6,540	
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	
Savia soc.cons.a.r.l.	49.11%	5						5	5	
Società Consortile Adanti Manutencoop a r.l. in liquidation	50%	10						10	10	
SE.SA.MO. S.p.A.	20.91%	1,259			465			1,724	1,724	
Se.Ste.Ro S.r.l.	25%	144			(5)			139	139	
Serena S.r.l.	50%	9						9	9	
Servizi Luce Soc. Cons. a r.l.	50%	5	(5)					0	0	
Servizi Marche soc.Cons. a r.l. in liquidation	60%	6	(6)					0	0	
Servizi Napoli 5 Soc. Cons. a r.l.	45%	5						5	5	
Servizi Sanitari Treviso (SE.SA.TRE)	40%	8						8	8	
Servizi Sportivi Brindisi Soc. Cons. a r.l.	50%	5						5	5	

	%	Net Book Value Dec 31, 2014	Changes of the year: Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves	Net Book Value Dec 31, 2015	Book Value	Investment Provision
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%	4,151			658			4,808	4,808	
Steril Piemonte Soc. Cons. a r.l.	25%	1						1	1	
Tower Soc.Cons. a r.l.	20.17%	20						20	20	
UFS—United Facility Solutions SA	33.33%	0						0	0	
NET BOOK VALUE		**29,330**	**(1,100)**	**(15)**	**90**	**(5)**	**119**	**28,419**	**28,484**	**(65)**

Annex III

Related party transactions

Parent company									
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Manutencoop Società	31-Dec-14	352	38,925	0	70	113	21,492	10,897	170
Cooperativa	31-dec-15	184	32,893	0	15	74	18,384	6,421	145

Associates and joint-ventures									
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Alisei s.r.l.	31-Dec-14					3			1
in liquidation	31-Dec-15					3			1
AMG S.r.l.	31-Dec-14	16	261	4		19	504	106	
	31-Dec-15	0	254	2		19	502	162	
Bologna Gestione Patrimonio Soc.Cons. a r.l.	31-Dec-14	75	128			198		124	
	31-Dec-15	36	65			175		50	
Bologna Multiservizi Soc.Cons. a r.l.	31-Dec-14	103	488			174		1,687	
	31-Dec-15		250			195		1,619	
Bologna Più Soc.Cons.a r.l.	31-Dec-14					(2)	39	13	
in liquidation	31-Dec-15					(2)	39	13	
Cardarelli Soc. Cons. a r.l.	31-Dec-14		1,395					402	
	31-Dec-15		2,132					1,042	
Como Energia Soc.Cons.a r.l.	31-Dec-14		892					599	
	31-Dec-15		878					900	
Consorzio Imolese Pulizie soc.Cons.	31-Dec-14					138	36	48	
in liquidation	31-Dec-15					49	36	48	
Consorzio Leader Soc. Cons. a r.l.	31-Dec-14					14	0	6	
in liquidation	31-Dec-15								
Consorzio Sermagest Soc.Cons.a r.l	31-Dec-14								
in liquidation	31-Dec-15								
CO.& MA.	31-Dec-14	360	1,094			439	20	1,094	
Soc. Cons. a r.l	31-Dec-15	360	1,263			360	20	2,287	
DUC Gestione Sede Unica	31-Dec-14	5,144	2,489			5,449		851	
Soc. Cons. a r.l.	31-Dec-15	6,104	2,824			5,799		997	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	31-Dec-14	61	181			116	182	387	62
	31-Dec-15	78			10	188	2	54	267
Fr.lli Bernard s.r.l.	31-Dec-14	12	296			25	50	111	
	31-Dec-15	29	1			58	50		

Associates and joint-ventures									
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Gestlotto 6	31-Dec-14		4			6	20	47	
Soc. cons. a r.l in liquidation	31-Dec-15								
Gico Systems S.r.l.	31-Dec-14	9	701			6		329	
	31-Dec-15	6	980			9		624	
Global Provincia di RN Soc.Cons.a r.l. in liquidation	31-Dec-14					251	70	18	
	31-Dec-15					25	70	18	
Global Riviera Soc.Cons.a r.l.	31-Dec-14		60			55		(117)	
	31-Dec-15		12			55		(105)	
Global Vicenza Soc.Cons. a r.l.	31-Dec-14	214	1,396			163		604	
	31-Dec-15	228	1,420			34	570	933	
Grid Modena S.r.l.	31-Dec-14					18			
	31-Dec-15		12			2			
Gymnasium	31-Dec-14					1	7	33	5
Soc. cons. a r.l in liquidation	31-Dec-15					1	7	33	5
HEADMOST	31-Dec-14					454			
in liquidation	31-Dec-15								
IPP S.r.l.	31-Dec-14	394	358	1		194	60	129	
	31-Dec-15	423	250			313	60	152	
Legnago 2001 Soc. Cons. r.l.	31-Dec-14		2			216		80	
	31-Dec-15		4			216		84	
Livia	31-Dec-14	10	122			129		257	
Soc. cons. a r.l.	31-Dec-15			22					
Logistica Ospedaliera	31-Dec-14		426					92	
Soc. Cons. a r.l.	31-Dec-15		426					140	
Malaspina Energy Soc. Cons. a r.l.	31-Dec-14		52	4		1,047	176	52	
	31-Dec-15		39	4		1,047	180	91	
Newco DUC Bologna S.p.A	31-Dec-14		7					22	
	31-Dec-15							25	
Palazzo della Fonte S.c.p.a.	31-Dec-14	4,581				1,065			
	31-Dec-15	3,994				723			
P.B.S. Soc.Cons.	31-Dec-14							7	0
a r.l. in liquidation	31-Dec-15		(39)				1		
Perimetro Gestione Proprietà Immobiliari Soc. Cons. p. A.	31-Dec-14	111				37	0		
	31-Dec-15								
Progetto ISOM S.p.A.	31-Dec-14	227	24	13		9,337	206	2	
	31-Dec-15	233	371	24		13,630	1,802	131	

Associates and joint-ventures									
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Progetto Nuovo Sant'Anna S.r.l.	31-Dec-14	170	5	118		5,818	4,671	164	16,430
	31-Dec-15								
Roma Multiservizi S.p.A.	31-Dec-14	1,621	2,242			518		1,973	530
	31-Dec-15	1,582	1,971		4	516		1,33	462
San Martino 2000 Soc.Cons. r.l.	31-Dec-14	1,774	3,501			675		363	
	31-Dec-15	1,708	3,509			717		675	
Savia	31-Dec-14	512	2,258			338		1,626	
Soc. Cons. a r.l	31-Dec-15		1,202			18		965	
Serena S.r.l.—in liquidation	31-Dec-14					49	3		
	31-Dec-15						3	1	
Servizi Luce Soc. Cons. a r.l.	31-Dec-14	75	1,665			290		521	
	31-Dec-15	35	1,542			339		(93)	
Servizi Marche Soc. Cons. r.l.	31-Dec-14					12		1	
in liquidation	31-Dec-15								
Servizi Napoli 5 Soc.Cons. a r.l.	31-Dec-14	1,371	1,256			1,743		962	
	31-Dec-15	1,395	1,282			2,076		1,287	
Se.Sa.Mo. S.p.A.	31-Dec-14	5,253	3	584		3,003		6	
	31-Dec-15	5,161		27		2,608	606	6	
SESATRE	31-Dec-14	10	4,362	32	32	(17)	1,921	1,715	
S.cons. a r.l.	31-Dec-15	15	4,526	19		(14)	1,221	1,475	
Se.Ste.Ro S.r.l.	31-Dec-14	14	492			35		627	
	31-Dec-15	15	501			46		921	
S.I.MA.GEST2 Soc. Cons. r.l.	31-Dec-14					208	75	4	1
in liquidation	31-Dec-15					20	75	4	2
S.I.MA.GEST3 Soc. Cons. r.l in liquidation	31-Dec-14					2		3	
	31-Dec-15							3	
Società Consortile Adanti Manutencoop in liquidation	31-Dec-14					36		12	
	31-Dec-15								
Steril Piemonte Soc. cons. a.r.l	31-Dec-14		807	5		23	580	251	
	31-Dec-15	(1)	727	3		11	578	334	
Synchron Nuovo San Gerardo S.p.A.	31-Dec-14	15,108	181			10,115		369	
	31-Dec-15	7,979	631	78		7,915	2,123	646	
Tower Soc.Cons. a r.l. in liquidation	31-Dec-14		6			17	17	(11)	
	31-Dec-15						11		

Subsidiaries of manutencoop cooperativa									
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Cerpac S.r.l.	31-Dec-14					1			
in liquidation	31-Dec-15					1			
Manutencoop Immobiliare S.p.A.	31-Dec-14	26	2,494			7		190	
	31-Dec-15	10	2,483			6		114	
Nugareto Società Agricola Vinicola S.r.l.	31-Dec-14	24	32			13		35	
	31-Dec-15	9	52			8		39	
Segesta servizi per l'Ambiente S.r.l.	31-Dec-14	17				9			
	31-Dec-15	17				9			

Associates of manutencoop cooperativa or other related parties									
		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consorzio Karabak Società Cooperativa	31-Dec-14	58				11			
	31-Dec-15	62	2			11		2	
Consorzio Karabak 2 Società Cooperativa	31-Dec-14	3				1			
	31-Dec-15	3	1					1	
Consorzio Karabak 3 Società Cooperativa	31-Dec-14	1							
	31-Dec-15								
Consorzio Karabak 6 Società Cooperativa	31-Dec-14								
	31-Dec-15		1				1		
Sacoa S.r.l.	31-Dec-14	82	17			52		8	
	31-Dec-15	75	20			50		8	

		Revenues	Costs	Financial income	Financial expences	Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
TOTAL	**31-Dec-14**	**37,788**	**68,622**	**761**	**102**	**42,624**	**30,768**	**26,699**	**17,199**
	31-Dec-15	**29,740**	**62,484**	**179**	**29**	**37,310**	**26,340**	**23,437**	**882**

Annex IV

Statement of reconciliation of the reclassified statement of cash flows and the statutory schedules items

	For the year ended 31 December			
		2015		2014
CASH AND CASH EQUIVALENTS AT THE beginning OF THE year		**113,382**		**184,538**
CASH FLOW FROM CURRENT OPERATIONS:		**55,676**		**34,217**
Profit before taxes for the year	*(24,450)*		*11,992*	
Profit (loss) from discontinued operation	*(2,887)*		*12,042*	
Capital gain on disposal of discontinued operation	*2,225*		*(13,351)*	
Other impairment on discontinued operation	*0*		*2,752*	
Amortization, depreciation, write-downs and (write-backs) of assets	*32,513*		*40,645*	
Accrual (reversal) of provisions for risks and charges	*51,561*		*7,296*	
Employee termination indemnity provision	*838*		*1,459*	
Share of net profit of associates, net of dividends collected	*940*		*363*	
Financial charges (income) for the year	*32,891*		*36,597*	
Net interest received (paid) in the year	*(32,639)*		*(34,019)*	
Income tax paid in the year	*(5,072)*		*(29,005)*	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	*(243)*		*(2,561)*	
USES OF PROVISIONS FOR RISKS AND CHARGES AND payments OF THE EMPLOYEE TERMINATION INDEMNITY:		**(14,012)**		**(18,278)**
Payments of Employee termination indemnity	*(2,769)*		*(7,982)*	
Utilization of provisions	*(11,244)*		*(10,296)*	
CHANGE IN adjusted NWOC:		**55,588**		**36,232**
Decrease (increase) of inventories	*(92)*		*345*	
Decrease (increase) of trade receivables	*54,552*		*97,624*	
Increase (decrease) of trade payables and advances from customers	*1,060*		*(70,806)*	
Adjustments:				
Change in the amount of trade receivables assigned without recourse to Factoring agencies and not yet collected by the latter	*69*		*14,968*	
Amount of trade receivables repurchased by Banca IMI, assigned under programmes of factoring without recourse in previous financial years.	*0*		*(5,900)*	
INDUSTRIAL AND FINANCIAL Capex:		**(17,047)**		**42,929**
(Purchase of intangible assets, net of sales)	*(6,502)*		*(9,267)*	
(Purchase of property, plant and equipment)	*(17,389)*		*(17,520)*	
Proceeds from sales of property, plant and equipment	*793*		*1,812*	
(Acquisition of investments)	*848*		*692*	
Decrease (increase) of financial assets	*(932)*		*5,836*	
Net cash used in business combinations	*(408)*		*0*	
Net cash from assets held for sale	*4,932*		*58,842*	

	For the year ended 31 December			
	2015		2014	
Reclassifications:				
Amount of trade receivables repurchased by Banca IMI, assigned under programmes of factoring without recourse in previous financial years.	*0*		*5,900*	
Payables for acquisition of equity investments and business combinations	*(433)*			
Change in current financial assets, to be included in Net Financial Liabilities	*1,685*		*(9,307)*	
CHANGE IN ADJUSTED NET FINANCIAL LIABILITIES:		**(49,089)**		**(139,068)**
Net proceeds from/(reimburse of) borrowings	*(48,009)*		*(130,027)*	
Adjustments:				
Change in the amount of receivables assigned without recourse to Factoring agencies and not yet collected by the latter	*(69)*		*(14,968)*	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of Profit or Loss	*243*		*2,561*	
Payables for acquisition of equity investments and business combinations	*433*			
Change in current financial assets, to be included in Net Financial Liabilities	*(1,685)*		*9,307*	
OTHER CHANGES:		**(29,747)**		**(27,188)**
Decrease (increase) of other current assets	*(985)*		*(3,216)*	
Increase (decrease) of other current liabilities	*(28,742)*		*(23,865)*	
Dividends paid	*(20)*		*(107)*	
CASH AND CASH EQUIVALENTS AT THE END OF THE year		**114,391**		**113,382**

Consolidated financial statements as of and for the year ended 31 December 2014

Independent auditors' report
pursuant to art. 14 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Manutencoop Facility Management S.p.A.

1. We have audited the consolidated financial statements of Manutencoop Facility Management S.p.A. and its subsidiaries, (the "Manutencoop Facility Management Group") as of 31 December 2014 and for the year then ended, comprising the consolidated statement of financial position, the consolidated statement of income, 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 preparation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union is the responsibility of Manutencoop Facility Management S.p.A.'s management board. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards issued by the Italian Accounting Profession (CNDCEC) and recommended by the Italian Stock Exchange Regulatory Agency (CONSOB). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management board. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements of the prior year and the consolidated statement of financial position as of 1 January 2013 are presented for comparative purposes. As described in the explanatory notes, as a result of the retrospective application of IFRS 10 and IFRS 11, the management board has restated certain comparative figures related to the prior year and the consolidated statement of financial position as of 1 January 2013, which derives from consolidated financial statements as of 31 December 2012, with respect to the figures previously presented, upon which we issued our auditors' reports dated 11 April 2014 and 11 April 2013, respectively. We have examined the methods used to restate the comparative figures and the related information presented in the explanatory notes, for the purpose of expressing our opinion on the consolidated financial statements as of 31 December 2014 and for the year then ended.

   Furthermore, as described in the explanatory notes, as a result of the loss of control of MIA S.p.A. and the transfer of the business unit of the subsidiary Smail S.p.A., the management board, pursuant to the provision of IFRS5 "Non-current assets Held for Sale and Discontinued operations", has restated certain comparative figures related to the prior year with respect to the figures previously presented, upon which we issued our auditor's reports dated 11 April 2014. We have examined the methods used to restate the comparative figures and the related information presented in the explanatory notes, for the purpose of expressing our opinion on the consolidated financial statements as of 31 December 2014 and for the year then ended.

3. In our opinion, the consolidated financial statements of the Manutencoop Facility Management Group as of 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Manutencoop Facility Management Group for the year then ended.

4. The management board of Manutencoop Facility Management S.p.A. is responsible for the preparation of the Report on Operations[1] in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with the consolidated financial statements as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations is consistent with the consolidated financial statements of the Manutencoop Facility Management Group as of 31 December 2014.

Bologna, 13 April 2015

Reconta Ernst & Young S.p.A.
Signed by: Alberto Rosa, partner

This report has been translated into the English language solely for the convenience of international readers.

[1] The Report on Operations is not included in this Offering Memorandum.

Consolidated financial statements
Consolidated statement of financial position
As of 31 December 2014

(in thousands of Euro)	Notes	As of 31 December 2014	As of 31 December 2013 restated (*)	As of 1 January 2013 restated (*)
Assets				
Non-current assets				
Property, plant and equipment	4	67,691	77,320	77,876
Property, plant and equipment under lease	4	2,867	3,598	5,996
Goodwill	6	369,860	415,094	417,677
Other intangible assets	5	24,782	29,062	26,916
Investments accounted for under the equity method	7	29,390	31,858	30,028
Other investments	7	3,341	3,038	3,041
Non-current financial assets	8	18,449	10,840	11,623
Other non-current assets	8	1,787	1,638	1,738
Deferred tax assets		27,439	24,126	23,540
Total non-current assets		**545,606**	**596,574**	**598,435**
Current assets				
Inventories		5,115	6,162	11,205
Trade Receivables and advances to suppliers	11	580,629	694,704	653,185
Current taxes receivables		28,922	16,495	24,691
Other current assets	11	30,632	29,139	23,234
Current financial assets	12	3,501	13,374	11,480
Cash and cash equivalents	12	113,382	184,538	51,394
Total current assets		**762,181**	**944,412**	**775,189**
Assets held for sale	13	5,003	7,868	130
Total non-current assets held for sale		**5,003**	**7,868**	**130**
Total assets		**1,312,790**	**1,548,854**	**1,373,754**

(*) For any information on the restatement of the comparative data determined in the application of the new standards IFRS 10 and 11, reference should be made to Note 3 – Effect of changes in accounting standards.

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated financial statements
Consolidated statement of financial position
As of 31 December 2014

(in thousands of Euro)	Notes	As of 31 December 2014	As of 31 December 2013 restated (*)	As of 1 January 2013 restated (*)
Shareholders' equity and liabilities				
Shareholders' equity				
Share capital		109,150	109,150	109,150
Reserves		170,167	167,797	144,221
Retained earnings		42,553	33,606	23,540
Profit/(loss) for the year attributable to equity holders of the parent		12,354	13,747	32,574
Equity attributable to equity owners of the parent		*334,224*	*324,300*	*309,485*
Capital and reserves attributable to non-controlling interests		409	1,611	1,772
Profit/(loss) for the year attributable to non-controlling interests		273	344	728
Equity attributable to non-controlling interests		*682*	*1,955*	*2,500*
Total shareholders' equity	**14**	**334,906**	**326,255**	**311,985**
Non-current liabilities				
Employee termination indemnity	15	21,207	27,599	31,161
Provisions for risks and charges, non-current	16	12,373	11,715	11,797
Derivatives		0	0	1,222
Long-term debt	18	379,001	456,369	118,420
Deferred tax liabilities		11,755	12,144	11,991
Other non-current liabilities		28	7	7
Total non-current liabilities		**424,364**	**507,834**	**174,598**
Current liabilities				
Provisions for risks and charges, current	16	20,559	24,973	29,297
Trade payables and advances from customers	19	380,821	453,687	439,415
Current tax payables		4	226	2,892
Other current liabilities	19	123,624	148,343	148,113
Bank borrowings, including current portion of long-term debt and other financial liabilities	18	28,512	85,116	267,390
Total current liabilities		**553,520**	**712,345**	**887,107**
Liabilities directly associated with assets classified as held for sale	13	0	2,420	64
Total liabilities directly associated with assets held for sale		**0**	**2,420**	**64**
Total shareholders' equity and liabilities		**1,312,790**	**1,548,854**	**1,373,754**

(*) For any information on the restatement of the comparative data determined in the application of the new standards IFRS 10 and 11, reference should be made to Note 3 – Effect of changes in accounting standards.

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated financial statements
Consolidated statement of income
For the year ended 31 December 2014

(in thousands of Euro)	Notes	For the year ended 31 December 2014	For the year ended 31 December 2013 restated (*)
Revenue			
Revenue from sales and services		970,524	1,042,498
Other revenue		3,766	2,500
Total revenue		**974,290**	**1,044,998**
Operating costs			
Costs of raw materials and consumables		(135,524)	(165,704)
Cost of services and use of third party assets		(364,040)	(385,700)
Personnel costs		(374,210)	(375,207)
Other operating costs		(7,645)	(7,672)
Capitalized internal construction costs		0	1,838
Amortization, depreciation, write-downs and write-backs of assets	4 – 5 – 10	(38,635)	(40,755)
Accruals (reversal) to provision for risks and charges	16	(7,238)	(11,010)
Total operating costs		**(927,292)**	**(984,210)**
Operating income		**46,998**	**60,788**
Financial income and expenses			
Share of net profit of associates	7	1,198	2,652
Dividends and net income (loss) from sale of investments		427	665
Financial income		5,679	1,884
Financial expenses		(42,313)	(31,018)
Gains/(losses) on exchange rate		3	0
Profit before taxes from continuing operations		**11,992**	**34,971**
Income taxes		(11,414)	(22,747)
Profit from continuing operations		**578**	**12,224**
Loss after tax for the year from discontinued operations		12,049	1,867
Net profit of the year		**12,627**	**14,091**
Net profit attributable to minority interests		273	344
Net profit attributable to equity holders of the parent		**12,354**	**13,747**

(in Euro)	For the year ended 31 December 2014	For the year ended 31 December 2013 Restarted (*)
Basic earnings per share	0.113	0.126
Diluted earnings per share	0.113	0.126
Basic earnings per share from continuing operations	0.003	0.130
Diluted earnings per share from continuing operations	0.003	0.130

(*) For any information on the restatement of the comparative data determined in the application of the new standards IFRS 10 and 11, reference should be made to Note 3 – Effect of changes in accounting standards.

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated financial statements
Consolidated statement of comprehensive income
For the year ended 31 December 2014

(in thousands of Euro)	Notes	For the year ended 31 December 2014	For the year ended 31 December 2013 restated (*)
Net profit for the year		**12,627**	**14,091**
Other components of the comprehensive income, which will be subsequently reclassified under profit/(loss) for the year			
Exchange differences on translating foreign operations		1	0
Net effect on gains (losses) of cash flow hedge		0	886
Effect on the shareholders' equity from associates accounted for under the equity method	7	(1,003)	668
Other components of the comprehensive income for the year, which will be subsequently reclassified under profit/(loss) for the year		**(1,002)**	**1,554**
Other components of comprehensive income, which will be subsequently reclassified under profit/(loss) for the year			
Actuarial gains/(losses) on defined benefit plans		*(1,843)*	*1,273*
Income tax effect		*507*	*(350)*
Net actuarial gains/(losses) on defined benefit plans	15	**(1,336)**	**923**
Share of other comprehensive income of entities accounted for using the equity method	7	*(92)*	*59*
Other components of comprehensive income/(loss) for the year, which will be subsequently reclassified under profit/(loss) for the year		**(1,428)**	**982**
Total profit/(loss) in the statement of comprehensive income, net of taxes		**(2,430)**	**2,536**
Total comprehensive income for the year		**10,197**	**16,627**
Attributable to:			
Equity holders of the parent		9,924	16,283
Non-controlling interests		273	344

(*) For any information on the restatement of the comparative data determined in the application of the new standards IFRS 10 and 11, reference should be made to Note 3 – Effect of changes in accounting standards.

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated financial statements
Consolidated statement of cash flows
For the year ended 31 December 2014

(in thousands of Euro)	Notes	For the year ended 31 December 2014	For the year ended 31 December 2013 restated (*)
Net profit (loss) from continuing operations		578	12,224
Income taxes for the year		11,414	22,747
Profit before taxes from continuing operations		**11,992**	**34,971**
Profit/(loss) after tax for the year from discontinued operations		12,049	1,867
Capital profits/(losses) on disposal of discontinued operation		(13,351)	0
Other unrealized impairment on discontinued operations		2,752	0
Amortization, depreciation, write-downs and (write-backs) of assets		40,645	42,818
Accrual (reversal) to provisions for risks and charges		7,296	11,530
Employee termination indemnity provision		1,459	1,757
Payments of employee termination indemnity		(7,983)	(4,242)
Utilization of provisions for risks and charges		(10,296)	(14,780)
Share of net profit of associates, net of dividends collected		363	(915)
Financial expenses for the year		36,597	29,552
Operating cash flows before movements in Working Capital		**81,523**	**102,558**
Of which related to discontinued operations		1,784	4,909
Of which related to continuing operations		79,739	97,650
Decrease (increase) of inventories		345	4,961
Decrease (increase) of trade receivables		97,624	(48,883)
Decrease (increase) of other current assets		(3,216)	(6,213)
Increase (decrease) of trade payables and advances from customers		(70,805)	11,516
Increase (decrease) of other current liabilities		(23,865)	845
Change in Working Capital		**83**	**(37,774)**
Net interest received (paid) in the year		(34,019)	(14,068)
Income tax paid in the year		(29,005)	(20,122)
Net cash flow from operating activities		**18,582**	**30,594**
Purchase of intangible assets, net of sales	5	(9,267)	(10,431)
Purchase of property, plant and equipment	4	(17,520)	(24,506)
Proceeds from sales of property, plant and equipment	4	1,811	642
Acquisition of investments		692	(185)
Decrease (increase) of financial assets		5,837	1,275
Net cash used in business combinations		0	(854)
Discontinuing activities	13	58,842	(8)
Net cash flow from (used in) investing activities		**40,395**	**(34,067)**
Net proceeds from/(repayment of) borrowings	18	(130,026)	140,149
Dividends paid		(107)	(565)
Acquisition/Sale of minority interests in subsidiaries		0	(1,792)
Reclassification of assets held for sale		0	(1,175)
Net cash flow from / (used in) financing activities		**(130,134)**	**136,617**
Changes in cash and cash equivalents		**(71,156)**	**133,144**
Cash and cash equivalents at the beginning of the year		184,538	51,394
Changes in cash and cash equivalents		(71,156)	133,144
Cash and cash equivalents at the end of the year		**113,382**	**184,538**
Details of cash and cash equivalents:			
Cash and bank current accounts		113,382	184,538
TOTAL CASH AND CASH EQUIVALENTS		**113,382**	**184,538**

Additional information (in thousand of Euro)	**For the year ended 31 December 2014**	**For the year ended 31 December 2013 restated (*)**
Interest paid	(39,444)	(16,030)
Interest received	5,425	1,962
Dividends received	1,900	2,402

(*) For any information on the restatement of the comparative data determined in the application of the new standards IFRS 10 and 11, reference should be made to Note 3—Effect of changes in accounting standards.

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated financial statements
Consolidated statement of changes in shareholders' equity
For the year ended 31 December 2014

(in thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the year	Total Group's shareholders equity	Non-controlling interests	Total shareholders' equity
1 January 2014	**109,150**	**167,797**	**33,606**	**13,747**	**324,300**	**1,955**	**326,255**
Dividends distribution					0	(158)	(158)
Allocation of prior year result		4,800	8,947	(13,747)	0		0
Acquisition/sale of minority interests in subsidiaries					0	(1,387)	(1,387)
Total comprehensive income (loss) for the year		(2,430)		12,354	9,924	273	10,197
31 December 2014	**109,150**	**170,167**	**42,553**	**12,354**	**334,224**	**683**	**334,906**

(in thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the year	Total Group's shareholders equity	Non-controlling interests	Total shareholders' equity
1 January restated (*)	**109,150**	**144,221**	**23,540**	**32,574**	**309,485**	**2,500**	**311,985**
Dividends distribution					0	(566)	(566)
Allocation of prior year result		21,040	11,533	(32,574)	0	0	0
Acquisition/sale of minority interests in subsidiaries			(1,467)		(1,467)	(324)	(1,791)
Total comprehensive income for the year		2,536		13,747	16,282	345	16,627
31 December 2013 restated (*)	**109,150**	**167,797**	**33,606**	**13,747**	**324,300**	**1,955**	**326,255**

(*) For any information on the restatement of the comparative data determined in the application of the new standards IFRS 10 and 11, reference should be made to Note 3—Effect of changes in accounting standards.

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated financial statements
Explanatory notes
31 December 2014

1. General information

The publication of the consolidated Financial Statements of Manutencoop Facility Management S.p.A. Group (the "MFM Group" or the "Group") for the year ended 31 December 2014 was authorized by resolution of the Management Board of 24 March 2015.

The Group is 71.89% owned by Manutencoop Società Cooperativa, with registered office in Zola Predosa (BO), which in turn exercises management and coordination activities over the Group. On 1 July 2013 the company acquired an additional stake of 7.028% with retention of title ("*riserva di proprietà*"), whereby it is vested with related financial and administrative rights, pursuant to and for the purposes of article 1523 of the Italian Civil Code.

1.1 The business

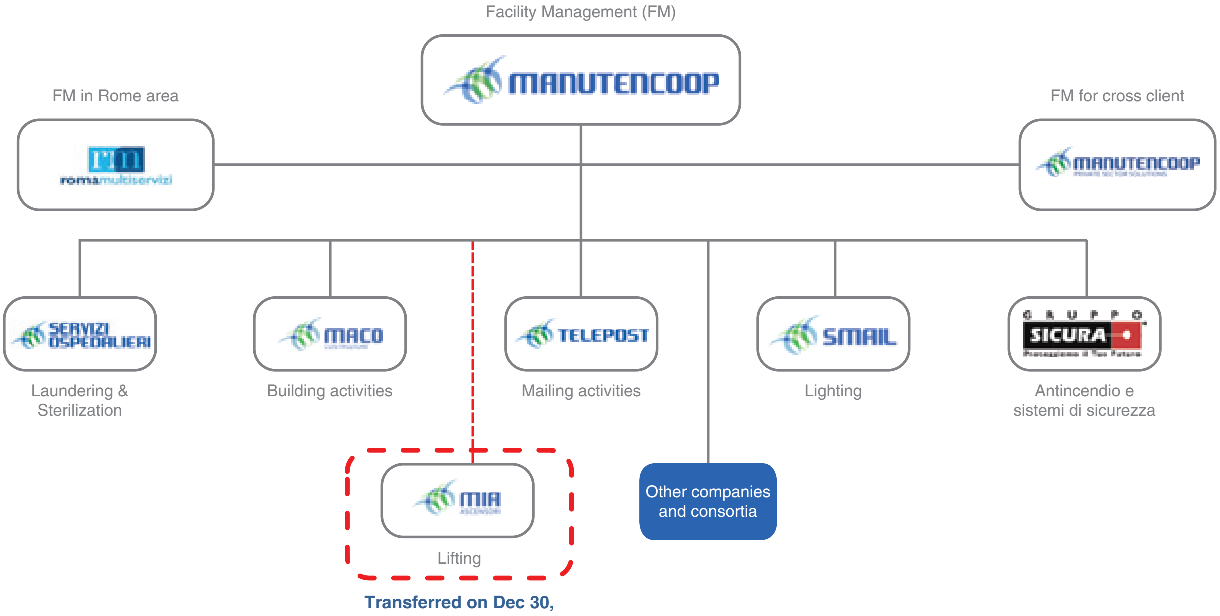
The Group is active in the management and provision of integrated services to public and private customers, targeted at properties, the area and to support so-called "Integrated Facility Management" health care activities.

In particular, the MFM Group provides a wide and coordinated range of integrated services throughout Italy, aimed at rationalising and improving the quality of the non-strategic and auxiliary activities of major private groups, public authorities and health care facilities.

At present the MFM Group is structured around a single operating holding company which combines so-called "traditional" facility management production resources with those related to supporting the whole Group's business. At the same time, in the previous financial years a diversification strategy was pursued which, through a series of acquisitions, has placed 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, maintenance services for lifting equipment (lifts and hoists), building activities and operating lighting systems, in addition to linen rental and industrial laundering services and surgical instrument sterilization at healthcare facilities.

In the 2014 financial year the Group also started a phase in which it refocused its resources on what is referred to as "traditional" facility management. Meeting this objective took the form of selling Energyproject S.r.l. to third-parties in February and MIA S.p.A. (with its various subsidiaries) in December. These two companies operate respectively in energy management and in lifting equipment maintenance and therefore, in practice, abandoned the businesses which they originally conducted.

The Group now operates throughout the whole country 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, lifts, 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.

Starting from 2008, as a consequence of the diversification and horizontal integration strategy, the Group expanded its range of services through a series of acquisitions, providing certain specialist Facility Management services alongside its ''traditional'' Facility Management services, such as:

- installation and maintenance services of lifting systems;
- services related to building security;
- public lighting services;

- mail services;
- document management.

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 the Energy Management, Project Management and Building activities and installation and maintenance services of lifting systems to be strategic any longer. The Group 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. Basis of presentation

The consolidated Financial Statements at 31 December 2014 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 2014 were prepared on a historical cost basis, except for the derivative financial instruments that have been measured at fair value.

The consolidated Statement of Financial Position sets forth assets and liabilities distinguishing between current and non-current. The consolidated Statement of profit or loss classifies costs by nature, while the consolidated Statement of other comprehensive income sets forth the result for the period added with income and expenses, that in accordance with IFRS, are directly recognized in the Shareholders' Equity. The consolidated 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 consolidated Financial Statements at 31 December 2014 have been presented in Euro, which is the Group's functional currency. All values showed in the statements and in the explanatory notes are in thousands of Euro, unless otherwise stated.

2.1 Statement of compliance with international accounting standards (IFRS)

The consolidated Financial Statements at 31 December 2014 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 2014.

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 2014

The following accounting standards must be applied starting from 1 January 2014, the Group has taken steps to apply them to these Financial Statements:

- *IFRS 10—Consolidated Financial Statements.* The new accounting standard redefines the concept of control, expanding its scope and introducing new application rules for the identification of companies that must be consolidated. New accounting rules are also established for the drafting of the consolidated financial statements, replacing the so-called ''proportional method".
- *IFRS 11—Joint Arrangements.* The new standard requires an evaluation of the substance of entities that were ''jointly-controlled entities'' according to IAS 31 and provides operating guidelines for performing said valuation. The accounting method used for the consolidation of joint-ventures is the equity method.
- *IFRS 12—Disclosure of Interests in Other Entities.* The new standard provides a general overview of the information relating to interests in other entities, such as joint arrangements, equity investments in subsidiaries, associates and other interests not falling within the consolidation area.

Following the introduction of the new IFRS11 and IFRS12, IAS 28 has been renamed *Investments in Associates and Joint Ventures* and describes the application of the equity method to investments in joint ventures in addition to associates.

The economic and financial effects of the application of such accounting standards are described in note 3 below, to which reference should be made.

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

The IASB issued a number of new standards and amendments during the 2014 financial year which will come into effect in later periods. The 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.

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.

IFRS14—Regulatory Deferral Accounts (applicable from the financial years that will end after 1 January 2016). The new standard is an interim rule whose purpose is to improve the comparability of the financial disclosures of entities that operate in government regulated markets, such as some industrial sectors in which governments control the prices of particular goods or services provided by private entities (i.e. gas, water, electricity). An entity that already provides its financial disclosures in conformity to IFRS need not apply IFRS 14. This standard, in fact, only allows an entity that is a first-time adopter to continue using the previous accounting standards if its production is regulated. It is not obligatory to adopt the standard, but if it is not adopted in an entity's first IFRS financial statements, the entity will not be entitled to adopt it in subsequent financial periods. The standard also requires the balances related to regulated activities to be presented separately in the statement of financial position, income statement and OCIs. Specific information must also be given regarding the nature of these activities and the risks attached to them.

IFRS15—Revenues from contracts with customers (applicable from the financial years that will end after 1 January 2017). The new standard replaces the previous IAS11—Construction contracts, IAS18—Revenue, IFRIC13—Customer Loyalty Programmes, IFRIC15—Agreements for the construction of real estate, IFRIC18—Transfers of Assets from Customers, SIC31—Barter Transactions Involving Advertising Services. This standard provides a model for the recognition and measurement of all revenues from non-financial assets, including the disposals of property, plant and equipment or intangible assets. The general principle is that the entity must recognise revenue in the amount corresponding to the consideration to which it expects to be entitled for transferring goods or providing a service to a customer. Guidelines are laid down for identifying the contract, the performance obligations and the transaction price. If there are multiple services, suggestions are also given regarding the allocation of their prices. Finally, the criteria for accounting for the revenue when the performance obligation has been satisfied are explained and suggestions are made for accounting for the incremental costs of obtaining the contract if these costs are directly attributable to its performance. Finally, the standard provides guidance on its application to specific issues such as licences, guarantees, right of withdrawal, agency relationships, termination of contracts. The standard is applicable according to a full retrospective approach or a modified retrospective approach.

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

- *Amendments to IFRS11—Joint Arrangements.* This amendment explains that if an entity acquires an interest in a joint operation which constitutes a form of business, it must apply the accounting standards and disclosure requirements laid down in IFRS 3, *Business Combinations*, and those in all other IFRSs that do not conflict with the provisions of IFRS 11.

- *Amendments to IAS16 and IAS38—Clarification of Acceptable Methods of Depreciation and Amortisation.* This amendment explains that it is advisable to use methods of amortisation and depreciation of fixed assets that take the actual economic benefit of using them into account. If goods or assets are used in business operations, the ratio between the revenue generated by business and the entity's total revenues is not a correct reflection of the amortisation or depreciation percentage to apply. This ratio may only be used in limited cases for the amortisation of intangible assets.
- *Amendments to IAS16 and IAS41*. This amendment explains that biological assets used in agriculture (e.g. fruit trees) continue to be subject to the requirements of IAS 16 while their products (e.g. the fruit gathered) continue to be subject to the requirements of IAS 41.
- *Amendments to IAS27—Equity Method in Separate Financial Statements.* This amendment explains that since the equity method is used for accounting for investments in subsidiaries and associates in certain countries, the option previously provided for in IAS 27 has been reinstated. Therefore, the investments in the Separate Financial Statements can be valued at cost (IAS27), in accordance with IAS39 or the new IFRS9 or by using the equity method (IAS27 amended). The method adopted must be applied homogeneously for all types of these investments.

Improvements to IFRS

In 2014 the IASB issued a new series of amendments to IFRS (series 2012-2014, which follows the previous series 2009-2011, 2010-2012 and 2011-2013). The Annual improvement of international standards is the instrument by which the IASB introduces amendments or improvements to the standards that are already being applied, thus promoting the ongoing review of the accounting policies of the IAS adopters. The amendments will be obligatory applicable as from the financial years that will end after 1 January 2016.

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

2.3 Discretionary assessments and significant accounting assumptions

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

Discretionary assessments

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

Uncertainty of estimates

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

Impairment test

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

At 31 December 2014, the carrying amount of the goodwill stood at € 369,860 thousand (31 December 2013 restated: € 415,094 thousand). More details are given in note 6.

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

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

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

Other financial position items

Management also needed to use estimates in determining:

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

Consolidation principles

The Consolidated Financial Statements include the financial statements of Manutencoop Facility Management S.p.A. (the ''Parent Company, "MFM S.p.A." or simply "MFM") and its subsidiaries, prepared as at 31 December 2014. 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.

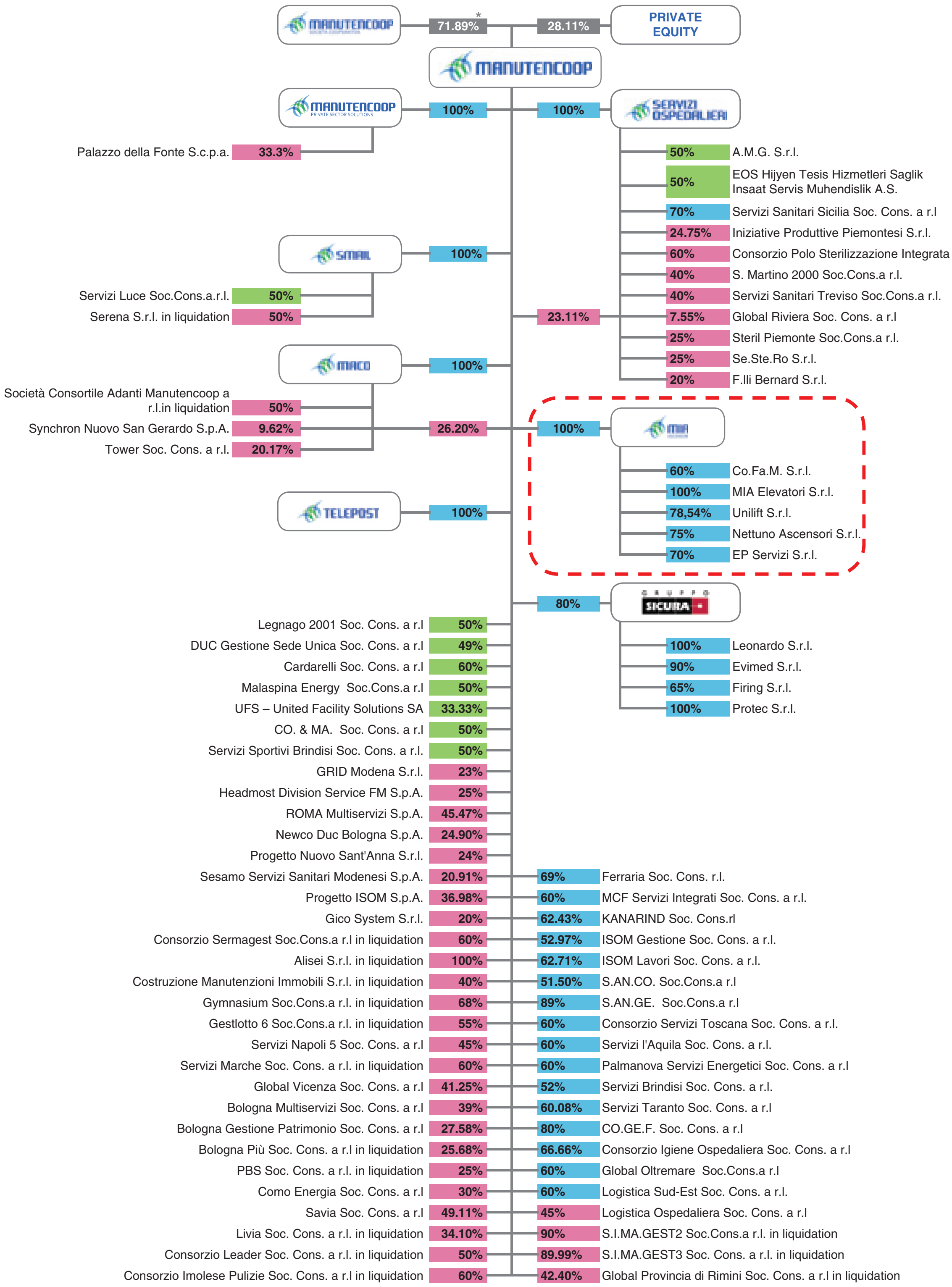
Subsidiaries are consolidated on a line-by-line basis starting from the acquisition date, i.e. the date on which the Group acquires control, and are deconsolidated on the date in which control is transferred out of the Group.

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 30 December 2014 is shown below:



Legend:

Subsidiaries consolidated on a line-by-line basis

Joint Ventures consolidated by equity method

Associates and other companies consolidated by equity method

Subsidiaries sold on Dec 30, 2014

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

Below are reported the most significant changes within the Group:

- On 3 February 2014 an agreement was reached for the transfer of the total quota held by MFM S.p.A. in subsidiary Energyproject S.r.l., which in turn holds the total quota capital of Mowbray S.r.l., to UMA S.r.l.. 15 April 2014 saw the transfer of the stake held by the Group in Perimetro Gestione Proprietà Immobiliari S.c.p.A., equal to 20.10% of the share capital of the same, with the consequent exit from the contract for the management of real estate assets of banks, which the company holds on behalf of its shareholders.
- 30 December 2014 saw the transfer of the stake held by MFM S.p.A. in MIA S.p.A..

Lastly, mergers within the Group took place during the financial year, with a view to corporate streamlining. In particular:

- On 1 January 2014 the mergers of the companies Sedda S.r.l., Securveneta S.r.l., Mako Engineering S.r.l., Antincendi Piave S.r.l. and Sicurama S.r.l. into Sicura S.r.l. became effective.
- On 30 April 2014 the reverse merger of Gruppo Sicura S.r.l. into the subsidiary Sicura S.r.l. became effective, with accounting and tax effects from 1 January 2014. On 19 May 2014 the latter also approved the transformation in Sicura S.p.A..

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 balance sheet items 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 included 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:

Types of plant and equipment	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)	The lower useful life and contractual duration

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

Financial 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 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	Defined	Defined
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	Acquired	Acquired in business combination.
Impairment tests / tests on recoverable value	Annually or more frequently when there is evidence of impairment.	Annually 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, for transactions and events of the same nature and in similar circumstances.

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

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

Deferred tax liabilities are recognized against all temporary taxable differences, except:

- when deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;

- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, in the event in which the reversal of the temporary differences can be controlled and is not likely to occur in the foreseeable future.

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

- deferred tax assets connected to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not have any effect on the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;

- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent in which it is likely that the deductible temporary differences will be reversed in the immediate future and that sufficient tax profits will be generated against which the temporary differences can be used.

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

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

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

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

VAT

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

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

Derivative financial instruments and cash flow hedges

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

In particular, the transaction is considered a hedge if documentation exists on the relationship between the hedging instrument and the liability hedged that shows risk management objectives, the hedging strategy and methods used to verify the effectiveness of the hedge. A transaction is considered a hedge if the effectiveness is verified at the moment it starts and, going forward, confirmed during its entire life.

Within the scope of the International Accounting Standards (IFRS), these instruments are viewed as derivative financial instruments.

These derivative financial instruments are initially recognised at fair value at the date they are stipulated; subsequently, said fair value is re-measured periodically. They are accounted as assets when the fair value is positive and liabilities in the case of a negative fair value.

Any profits or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are charged directly to the income statement in the year.

Service concession arrangements

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

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

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

Earnings per share

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

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

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

Operating segments

An operating segment is made up of a clearly identifiable group of assets and operations which provides a collection of related products and services, subject to risks and rewards other than those of other Group business sectors. For operational purposes, the Group is structured into business areas that coincide with the "strategic business units" in which the Group operates, as defined in paragraph 1.1.

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 a,d. 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. Effect of changes in accounting standards

By Regulation (EC) no. 1254 of 29 December 2012, the European Union endorsed, among others, the documents issued by the IASB on 12 December 2012, named *IFRS10 Consolidated Financial Statements*, *IFRS11 Joint Arrangements, IFRS12 Disclosure of Interests in Other Entities,* as well as amended and renamed *IAS27 Separate Financial Statements* and *IAS28 Investments in Associates and Joint Ventures*. The new standards were applied starting from the financial years commencing after 1 January 2014, with voluntary early application permitted as from 1 January 2013. The new standard must be applied on a retrospective basis.

Below are summarised the first-time adoption accounting standards.

IFRS10 Consolidated Financial Statements

The new accounting standard outlines the requirements for the preparation and presentation of consolidated financial statements. It is due to replace SIC 12 and to partially amend IAS 27, which remains in force for the recognition of equity investments in subsidiaries, associates and joint-ventures in the separate financial statements. The new accounting standard redefines the concept of control, expanding its scope and introducing new application rules for the identification of companies that must be consolidated. New accounting rules are also established for the drafting of the consolidated financial statements, replacing the so-called ''proportional method''.

IFRS 11 – Joint Arrangements

The new standard requires an evaluation of the substance of entities that were ''jointly-controlled entities'' according to IAS 31 and provides operating guidelines for performing said valuation. The new standard is due to replace IAS 31 and SIC 13. Under the new standard a distinction is made between a "joint venture", where the entity has rights and obligations in relation to total net assets, and a "joint operation", where the entity has rights and obligations in relation to specific assets and liabilities, respectively. The accounting method used for the consolidation of joint-ventures is the equity method.

IFRS 12 – Disclosure of Interests in Other Entities

The new standard provides a general overview of the information relating to interests in other entities, such as joint arrangements, equity investments in subsidiaries, associates and other interests not falling within the consolidation area. Its main purpose is to define consistent disclosures of the risks and rewards associated with equity investments, in relation to the nature and materiality of the relationship. In addition, disclosure is required on the considerations of substance of "joint arrangements", of which guidance is provided. As a result of the issue of the new IFRS11 and of the new IFRS 12, *IAS28 Investments in Associates* was renamed *IAS28 Investments in Associates and Joint Ventures*.

The analysis conducted on first-time adoption in the MFM Group's Consolidated Financial Statements showed, first of all, the need to change the consolidation method adopted for "joint ventures", which in the past were consolidated with the proportional method, which provides for the consolidation on a line-by-line basis of the share of each assets, liabilities, revenues and costs of the joint venture in the respective items in the consolidated financial statements.

The MFM Group's Consolidated Financial Statements at 31 December 2013 reported the following operating joint ventures, for which the Group companies hold interests that ensure joint control as of right and as of fact (i.e. arising from agreements with the other interest holders):

- AMG S.r.l. (50% owned by Servizi Ospedalieri S.p.A.)
- Malaspina Energy Soc. Cons. a r.l. (50% owned by MFM S.p.A.)
- Cardarelli Soc. Cons. a r.l. (60% owned by MFM S.p.A.)
- DUC Gestione Sede Unica Soc. Cons. a r.l. (49% owned by MFM S.p.A.)
- Legnago 2001 Soc. Cons. a r.l. (50% owned by MFM S.p.A.)
- Servizi Luce Soc. Cons. a r.l. (50% owned by SMAIL S.p.A.)

In the application of the so-called "equity method", the interest in an investee company is initially recognized at cost in the consolidated Statement of Financial Position, increased by changes, after the acquisition, in the net assets of the investee company. Goodwill (if any) arising from the acquisition is included in the carrying amount of the equity investment and not subject to amortisation. The consolidated Statement of Profit or Loss for the year reflects the Group's share of the result for the year of the investee company. In the event that the investee company recognizes adjustments that are directly attributable to equity, the Group will recognize its relevant share and will reported it, if applicable, in the consolidated Statement of Changes in Shareholders' Equity and in the consolidated Statement of Other Comprehensive Income.

Reconciliation of the equity and profit for the year in the consolidated Financial Statements at 31 December 2013 and the Equity and Profit for the year at 31 December 2013, as restated to include the effects of changes in accounting standards

The accounting standards IFRS10, IFRS11 and IFRS12 were applied on a retroactive basis pursuant to IAS8, through the restatement of consolidated data at 1 January 2013. As regards all the joint ventures listed above, a restatement was made of the accounting statements included in the consolidated Financial Statements.

However, the adoption of a different consolidation method did not have any effect on consolidated net profit, as these consolidation methods have the same bottom-line effects. On the contrary, a restatement was made of the single items in the financial statements, which had previously included the Group's proportional share of assets, liabilities, costs and revenues and the corresponding Expense/Income from interests accounted for at equity were subsequently recognized under Financial Income/Costs in the consolidated Statement of Profit/(Loss) for the year. The effects (if any) accounted for under equity reserves in previous years were maintained under the respective reserves and were included in the consolidated Statement of other comprehensive income.

The tables below show the changes that were reported in the single items of the consolidated Financial Statements as a result of the changes in accounting standards described above.

Below is reported the reconciliation of the financial figures at 1 January 2013 and the financial figures at 1 January 2013, as restated to include the abovementioned adjustments.

(in thousands of Euro)	As of 1 January 2013	Effects of new standards	As of 1 January 2013 restated
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	80,276	(2,400)	77,876
Property, plant and equipment under lease	5,996	0	5,996
Goodwill	418,724	(1,047)	417,677
Other intangible assets	26,919	(3)	26,916
Investments accounted for under the equity method	27,881	2,147	30,028
Other investments	3,041	0	3,041
Non-current financial assets	11,455	168	11,623
Other non-current assets	1,746	(8)	1,738
Deferred tax assets	23,550	(10)	23,540
TOTAL NON-CURRENT ASSETS	**599,588**	**(1,153)**	**598,435**
CURRENT ASSETS			
Inventories	11,240	(35)	11,205
Trade receivables and advances to suppliers	655,497	(2,312)	653,185
Current tax receivables	24,747	(56)	24,691
Other current assets	23,690	(456)	23,234
Current financial assets	11,202	278	11,480
Cash and cash equivalents	51,987	(593)	51,394
TOTAL CURRENT ASSETS	**778,363**	**(3,174)**	**775,189**
Assets classified as held for sale	130	0	130
TOTAL NON-CURRENT ASSETS HELD FOR SALE	**130**	0	**130**
TOTAL ASSETS	**1,378,081**	**(4,327)**	**1,373,754**
SHAREHOLDERS' EQUITY			
Share capital	109,150	0	109,150
Reserves	144,221	0	144,221
Retained earnings	23,540	0	23,540
Profit/(loss) for the year attributable to equity holders of the Parent	32,574	0	32,574
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**309,485**	0	**309,485**
Capital and reserves attributable to non-controlling interests	1,772	0	1,772
Profit/(loss) for the year attributable to non-controlling interests	728	0	728
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**2,500**	0	**2,500**
TOTAL SHAREHOLDERS' EQUITY	**311,985**	0	**311,985**
NON-CURRENT LIABILITIES			
Employee termination indemnity	31,321	(160)	31,161
Provisions for risks and charges, non-current	11,797	0	11,797
Derivatives	1,222	0	1,222
Long-term debt	119,213	(793)	118,420
Deferred tax liabilities	12,006	(15)	11,991
Other non-current liabilities	7	0	7
TOTAL NON-CURRENT LIABILITIES	**175,566**	**(968)**	**174,598**
CURRENT LIABILITIES			
Provisions for risks and charges, current	29,297	0	29,297
Trade payables and advances from customers	441,551	(2,136)	439,415
Current tax payables	2,922	(30)	2,892
Other current liabilities	148,362	(249)	148,113
Bank borrowings, including current portion of long-term debt and other financial liabilities	268,334	(944)	267,390
TOTAL CURRENT LIABILITIES	**890,466**	**(3,359)**	**887,107**
Liabilities directly associated with assets classified as held for sale	64	0	64
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**64**	0	**64**
TOTAL LIABILITIES	**1,378,081**	**(4,327)**	**1,373,754**

Below is reported the reconciliation of the economic figures at 31 December 2013 reported in the Consolidated Financial Statements at 31 December 2013 and the economic figures at 31 December 2013, as restated to include changes in accounting standards. The statement also includes the effects of the application of IFRS5 in the restatement of comparative data:

(in thousands of Euro)	For the year ended 31 December 2013	Effects of new standards	Effects of IFRS5	For the year ended 31 December 2013 restated
Revenue				
Revenue from sales and services	1,077,932	(2,459)	(31,882)	1,043,591
Other revenue	2,665	(23)	(142)	2,500
Total revenue	**1,080,597**	**(2,482)**	**(32,024)**	**1,046,091**
Operating costs				
Costs of raw materials and consumables	(173,711)	609	7,398	(165,704)
Cost of services and use of third party assets	(394,229)	269	8,349	(385,611)
Personnel costs	(387,757)	1,001	11,549	(375,207)
Other operating costs	(8,353)	70	611	(7,672)
Capitalized internal construction costs	1,838	0	0	1,838
Amortization, depreciation, write-downs and write-backs of assets	(43,205)	387	2,063	(40,755)
Accruals (reversal) to provision for risks and charges	(11,105)	0	95	(11,010)
Total operating costs	**(1,016,522)**	**2,336**	**30,065**	**(984,121)**
Operating income	**64,075**	**(146)**	**(1,959)**	**61,970**
Financial income and expenses				
Share of net profit of associates	2,592	60	0	2,652
Dividends and net income (loss) from sale of investments	665	0	0	665
Financial income	2,713	(14)	889	3,588
Financial expenses	(32,317)	67	1,231	(31,019)
Gains/(losses) on exchange rate	1	0	(1)	0
Profit before taxes from continuing operations	**37,727**	**(33)**	**162**	**37,856**
Income taxes	(23,211)	33	430	(22,748)
Profit from continuing operations	**14,516**	**0**	**592**	**15,108**
Loss after tax for the year from discontinued operations	(425)	0	(592)	(1,017)
Net profit of the year	**14,091**	**0**	**0**	**14,091**
Net profit attributable to minority interests	(344)	0	0	(344)
Net profit attributable to equity holders of the parent	**13,747**	**0**	**0**	**13,747**

Below is reported the reconciliation of financial figures at 31 December 2013 reported in the Consolidated Financial Statements at 31 December 2013 and financial figures at 31 December 2013, as restated to include the abovementioned adjustments.

(in thousands of Euro)	As of 31 December 2013	Effects of new standards	As of 31 December 2013 restated
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	80,059	(2,739)	77,320
Property, plant and equipment under lease	3,598	0	3,598
Goodwill	416,141	(1,047)	415,094
Other intangible assets	29,064	(2)	29,062
Investments accounted for under the equity method	29,660	2,198	31,858
Other investments	3,038	0	3,038
Non-current financial assets	10,668	172	10,840
Other non-current assets	1,653	(15)	1,638
Deferred tax assets	24,129	(3)	24,126
TOTAL NON-CURRENT ASSETS	**598,010**	**(1,436)**	**596,574**
CURRENT ASSETS			
Inventories	6,194	(32)	6,162
Trade receivables and advances to suppliers	696,677	(1,973)	694,704
Current tax receivables	16,548	(53)	16,495
Other current assets	29,650	(511)	29,139
Current financial assets	13,208	166	13,374
Cash and cash equivalents	185,293	(755)	184,538
TOTAL CURRENT ASSETS	**947,570**	**(3,158)**	**944,412**
Assets classified as held for sale	7,868	0	7,868
TOTAL NON-CURRENT ASSETS HELD FOR SALE	**7,868**	**0**	**7,868**
TOTAL ASSETS	**1,553,448**	**(4,594)**	**1,548,854**
SHAREHOLDERS' EQUITY			
Share capital	109,150	0	109,150
Reserves	167,797	0	167,797
Retained earnings	33,606	0	33,606
Profit/(loss) for the year attributable to equity holders of the Parent	13,747	0	13,747
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**324,300**	**0**	**324,300**
Capital and reserves attributable to non-controlling interests	1,611	0	1,611
Profit/(loss) for the year attributable to non-controlling interests	344	0	344
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**1,955**	**0**	**1,955**
TOTAL SHAREHOLDERS' EQUITY	**326,255**	**0**	**326,255**
NON-CURRENT LIABILITIES			
Employee termination indemnity	27,785	(186)	27,599
Provisions for risks and charges, non-current	11,715	0	11,715
Derivatives	457,074	(705)	456,369
Long-term debt	12,156	(12)	12,144
Deferred tax liabilities	8	(1)	7
Other non-current liabilities	**508,738**	**(904)**	**507,834**
TOTAL NON-CURRENT LIABILITIES			
CURRENT LIABILITIES			
Provisions for risks and charges, current	24,973	0	24,973
Trade payables and advances from customers	456,420	(2,733)	453,687
Current tax payables	227	(1)	226
Other current liabilities	148,535	(192)	148,343
Bank borrowings, including current portion of long-term debt and other financial liabilities	85,880	(764)	85,116
TOTAL CURRENT LIABILITIES	**716,035**	**(3,690)**	**712,345**
Liabilities directly associated with assets classified as held for sale	2,420	0	2,420
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**2,420**	**0**	**2,420**
TOTAL LIABILITIES	**1,553,448**	**(4,594)**	**1,548,854**

Furthermore, the Group has prepared a new consolidated Statement of Cash Flows, with the objective to also improve the representation of the financial flows for the year in relation to the significant changes that have been reported in the capital and financial structure in the most recent financial years.

Below is reported the reconciliation of the values arising from the Consolidated Financial Statements at 31 December 2013 and the values at 31 December 2013 as restated to adopt the change in the relevant accounting standards and in the items of the Consolidated Statement of Cash Flows:

(in thousands of Euro)	For the year ended 31 December 2013	Effects of the news standards	Effects of IFRS5	For the year ended 31 December 2013 Restated
Profit/(loss) from continuing operations	**14,516**	**0**	**(2,293)**	**12,223**
Income taxes	23,211	(33)	(430)	22,748
Profit/(loss) before taxes for the year	**37,727**	**(33)**	**(2,723)**	**34,971**
Profit (loss) after tax for the year from discontinued operations	0	0	1,867	1,867
Amortization, depreciation, write-downs and (write-backs) of assets	43,205	(389)	2	42,818
Accrual (reversal) of provisions for risks and charges	11,105	0	425	11,530
Employee termination indemnity provision	1,788	(31)	0	1,757
Payments of employee termination indemnity	(4,247)	5	0	(4,242)
Utilization of provisions for risks and charges	(14,780)	0	0	(14,780)
Share of net profit of associates, net of dividends collected	(855)	(60)	0	(915)
Financial expenses for the year	29,605	(53)	0	29,552
Cash flows from operating activities before movements in working capital	**103,549**	**(561)**	**(429)**	**102,559**
Of which related to discontinuing operations	0	0	98,075	98,075
Of which related to continuing operations	0	0	4,484	4,484
Decrease (increase) of inventories	4,964	(3)	0	4,961
Decrease (increase) of trade receivables	(48,583)	(300)	0	(48,883)
Decrease (increase) of other current assets	(6,241)	28	0	(6,213)
Increase (decrease) of trade payables	12,113	(597)	0	11,516
Increase (decrease) of other current liabilities	789	56	0	845
Change in working capital	**(36,958)**	**(816)**	**0**	**(37,774)**
Net interest received (paid) in the year	(14,113)	45	0	(14,068)
Income tax paid in the year	(20,607)	55	430	(20,123)
Net cash flow from operating activities	**31,870**	**(1,276)**	**0**	**30,594**
Purchase of intangible assets, net of sales	(10,430)	(1)	0	(10,431)
Purchase of property, plant and equipment net of sales	(25,259)	753	0	(24,506)
Proceeds from sales of property, plant and equipment	673	(31)	0	642
Acquisition of investments	(194)	9	0	(185)
Decrease (increase) of financial assets	1,167	108	0	1,275
Net cash used in business combinations	(854)	0	0	(854)
Discontinuing operations	(8)	0	0	(8)
Net cash flow used in investing activities	**(34,905)**	**838**	**0**	**(34,067)**
Net proceeds from/(repayment of) borrowings	139,873	276	0	140,149
Dividends paid	(565)	0	0	(565)
Acquisition/Sale of minority interests in subsidiaries	(1,792)	0	0	(1,792)
Reclassification of assets held for sale	(1,175)	0	0	(1,175)
Net cash flow from / (used in) financing activities	**136,341**	**276**	**0**	**136,617**
Changes in cash and cash equivalents	**133,306**	**(162)**	**0**	**133,144**
Cash and cash equivalents at the beginning of the year	51,987	(593)	0	51,394
Changes in cash and cash equivalents	133,306	(162)	0	133,144
Cash and cash equivalents at the end of the year	**185,293**	**(755)**	**0**	**184,538**
Breakdown of cash and cash equivalents:				
Cash and bank current accounts	185,293	(755)	0	184,538
TOTALE CASH AND CASH EQUIVALENTS	**185,293**	**(755)**	**0**	**184,538**

4. Property, plant and equipment

The table below shows the changes in property, plant and equipment (owned and under a finance lease) in the year ended 31 December 2014.

(in thousands of Euro)	Property	Plant and equipment	Property under lease	Plant and equipment under lease	Total
At 1 January 2014 restated, net of accumulated depreciation and impairment	**5,243**	**72,077**	**222**	**3,376**	**80,918**
Additions due to business combination	0	0	0	0	0
Additions from acquisitions	8	17,512			17,520
Impairment losses	(23)	0			(23)
Disposals	(35)	(1,774)		(2)	(1,811)
Depreciation for the year	(162)	(24,387)	(22)	(685)	(25,256)
Others	(61)	(707)		(22)	(790)
At 31 December 2014	**4,970**	**62,721**	**200**	**2,667**	**70,558**
At 1 January 2014 restated					
Cost	7,296	294,984	375	6,215	308,870
Accumulated depreciation and impairment losses	(2,053)	(222,907)	(153)	(2,839)	(227,952)
NET BOOK VALUE	**5,243**	**72,077**	**222**	**3,376**	**80,918**
At 31 December 2014					
Cost	6,981	304,936	375	4,953	317,245
Accumulated depreciation and impairment losses	(2,011)	(242,215)	(175)	(2,286)	(246,687)
NET BOOK VALUE	**4,970**	**62,721**	**200**	**2,667**	**70,558**

The additions from acquisitions for the year relate for € 15,999 thousand to investments made by companies operating in the Laundering & Sterilization segment, mainly due to the purchase of linen (€ 11,729 thousand) and to the purchases of plant, machinery and specific equipment (€ 2,002 thousand).

Finally, € 1,641 thousand was specifically invested in surgical instrumentation sterilization activities. The residual amount mainly refers to the purchase of machinery and equipment used in the Facility Management services.

The decreases for the year, totalling € 1,811 thousand, mainly relate to the sale of equipment relating to the Porto Garibaldi plant for € 704 thousand, of which € 406 thousand relate to the sale of linen and € 311 thousand relate to some transfers that took place in the year, thus achieving a capital loss of € 23 thousand.

Other changes mainly relate to the business conducted by the sub-group controlled by MIA S.p.A., which was transferred on 30 December 2014. They also include reclassifications of lower amounts under classes and categories of assets, first of all after the repurchase of leased assets and equipment.

The table below shows the changes in property, plant and equipment (owned and under a finance lease) in the year ended 31 December 2013.

(in thousands of Euro)	Properties	Plant and equipment	Properties leased	Plant and equipment leased	Total
At 1 January 2013 restated, net of accumulated depreciation and impairment	**5,249**	**72,627**	**243**	**5,753**	**83,872**
Additions from business combinations	0	28		0	28
Additions from acquisitions	781	21,697		2,028	24,506
Impairment losses		(1,048)		(138)	(1,186)
Disposals	(15)	(627)			(642)
Depreciation for the year	(286)	(24,485)	(21)	(832)	(25,624)
Others	(486)	3,885	0	(3,435)	(36)
At 31 December 2013 restated	**5,243**	**72,077**	**222**	**3,376**	**80,918**
At 1 January 2013 restated					
Cost	7,433	273,601	375	9,969	291,378
Accumulated depreciation and impairment losses	(2,184)	(200,974)	(132)	(4,216)	(207,506)
NET BOOK VALUE	**5,249**	**72,627**	**243**	**5,753**	**83,872**
At 31 December 2013 restated					
Cost	7,296	294,984	375	6,215	308,870
Accumulated depreciation and impairment losses	(2,053)	(222,907)	(153)	(2,839)	(227,952)
NET BOOK VALUE	**5,243**	**72,077**	**222**	**3,376**	**80,918**

5. Intangible assets

The table below shows the changes in intangible assets in the year ended 31 December 2014.

(in thousands of Euro)	Other intangible assets	Goodwill	Total
As of 1 January 2014, net of accumulated amortization and impairment	**29,062**	**415,094**	**444,156**
Additions from acquisition	9,276		9,276
Disposals	(9)		(9)
Amortization of the year	(8,285)		(8,285)
Impairment losses	(4,418)		(4,418)
Other	(844)	(45,234)	(46,078)
As of 31 December 2014	**24,782**	**369,860**	**394,642**
As of January 1, 2014			
Cost	85,558	417,487	503,045
Accumulated amortization and impairment losses	(56,496)	(2,393)	(58,889)
Net Book Value	**29,062**	**415,094**	**444,156**
As of 31 December 2014			
Cost	89,572	372,253	461,825
Accumulated amortization and impairment losses	(64,790)	(2,393)	(67,183)
Net Book Value	**24,782**	**369,860**	**394,642**

Goodwill is tested annually for impairment; for more details please refer to note 6 below.

Other changes include a decrease equal to € 45,234 thousand, which was recognised in the sub-consolidated accounts of MIA S.p.A. and which was disposed of in the transaction that took place in December 2014 as described above.

Other intangible assets, amounting to € 24,782 thousand at 31 December 2014, mainly consist of investments in software carried out as part of the projects aimed at upgrading and enhancing the corporate information systems. The additions from acquisitions for the year (€ 9,276 thousand) were attributable almost entirely to the investments in software used in the corporate IT systems within the Facility Management SBU (€ 8,929 thousand).

The amortisation charges of intangible assets amounted to € 8,285 thousand in 2014, compared to € 8,767 thousand in the previous year. Amortization of backlog came to € 603 thousand in the year.

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

The table below shows the changes in intangible assets in the year ended 31 December 2013, as restated.

(in thousands of Euro)	Other intangible assets	Goodwill	Total
At 1 January 2013 restated, net of accumulated amortization and impairment	**26,917**	**417,677**	**444,594**
Additions from business combinations	680		680
Additions from acquisitions	10,987		10,987
Disposals	(66)	(490)	(556)
Amortization for the year	(8,767)		(8,767)
Impairment losses	(686)		(686)
Others	(3)	(2,093)	(2,096)
At 31 December 2013 restated	**29,062**	**415,094**	**444,156**
At 1 January 2013 restated			
Cost	73,042	420,070	493,112
Accumulated amortization and impairment losses	(46,125)	(2,393)	(48,518)
NET BOOK VALUE	**26,917**	**417,677**	**444,594**
At 31 December 2013 restated			
Cost	85,558	417,487	503,045
Accumulated amortization and impairment losses	(56,496)	(2,393)	(58,889)
NET BOOK VALUE	**29,062**	**415,094**	**444,156**

6. Impairment testing 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.

ASA—Facility Management

The SBU is identified with:

- Manutencoop Facility Management S.p.A.
- Manutencoop Private Sector Solutions S.p.A.

- SMAIL S.p.A. and the Group controlled by Sicura S.p.A., operating in the facility management segment as suppliers of more specialist services
- Telepost S.p.A. which provides internal mailing services for the Telecom Italia Group
- other minor investee companies operating in the same segment.

The 2014 financial year saw the transfer of MIA S.p.A. that operated in this segment. Furthermore, at 31 December 2014, the SMAIL S.p.A. business unit used in the respective public lighting equipment maintenance business was classified as an asset held for sale pursuant to IFRS5.

ASA—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 operating in the same segment.

ASA—Other
The SBU is identified with:

- MACO S.p.A., to which the business unit relating to Group ''building'' activities was conferred in 2009; this company has also been the object of assessments by the Management as to the exit from the market of this business, since Management does not consider it to be strategic any longer
- Other minor investee companies operating in the same segment.

The table below sets forth the carrying amounts of the goodwill recognized in the Consolidated Financial Statements at 31 December 2014, relating to the different CGUs, compared with the figures for the year ended 31 December 2013.

Book value of consolidated goodwill (in thousands of Euro)	**31 December 2014**	**31 December 2013 restated**
Goodwill CGU Facility Management	358,097	403,331
Goodwill CGU Laundering/Sterilization	11,763	11,763
Goodwill CGU Other	0	0
Totale goodwill	**369,860**	**415,094**

Facility Management CGU goodwill

The goodwill allocated to the Facility Management CGU, which amounted to € 358,097 thousand at 31 December 2014, 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 Manutencoop Private Sector 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.

In 2014 the value of goodwill pertaining to the Facility Management CGU decreased by € 45,234 thousand following the transfer of subsidiary MIA S.p.A., as described in note 5.

Laundering & Sterilization CGU goodwill

The goodwill allocated to the Laundering & Sterilization CGU emerged as a result of the 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.

Total goodwill attributable to the Laundering & Sterilization CGU, unchanged with respect to the previous year, amounted to € 11,763 thousand at 31 December 2014.

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 was carried out through the comparison between the net book value and the recoverable value of the individual CGUs/SBUs to which goodwill had been allocated, as determined on the basis of the discounting-back of expected future cash flows relating to the period 2015-2019 extrapolated from the Business Plan of the Manutencoop Group.

The business plan used for the analyses described in these notes was approved by the Management Board of Manutencoop Facility Management S.p.A. on 23 February 2015.

The estimated value in use 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 2015-2019 were extrapolated from the Business Plan. The main assumptions on which Management based cash flow projections for the purposes of impairment test of goodwill are:
  - Determination of the value of the forecast gross margins according to the projection of the backlog of existing service contracts, augmented by the assumption of new portfolio acquisitions.
  - Changes in net working capital estimated on the basis of the target days of stock rotation, the payment of amounts due and collection of receivables.
- A terminal value used to estimate future results beyond the time horizon expressly considered. The terminal value was determined by applying a NOPLAT equal to 2019 EBIT, net of a nominal tax rate. As regards long-term growth rates, an assumption of 1% was considered for the Facility Management SBU and of 0.5% for the Laundering & Sterilization SBU.
- The expected future cash flows were discounted back at a discount rate (WACC) of 7.35% for the Facility Management SBU (2013: 7.92%) and at a discount rate (WACC) of 6.61% (2013: 7.66%) for the Laundering & Sterilization SBU. The WACC was determined by using the Capital Asset Pricing Model (“CAPM”), by which the risk-free rate was calculated with reference to the

curve of the rates of return of Italian long-term government bonds, while the non-diversifiable systematic risk ratio (*ßeta*) and the debt/equity ratio were extrapolated from the analysis of a group of comparable companies operating in the European facility management and laundering sector. In addition, in order to reflect the uncertainty of the current economy and the future market conditions, the cost of the equity component of the WACC rate was increased with a risk premium of 100 basis points 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 growth rates (equal to 0%), also in combination with WACCs exceeding those applied by a percentage point (and, then, equal to 8.35% for Facility Management and to 7.61% for Laundering & Sterilization, respectively), there would be no need to make write-downs in both CGUs/SBUs, as the recoverable value would exceed the related book value.

7. Investments accounted for under the equity method

The Group holds some investments in associates and joint venture, which are accounted under the equity method in the Consolidated Financial Statements. A complete list of these investments is provided in Annex I attached to the Consolidated Financial Statements.

Specifically, at 31 December 2014 the Group held ten investments in joint-ventures. These relate mostly to consortium companies and companies not listed on regulated markets and established for the purpose of regulating relations under temporary business combined set up for the operational management of certain facility management and industrial laundering service contracts.

At 31 December 2014 the net-book value of investments valued at Equity amounted to € 29,390 thousand, compared to a figure of € 31,858 thousand in the previous year.

(in thousands of Euro)	**Net Assets 31 December 2014**	**Net Assets 31 December 2013 Restated**
Investments valued at Equity	29,390	31,858
Provision for risks on investments	(60)	(60)
INVESTMENTS VALUED AT EQUITY	**29,330**	**31,798**

The breakdown of changes during the year is shown in Annex II attached to the Consolidated Financial Statements.

In 2014 investments accounted for under the equity method overall recorded a positive result equal to € 1,198 thousand, for the share attributable to the Group, as a result of the recognition of income from equity investments of € 1,884 thousand and write-downs of € 686 thousand. Furthermore, positive effects were recognized directly in the consolidated equity to an overall amount of € 1,095 thousand.

In April 2014 the quota held by MFM S.p.A. in Perimetro Gestione Proprietà Immobiliari S.c.p.a. (20.10%) was transferred to third parties at its book value (€ 1,111 thousand).

Below are the main financial statements data relating to the most important companies, as well as to the project financing companies owned by the Group. The data relate to the information contained in the most recent separate financial statements and accounting positions available.

(in thousands of Euro)	Ownership %	Total Assets	Liabilities	Shareholders' equity	Net financial position	Revenues	Profit (loss) for the year
Palazzo della Fonte S.c.p.a.	33%	91,692	(52,965)	(38,727)	(47,494)	15,178	0
Roma Multiservizi S.p.A.	45%	60,952	(44,140)	(16,812)	(15,334)	79,397	627
Project financing companies	<50%	409,046	(379,581)	(29,465)	(109,491)	144,622	1,589

Project financing companies (Newcoduc S.p.A., Progetto ISOM S.p.A., Progetto Nuovo Sant'Anna S.r.l., 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.

8. Other investments and non-current financial assets

The table below sets forth the breakdown of other non-current assets at 31 December 2014 and at 31 December 2013:

(in thousands of Euro)	31 December 2014	31 December 2013 Restated
Other investments	3,341	3,038
Non-current financial assets	18,449	10,840
Other non-current assets	1,787	1,638
OTHER NON-CURRENT ASSETS	**23,577**	**15,516**

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 € 18,449 thousand at 31 December 2014 (€10,840 thousand at 31 December 2013), are composed of:

- € 7,541 thousand of non-current financial receivables due from associates, affiliates and joint ventures (€8,426 thousand at 31 December 2013). The face value of these receivables is € 8,728 thousand, while the discounting fund amounts to € 288 thousand. Some of these are non-interest bearing since they were drawn down proportionally from each consortium partner and are thus discounted on the basis of their expected residual maturity, applying Eurirs as the reference interest rate, plus a spread. The decrease recognised in the year was mainly linked to the reclassification of an existing loan disbursed to an associate of MFM S.p.A. under short-term loans.
- € 10,745 thousand of non-current financial receivables from third parties (€1,082 thousand at 31 December 2013); this increase was due to the recognition of € 10,000 thousand of the escrow account relating to the transfer of MIA S.p.A..
- € 163 thousand of securities held to maturity (€ 163 thousand at 31 December 2013).

9. Other non-current assets

Other non-current assets, amounting to € 1,787 thousand at 31 December 2014 (€ 1,638 thousand at 31 December 2013) mainly consist of security deposits related to long-term manufacturing contracts (€ 1,000 thousand) and long-term prepaid expenses relating to certain job orders (€ 526 thousand).

10. Inventories

The Group recognized inventories of € 5,115 thousand at 31 December 2014, marking a decrease of € 1,047 thousand compared to the previous year.

(in thousands of Euro)	**31 December 2014**	**31 December 2013 Restated**
Inventories of raw materials, consumables and goods for resale	5,257	6,268
Provision for write-down of raw materials, finished products and goods for resale	(142)	(106)
INVENTORIES	**5,115**	**6,162**

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.

The decrease recognised in the year was mainly linked to the sale of the Group controlled by MIA S.p.A., which had recognized inventories of € 700 thousand at 31 December 2013.

11. 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 2014 and 31 December 2013:

(in thousands of Euro)	31 December 2014	of which from related parties	31 December 2013 Restated	of which from related parties
Inventories of contract work in progress	21,242	4	26,096	
Trade receivables, gross	552,564		663,319	
Allowance for doubtful accounts	(37,507)		(38,672)	
Provision for discounting of trade receivables	(57)		(301)	
Trade receivables from third parties	**536,242**	**4**	**650,442**	
Inventories of contract work in progress – Group	0		584	584
Trade receivables from Parent Companies	113	113	58	58
Trade receivables from Group companies	34,801	34,801	34,555	34,555
Trade receivables from Affiliates and Joint Ventures	7,706	7,706	5,418	5,418
Trade receivables from Manutencoop Group	**42,620**	**42,620**	**40,615**	**40,615**
Advances to suppliers	1,767		3,647	0
TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS	**580,629**	**42,624**	**694,704**	**40,615**
Other tax receivables due within 12 months	10,999		8,563	
Other current receivables due from third parties	13,776		15,526	
Short-term receivables due from social security institutions	4,057		2,785	
Short-term receivables due from employees	485		488	
Other short-term operating receivables due from third parties	**29,317**		**27,362**	
Other receivables from parent company	9	9	10	10
Other receivables from associates	78	78	78	78
Other short-term operating receivables due from Group companies	**87**	**87**	**88**	**88**
Accrued income	1		2	
Prepaid expenses	1,227		1,687	
Accrued income and prepaid expenses	**1,228**		**1,689**	
Other current receivables	**30,632**	**87**	**29,139**	**88**

The balance of *trade receivables and advances to suppliers*, which also includes inventories of contract work in progress, amounted to € 580,629 thousand at 31 December 2014, showing a decrease of € 114,075 thousand compared to the amount of € 694,704 thousand at 31 December 2013.

The change is mainly due to a decrease in gross trade receivables, which amounted to € 552,564 thousand at 31 December 2014 (31 December 2013: € 659,799 thousand), against the related adjustment provisions that showed a balance of € 37,507 thousand at 31 December 2014 (31 December 2013: € 38,672 thousand).

Furthermore, in the course of 2014, the Group entered into an agreement for the repurchase of the trade receivables assigned to Banca IMI in previous financial years and not yet collected by the factor, for an initial overall cost of € 9,946 thousand. The balance of these receivables has been recognised at the purchase value under "trade receivables", while the balance of the items not yet collected at 31 December 2014 was equal to € 5,901 thousand.

As part of the non-recourse factoring transactions the Group issued sureties for a total nominal value of € 2,104 thousand. In light of the characteristics of the transactions and the protections to which the assumption of enforcement of the sureties is subject, the fair value of the underlying financial guarantees, which the Group recorded under *Loans and other current financial liabilities*, has been written off as the assignments of receivables are no longer carried out (31 December 2013: € 35 thousand). The related financial impact was accounted for under financial income.

Trade receivables from Group companies include, in particular, receivables from project financing companies, including Progetto ISOM S.p.A. (€9,337 thousand), Progetto Nuovo S. Anna (€5,818 thousand) and Se.Sa.Mo. S.p.A. (€3,003 thousand).

Since many of the Group's customers are Public Authorities, who are notorious for long payment delays, it was necessary to discount trade receivables in the past. Changes in the provision for discounting of trade receivables in 2014 are shown below:

(in thousands of Euro)	31 December 2013 Restated	Increases	Utilizations	Other changes	31 December 2014
Provision for discounting of trade receivables	301	0	(244)	0	57

The total decrease in the provision for discounting receivables is primarily due to the amounts freed from provisions previously allocated by the main Group companies, since collections are now in line with market practice after the substantial improvement in average sale days outstanding and the discounting impact is no longer judged to be significant.

A specific provision for bad debts was also recognized in connection with non-performing receivables, which are difficult to fully recover, amounting to € 37,507 thousand at 31 December 2014 (at 31 December 2013: € 38,672 thousand). Below are the reported the changes in the year:

(in thousands of Euro)	31 December 2013 Restated	Increases	Utilizations	Releases	Business combinations	Other changes	31 December 2014
Provision for bad debts	38,672	2,937	(2,877)	(265)	0	(960)	37,507

The other changes relate to amounts previously classified as *provisions for future charges* that for the purpose of clarification have been reclassified and directly deducted from the asset items to which they referred. The same section also reports a decrease in the consolidated provision for write-down of default interest.

An analysis of trade receivables at 31 December 2014 and as at the end of the previous year is provided below, broken down by maturity.

			Past due trade receivables				
(in thousands of Euro)	Total	Not yet due	< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	after 120 days
31 December 2014	515,057	338,880	35,276	22,162	8,698	10,380	99,661
31 December 2013 Restated . . .	624,647	389,886	62,866	35,189	18,788	20,440	97,478

The balances shown are net of the provision for bad debts but include the effect of discounting.

Other current assets, equal to € 30,632 thousand (€29,139 thousand at 31 December 2013), increased by an overall amount of € 1,493 thousand in the year.

This item includes the receivables arising from the periodic VAT settlements of some Group companies (€ 7,917 thousand compared to € 5,731 thousand at 31 December 2013).

The same item had also been recognizing, since 2012, receivables of € 2,587 thousand from the Tax Authorities on account of refund following the petition submitted for the deduction of IRAP (Local Production Activities) tax from the IRES (Corporate Income) tax base by companies not adhering to the National Tax Consolidation agreement with Manutencoop Società Cooperativa.

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

12. Cash and cash equivalents, receivables and current financial assets

A breakdown of the balance as at 31 December 2014 and 31 December 2013 is shown below:

(in thousands of Euro)	31 December 2014	31 December 2013 Restated
Bank and postal deposits	108,529	173,101
Cash in hand	36	71
Current financial accounts - consortia	4,817	11,366
Cash and cash equivalents	**113,382**	**184,538**
Current financial receivables from third parties	2,005	11,711
Current financial receivables from associates	1,494	1,602
Current financial receivables	**3,499**	**13,313**
Other receivables for dividends	2	61
Receivables and other current financial assets	**3,501**	**13,374**

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

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

At 31 December 2014 *Current financial assets* amounted to € 3,501 thousand (at 31 December 2013: € 13,374 thousand).

At 31 December 2013 this item included the balance of pledged current accounts related to the collection service of the receivables assigned without recourse to Intesa San Paolo (€ 9,512 thousand). These accounts were released in 2014 after the transaction already described above, in which receivables not yet collected by the Factor were bought back with the consequent exit from the previously existing assignment programme.

At 31 December 2014 the following items had been mainly recognised:

- receivables for transfers of businesses to third parties for € 910 thousand, as per contract;
- an overall amount of € 1,494 thousand of receivables from short-term loans and financial accounts held with non-consolidated Group companies.

13. Assets classified as held for sale and liabilities directly associated with assets classified as held for sale

Non-current assets held for sale

At 31 December 2014 *Non-current assets held for sale* amounted to € 5,003 thousand (at 31 December 2013: € 7,868 thousand).

(in thousands of Euro)	31 December 2014	31 December 2013 Restated
SMAIL S.p.A. balance sheet assets	5,003	0
Energyproject S.r.l. balance sheet assets	0	7,391
Mowbray S.r.l. balance sheet assets	0	347
Residential property owned by Unilift S.r.l	0	130
NON-CURRENT Assets held for sale	**5,003**	**7,868**

The table below shows an analytical breakdown of the item:

	31 December 2014	31 December 2013 Restated			
(in thousands of Euro)	SMAIL S.p.A.	Energyproject S.r.l.	Mowbray S.r.l.	Unilift S.r.l.	Total
Property, plant and equipment				130	130
Deferred tax assets		524			524
Current tax receivables		1,319			1,319
Inventories		3,388			3,388
Other non-current assets		31	27		58
Trade receivables and advances to suppliers	5,003	704	6		710
Current financial assets		100			100
Other current assets		270	194		464
Cash and cash equivalents		1,055	120		1,175
Total NON-CURRENT assets held for sale	**5,003**	**7,391**	**347**	**130**	**7,868**

At 31 December 2014 non-current assets held for sale amounted to € 5,003 thousand compared to € 7,868 thousand recognised at 31 December 2013. They included the assets involved in the business unit of SMAIL S.p.A. for which the management have started a disposal plan that is expected to be completed in 2015.

The balance sheet assets of Energyproject and Mowbray S.r.l. were transferred in the course of the year, together with the property owned by Unilift S.r.l..

Specifically:

- On 3 February 2014 an agreement was reached for the transfer of the total quotas of the quota capital of Energyproject S.r.l. (and the related subsidiary Mowbray S.r.l.) to UMA S.r.l. at a price of € 660 thousand, in addition to the repayment of the shareholders' loan outstanding at 31 December 2013.
- On 20 January 2014 Unilift S.r.l. completed the sale of the property to the former quotaholders of ABM S.r.l., subject to the prior redemption of the mortgage encumbering the property.

No additional write-downs were applied to adjust them at their sales value following the disposals in question.

Liabilities directly associated with non-current assets held for sale

At 31 December 2014 no liabilities were recognised which were directly associated with non-current assets held for sale, as they were discharged or assumed in the course of the year.

(in thousands of Euro)	31 December 2014	31 December 2013 Restated
Energyproject S.r.l. balance sheet liabilities	0	1,863
Mowbray S.r.l. balance sheet liabilities	0	77
Provisions for risks and charges in consolidated accounts	0	425
Non-current loans (mortgages) of Unilift S.r.l.	0	55
Liabilities directly associated with assets classified as held for sale	**0**	**2,420**

The table below shows an analytical breakdown of the comparative item:

	31 December 2014	31 December 2013 Restated			
(in thousands of Euro)	SMAIL S.p.A.	Energyproject S.r.l.	Mowbray S.r.l.	Unilift S.r.l.	Total
Employee termination indemnity	0	3	0	0	**3**
Provisions for risks and charges, current in consolidated accounts	0	425	0	0	**425**
Provisions for risks and charges, current	0	731	0	0	**731**
Trade payables and advances from customers	0	149	8	0	**157**
Current tax payables	0	0	69	0	**69**
Other current liabilities	0	879	0	0	**879**
Long-term debt	0	0	0	56	**56**
Bank borrowings and other financial liabilities	0	100	0	0	**100**
Liabilities directly associated with assets classified as held for sale	**0**	**2,287**	**77**	**56**	**2,420**

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

Below are the cash flows generated from discontinued operations:

(in thousands of Euro)	31 December 2014	31 December 2013 Restated
Profit/(loss) for the year from discontinued operations	1,450	(8)
Amortization, depreciation, write-downs and (write-backs) of assets	2,010	2,063
Accrual (reversal) of provisions	58	520
Employee termination indemnity provision	339	512
Payments of employee termination indemnity	(1,937)	(294)
Utilization of provisions	(102)	(176)
Financial expenses (income) for the year	(34)	418
CASH FLOW RELATED TO THE PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	**1,784**	**3,033**
Payment of Unilift S.r.l. loan instalment	0	(8)
Net transfer price of Unilift S.r.l. property	74	0
Partial repayment of MFM S.p.A. loan to Energyproject S.r.l.	3,905	0
Net cash flow from MIA S.p.A.'s transfer	54,863	0
Discontinuing activities	**58,842**	**(8)**

The agreement for the transfer of the quota held in Energyproject S.r.l. provided for the procedures to repay the loan granted by MFM S.p.A. to the same company, equal to € 4,155 thousand as at the date of execution of the agreement. A portion of the same was collected at the same time as the transfer of the capital quotas (€ 1,900 thousand) and subsequently for additional € 2,004 thousand, while the residual portion will be collected in the course of the 2015 financial year.

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

Finally, it should be pointed out that, as at the date of the loss of control, the transferred sub-group held cash and cash equivalents of € 5,542 thousand, which entailed a net effect of the transfer on the Group's cash and cash equivalents equal to € 54,863 thousand.

Income from discontinued operations

Below is the breakdown of income from discontinued operations:

(in thousands of Euro)	31 December 2014	31 December 2013 Restated
Revenue	31,655	33,117
Operating costs	(28,250)	(27,818)
GROSS MARGIN	**3,405**	**5,299**
Amortization, depreciation, write-downs and write- backs	(2,011)	(95)
Accrual (reversal) of provisions for risks and charges	(58)	(520)
Net financial charges	34	(418)
Net capital gain from discontinued operations	13,351	1,543
Write-down recognized on the restatement at fair value	(2,751)	(425)
Profit (loss) before taxes from discontinued operations	**11,970**	**2,298**
Income taxes from discontinued operations:		
- related to profit (loss) for the year	(183)	(431)
- related to fair-value measurement	368	0
- related to the capital gain from discontinued operations	(106)	0
LOSS AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS	**12,049**	**1,867**
Basic earnings per share from discontinued operations	0.1104	0.0171
Diluted earnings per share from discontinued operations	0.1104	0.0171

The transfer of the stake held in MIA S.p.A. gave rise to the recognition of a capital gain, in the consolidated Statement of Profit/Loss for the year, net of additional operating costs of the transaction, equal to € 13,351 thousand.

Furthermore, the assets relating to SMAIL S.p.A. were subject to a write-down of € 2,751 thousand to adjust their carrying amount at market value.

At 31 December 2013 profit (loss) from discontinued operations for the 2013 financial year showed a loss of € 425 thousand, relating to the allocation of the difference between the net balance sheet value relating to the companies in the PV segment that were transferred in 2014 and the agreed transfer price.

The tax effect relating to discontinued operations posted a positive value of € 79 thousand against deferred tax assets recognised for the write-down of the assets of Smail S.p.A. for € 368 thousand and € 183 thousand relating to the profit (loss) from discontinued operations (€ 431 thousand at 31 December 2013). Furthermore, an amount of € 106 thousand was recognised as current taxes payable in relation to the taxation of the net capital gain from transfer of equity investments, which is expected to be, for IRES tax purposes, equal to 5% in the application of the participation exemption regime.

14. Share capital and reserves

(in thousands of Euro)	31 December 2014	31 December 2013 Restated
Share Capital - Ordinary shares	109,150	109,150

Ordinary shares have a nominal value of Euro 1 each.

Ordinary shares issued and fully paid up at 31 December 2014 amounted to 109,149,600.

The Parent Company does not hold own shares.

Reserves and Retained Earnings

The table below shows changes in equity reserves:

(in thousands of Euro)	Share premium reserve	Legal reserve	SE reserves companies valued at equity	Cash flow hedge reserve	SORIE reserve	Other reserves	Total reserves
1 January 2013 Restated	**145,018**	**16,157**	**(489)**	**(885)**	**(5,366)**	**(10,214)**	**144,221**
Allocation of profits of previous years		1,311				19,729	21,040
Economic effects on equity			730	885	921		2,536
31 December 2013 Restated	**145,018**	**17,468**	**241**	**0**	**(4,445)**	**9,515**	**167,797**
Allocation of profits of previous years		269				4,532	4,800
Economic effects on equity			(1,095)		(1,336)		(2,430)
31 December 2014	**145,018**	**17,737**	**(854)**	**0**	**(5,781)**	**14,047**	**170,167**

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

- The reserve originating from the recognition of joint operations, which includes the differences between the purchase cost and the net carrying amount of the assets acquired under business combinations between jointly-controlled entities, for a negative amount of € 45,400 thousand at 31 December 2014.
- The Parent Company's extraordinary reserve (€ 60,944 thousand).

The table below shows changes in *Retained earnings*:

(in thousands of Euro)	Accumulated profits (losses) of the Parent Company	Consolidation reserve	Total retained earnings
1 January 2013 Restated	**3,809**	**19,731**	**23,540**
Allocation of profits of previous years	0	11,533	11,533
Acquisition/ Transfer of minority interests in subsidiaries	0	(1,467)	(1,467)
31 December 2013 Restated	**3,809**	**29,797**	**33,606**
Allocation of profits of previous years	0	8,947	8,947
31 December 2014	**3,809**	**38,744**	**42,553**

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

(in thousands of Euro)	31 December 2014	31 December 2013 Restated
Equity attributable to minority interests	**409**	**1,611**
of which attributable to:		
Subsidiaries of Sicura S.p.A.	335	207
Subsidiaries of MIA S.p.A.	0	1,329
Other minor consortia	74	75

(in thousands of Euro)	31 December 2014	31 December 2013 Restated
Profit for the year attributable to minority interests	**273**	**344**
of which attributable to:		
Subsidiaries of Sicura S.p.A.	100	144
Subsidiaries of MIA S.p.A.	173	200

MFM S.p.A. holds a stake of 80% in the share capital of Sicura S.p.A.. However, no equity attributable to minority interests has been recognized as the Parent Company holds a Call option on the minority interest entered in the consolidated financial statements (as described in detail under note 17). Therefore, the equity attributable to minority interests relates to the minorities present in some indirect subsidiaries relating to the same sub-group.

15. Employee termination indemnity

Below are the changes in the liabilities relating to Employee Termination Indemnity (TFR) in 2014 are shown below, compared with changes in the previous year.

	For the year ended			
(in thousands of Euro)	**31 December 2014**	**of which discontinued operations**	**31 December 2013 restated**	**of which discontinued operations**
At 1 January	**27,599**		**31,161**	
Increases from business combinations	0		198	
Current service cost	660	*237*	667	*270*
Interest costs on benefit obligations	877	*22*	1,058	*242*
Curtailments	(78)		32	
Settlements	0		0	
Benefits paid	(7,514)	*(226)*	(4,245)	*(295)*
Transfers of businesses/branches	(1,711)	*(1,711)*	0	
Net actuarial (gains)/ losses from benefit obligations	1,843		(1,273)	
Other changes	(469)		1	
At 31 December	**21,207**	**(1,678)**	**27,599**	**217**

Decreases from transfers of businesses/branches (€ 1,711 thousand) relate to the sale of the sub-holding company MIA S.p.A., which took place on 30 December 2014. In this regard, reference should be made to note 12.

The financial year also saw the recognition of actuarial losses of € 1,843 thousand (actuarial gains of € 1,273 thousand at 31 December 2013), mainly as a result of a negative change in the discount rate compared to the previous year.

Below is the breakdown of the net cost of the benefit relating to ESI:

	For the year ended			
(in thousands of Euro)	**31 December 2014**	**of which discontinued operations**	**31 December 2013 restated**	**of which discontinued operations**
Curtailments	(78)		32	
Current service cost	660	237	667	270
Interest costs on benefit obligations	877	22	1,058	242
Net actuarial (gains)/ losses recognized in equity	1,843		(1,273)	
Total net benefit costs	**3,302**	**259**	**484**	**512**

The curtailments reported during the 2014 financial year concerned MFM S.p.A., for which a corporate restructuring plan has been embarked on which has changed the actuarial assumptions regarding its liabilities.

In the course of the 2013 financial year a curtailment was also recognized on the measurement of the liabilities of Servizi Ospedalieri S.p.A..

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

	31 December 2014	31 December 2013
Discount rate	1.60%	3.30%
Inflation rate	2.00%	2.00%
Estimated employee turnover	From 1.5% to 11.50%	From 1.5% to 11.50%

The discount rates used to assess the ESI obligation are defined on the basis of curves of rates of return of high-quality fixed-interest securities, the amounts and maturity dates of which correspond to the amounts and maturity dates of the payments of expected future benefits. In 2014 the discount rate was equal to 1.60% (2013: 3.30%).

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

	Discount rate	Actuarial assumptions	Employee termination indemnity
For the year ended 31 December 2014	+ 0.25 bps	+ 0.09 pps	21,794
	– 0.25 bps	– 0.09 pps	20,644
For the year ended 31 December 2013 Restated	+ 0.25 bps	+ 0.08 pps	26,961
	– 0.25 bps	– 0.08 pps	28,261

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

	31 December 2014	31 December 2013 Restated
Executives	58	63
White-collar workers	1,462	1,658
Blue-collar workers	14,402	13,290
Employees	**15,922**	**15,011**

In 2014, the average number of leased personnel employed, including those shown in the table, stood at 582 (2013: 597).

16. Provisions for risks and charges

The breakdown and changes in the provisions for risks and charges in 2014 are shown below:

(in thousands of Euro)	Provision on investment	Risk on job order	Pending litigation	Tax disputes	ISC	Severance provision	Provision for bonus	Other provision	Total
At 1 January 2014 . . .	**60**	**9,060**	**8,794**	**971**	**159**	**11,050**	**4,910**	**1,684**	**36,688**
Additions due to business combination									
Accruals		1,486	3,431	54		4,617	698	104	10,390
Utilization (payments)		(2,143)	(1,070)	(340)		(3,583)	(2,780)	(417)	(10,333)
Unused and reversed		(1,491)	(808)			(473)	(230)	(91)	(3,093)
Others		(648)	(79)		18	115	(54)	(72)	(720)
At 31 December 2014	**60**	**6,264**	**10,268**	**685**	**177**	**11,726**	**2,544**	**1,208**	**32,932**
Short- term 2014	60	5,873	661	685		11,726	1,503	51	20,559
Long-term 2014		391	9,607		177		1,041	1,157	12,373
Short- term 2013	60	8,703	913	971		11,050	2,714	562	24,973
Long-term 2013		357	7,881		159		2,196	1,122	11,715

Provision for risks on investments

The item, amounting to € 60 thousand at 31 December 2014, includes the provision for unrecoverable future losses of Group companies and only 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 value of the provision at year-end amounted to € 6,264 thousand, against accruals of € 1,486 thousand, in addition to uses, releases and other changes that led to an overall decrease of € 4,282 thousand in the provision.

The accruals were mainly made for work performed by MFM S.p.A. for € 803 thousand, by Servizi Ospedalieri S.p.A. for € 292 thousand and by MACO S.p.A. for € 175 thousand. Other changes, amounting to € 648 thousand, mainly related to amounts reclassified, for a clearer representation, as a direct reduction in the asset items to which they relate, and, specifically, for € 394 thousand as a deduction in receivables repurchased from the Factor in the year, entered under trade receivables.

Provision for pending disputes

At the end of the financial year, the company assesses the risk of having to pay future compensation in the event of unsuccessful legal disputes with customers, suppliers and employees. In 2014 the provision recorded total increases for accruals of € 3,431 thousand and decreases for uses, releases and other changes of € 1,957 thousand.

Accruals were mainly recognized to cover risks of MFM S.p.A. for € 2,308 thousand, Manutencoop Private Sector Solutions S.p.A. for € 57 thousand and Servizi Ospedalieri S.p.A. for € 1,050 thousand.

Uses and releases in the year, totalling € 1,878 thousand, refer to the provisions recognized in previous years due to the settlement of disputes with suppliers and legal proceedings with other parties.

Tax litigation
In 2014 uses totalled € 340 thousand as a result of the completion of certain tax assessments and accruals of € 54 thousand.

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 restructuring plans implemented by some Group companies.

At 31 December 2013 the Group had recognized provisions totalling € 11,050 thousand, € 2,680 thousand of which in Servizi Ospedalieri S.p.A., € 3,283 thousand in Telepost S.p.A., € 4,105 thousand in Manutencoop Private Sector Solutions S.p.A., € 832 thousand in MACO S.p.A. and € 150 thousand in MFM S.p.A. In 2014 there were uses of € 3,583 thousand, € 448 thousand of which in MFM S.p.A., € 692 thousand in Servizi Ospedalieri S.p.A., € 143 thousand in MACO S.p.A., € 577 thousand in Telepost S.p.A. and € 1,722 thousand in Manutencoop Private Sector Solutions S.p.A..

At 31 December 2014 the Group started an additional plan at the Parent Company MFM S.p.A. and, therefore, set aside provisions of € 4,617 thousand.

Provision for bonuses
This provision includes accrual for future payments to the Group's management in relation to the medium and long-term bonus system adopted by the Group. In 2014 this incentive plan was not applied and, therefore, there was an allocation of the residual amounts.

The changes that occurred in 2014 comprised new accruals for € 698 thousand and uses, releases and other changes for a total of € 3,064 thousand.

Other provisions for risks and charges
The provision, amounting to € 1,208 thousand at 31 December 2014, recognized accruals of € 104 thousand in 2014, as well as uses, releases and other changes of € 580 thousand.

17. Derivatives

At 31 December 2014 there were no derivative contracts.

18. Bank borrowings including current portion of long-term debt 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 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 2014 and at 31 December 2013.

(in thousands of Euro)	31 December 2014	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	370,280			370,280
BPV loan	12,869	12,869		
Prepaid expenses on financial interest within 12 months	(55)	(55)		
Accrued interest expense within 12 months	13,464	13,464		
Long-term bank borrowings and current portion of long-term bank borrowings	**396,558**	**26,278**	**0**	**370,280**
Finance lease obligations	2,289	775	1,409	105
Loans from syndicated shareholders	376	376		
Loan from the parent company (Manutencoop Cooperativa)	26	26		
Other financial liabilities	733	733		
Due to factoring agencies	53	53		
Debt for the acquisition of investments/business units	66	66		
Potential debt for the acquisition of investments/ business units	7,207		7,207	
Share capital to be paid into associates	5	5		
Debt for dividends to other Shareholders	200	200		
Total financial liabilities	**407,513**	**28,512**	**8,616**	**370,385**

(in thousands of Euro)	31 December 2013 Restated	within 1 year	from 1 to 5 years	after 5 years
Senior Secured Notes	412,687			412,687
C.C.F.S. loan	17,987	17,987		
BPV loan	25,495	12,624	12,871	
MPS loan	19,978	4,993	14,985	
Other bank loans	231	58	173	
Prepaid expenses on financial interest	(719)	(140)	(579)	
Accrued interest expense	15,022	15,022		
Long-term bank borrowings and current portion of long-term bank borrowings	**490,681**	**50,544**	**27,450**	**412,687**
Current account overdrafts, advance payments and hot money	57	57		
Finance lease obligations	3,359	976	2,213	171
Loans from syndicated shareholders	1,982	452	1,530	
Loan from the parent company (Manutencoop Cooperativa)	143	143		
Other financial liabilities	103	103		
Due to factoring agencies	8,830	8,830		
Obligations from assignments of receivables with recourse	287	287		
Debt for the acquisition of investments / business units	10,998	10,186	812	
Potential debt for the acquisition of investments/ business units	22,229	10,723	11,506	
Share capital to be paid into associates	2,201	2,201		
Financial liabilities at fair value through profit or loss	35	35		
Debt for dividends to other Shareholders	579	579		
Total financial liabilities	**541,484**	**85,116**	**43,511**	**412,858**

Senior Secured Notes (MFM S.p.A.)
On 2 August 2013 the Parent Company MFM S.p.A. issued secured High Yield bonds (Senior Secured Notes) due 1 August 2020, reserved for institutional investors. The proceeds of the transaction were used to repay most of the existing bank loans and replace the revolving programmes for the assignment of trade receivables without recourse. The bonds, which are listed on the Euro MTF Market of the Luxembourg Stock Exchange and on the Extra MOT Pro Segment of the Italian Stock Exchange, was issued for a nominal value of € 425 million, with an issue price below par by 98.713%, with a fixed annual 8.5% coupon on a six-monthly settlement basis.

To protect the investment of the Bondholders of the notes, the rules governing the bond issue provide for a system of guarantees and restrictions (covenants). In fact, some limitations are envisaged on the financial operations of the Issuer and of its subsidiaries, while leaving the Group the freedom of movement insofar as the operations undertaken contribute, at least potentially, added value and cash flows to the Group. These restrictions consist of limitations on the possibility of incurrence of indebtedness and of making distributions of dividends, investments and some types of payments that fall outside the scope of the so-called Restricted Group payments. Furthermore, there are provisions in relation to the allocation of sums obtained from the transfer of fixed assets, extraordinary operations and transactions with related parties and the issue of collaterals to third parties on corporate assets. The restrictions in question lie not so much in the absolute prohibition on carrying out the abovementioned operations, but rather in checking for compliance with certain financial ratios (incurrence base financial covenants), the presence of certain conditions or a quantitative limit on the performance of the above operations. Finally, periodic disclosure obligations are provided for in relation to the Group's financial position, results of operation and cash flows.

The limits and provisions envisaged in the rules governing the bond issue are in line with the market practice for similar operations. The failure by the Issuer to comply with one or more covenants, in addition to significant events that express a state of insolvency, constitute events of default. For the most of them, there is the possibility of remediation within a certain period of time. The event of default relating to the state of insolvency or the absence of remediation of any other events of default are a reason for acceleration, i.e. the forfeiture of the right to the time limit and the early redemption of the bonds. As at the reporting date of these financial statements, no events of default had occurred and the financial covenants, in relation to which no periodic check is required, had been complied with.

Owing to the good financial performance after the issue, which provided surplus resources, and with a view to cutting borrowing costs on a prospective basis, in the last quarter of the year, MFM S.p.A. formalised the acquisition of some of its bonds on the open market, for a total nominal amount of € 45 million, at a weighted average buy-back price of just under 93% against an issue price equal to 98.713% on 2 August 2013. The transactions in question entailed the recognition of financial capital gains in the consolidated income statement, net of related commissions, equal to € 3,287 thousand, thus giving rise to a proportional write-off of the upfront fees that had been accounted for at the time of the issue to an amount of € 1,162 thousand.

The Notes bought back were not formally cancelled and are at present in a securities account with Unicredit.

Revolving Credit Facility (MFM S.p.A.)
In the framework of the bond issue process, on 31 July 2013 the Parent Company also signed a 3-year Revolving Credit Facility (RCF) agreement that assured a revolving credit line, which can be activated on request, for a nominal amount of € 30.0 million with a pool of banks made up of UniCredit S.p.A., J.P. Morgan Chase Bank S.A. Milan Branch, Cassa di Risparmio in Bologna S.p.A. and Mediobanca—Banca di Credito Finanziario S.p.A.. No use of the line has been requested from the lending banks. With effect from 30 July 2014, the Parent Company informed the banks

of the pool as to its intention to cancel said credit line. Therefore, the residual amount to be amortised in relation to the costs incurred for the registration of the line, equal to € 579 thousand, was accounted for as a financial cost for the period.

CCFS loan (MFM S.p.A.)

During the 2013 financial year, the Parent Company entered into a bullet loan agreement with CCFS for a debt on account of capital of € 18,000 thousand, initially falling due in January 2016. The credit line was early repaid in the financial year.

MPS loan (MFM S.p.A.)

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

Banca Popolare di Vicenza loan (MFM S.p.A.)

The loan with Banca Popolare di Vicenza was stipulated for € 50 million and will expire on 31 December 2015, with repayments in half-yearly instalments. The loan has variable interest rates equal to 1-month Euribor plus a spread. As at 31 December 2014 the residual debt was € 12,869 thousand.

Accrued interest expenses

At 31 December 2014 the Group recognised accrued interest expenses of € 13,464 thousand, of which € 13,458 thousand relating to the amount accrued on the coupon of the Senior Secured Notes due 2 February 2015. The balance of the latter items includes an amount accrued on the total coupons being paid equal to € 15,022 thousand, net of accrued income of € 1,597 thousand relating to the Notes acquired in the course of the financial year and held on securities accounts.

Obligations arising from finance lease

The lease agreements entered into are not secured and refer to the companies MFM S.p.A., 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.

Loan from the Parent Company (Manutencoop Cooperativa)

This item refers to a financial account on which transactions with the controlling company Manutencoop Società Cooperativa are settled. As at 31 December 2014, the balance was € 26 thousand. The balance accrues interest at the 3-month Euribor rate, plus a spread and is repayable on demand. The agreement related to this financial account is renewable by tacit agreement.

Syndicated loans

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

An amount of € 1,530 thousand of the decrease in the period is due to the portion of the loan from the minority shareholder of SANCO Soc. Cons. a r.l., which has exited from the Company's equity.

Collections on behalf of Crédit Agricole Corporate & Investment Bank and Banca IMI

The debt balance at 31 December 2013, equal to € 8,830 thousand, related to receivables transferred under non-recourse factoring transactions on a revolving basis carried out by the Group, collected on behalf of the assignee and still not paid to the factor as at the balance sheet date. At the time of the gradual abandonment of the assignments in the course of the 2013 financial year and also as a result of the already described transaction involving the repurchase of the receivables not yet collected by Banca IMI, with the consequent termination of all the service operations, this debt included a residual amount of € 53 thousand at 31 December 2014.

Share capital to be paid into associates

The Group recognized liabilities for capital contribution to be paid to unconsolidated companies for € 5 thousand, against € 2,201 thousand at 31 December 2013. In early 2014 an amount of € 2,192 thousand was paid in favour of the associate Synchron Nuovo San Gerardo S.p.A..

Debt for the acquisition of investments/business units

This item, amounting to € 66 thousand at 31 December 2014 (€ 10,998 thousand at 31 December 2013) relates to the amounts still not paid to the transferor within business combinations.

The decrease recorded in the year was mainly due to the exit from the MFM Group of MIA S.p.A., which recognized a debt for the acquisition of investments and business units of € 9,740 thousand at 31 December 2013. Prior to the date of the loss of control (30 December 2014) this debt had been paid off for a total of € 7,976 thousand.

Finally, at 31 December 2013 payables of € 1,197 thousand had been recognised as consideration still to be paid by Gruppo Sicura S.r.l. (which was merged into Sicura S.p.A. in 2014) to the holders of minority interests in the subsidiaries that were acquired in 2013. This debt was fully paid off in 2014.

Potential debt for the acquisition of investments/business units

Potential debt for the acquisition of investments was recognized to an amount of € 7,207 thousand (€ 22,229 thousand at 31 December 2013). The decrease was mainly determined by:

- The payment of the earn-out to the minority shareholders of Gruppo Sicura S.r.l. (which was merged into Sicura S.p.A. in 2014), for a total amount of € 11,000 thousand (which was recognized for € 10,604 thousand at 31 December 2013), which was made on 16 July 2014.
- The transfer of the sub-holding company controlled by MIA S.p.A., which recognised total liabilities of € 4,495 thousand at 31 December 2013, mainly in relation to the Earn Out debt to the shareholders of ABM S.p.A (€ 54 thousand), in addition to a put option debt to the minority shareholders of Cofam (€ 3,459 thousand) and Unilift (€ 924 thousand). As at the date of the loss of control, these liabilities hade ben recognised to a total amount of € 1,075 thousand.

Finally, at 31 December 2014, a present value of € 7,207 thousand was also recognized for the Put option held by the minorities of Sicura S.p.A. in relation to 20% of the share capital that is still owned by them (€ 7,124 thousand at 31 December 2013).

In connection with the fair value measurement of the items described above, the Group recognized net financial costs against their fair value for € 1,326 thousand, of which € 447 thousand relating to the measurement of the liabilities assumed by MIA S.p.A. and its subsidiaries.

19. Trade payables and advances from customers and other current liabilities

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

(in thousands of Euro)	31 December 2014	of which to related parties	31 December 2013 Restated	of which to related parties
Trade payables	347,061	4	410,907	
Trade payables to third parties	**347,061**	**4**	**410,907**	**0**
Trade payables to Manutencoop Cooperativa	10,897	10,897	11,613	11,613
Trade payables to Group companies within 12 months	15,798	15,798	24,295	24,295
Trade payables to Manutencoop Group	**26,695**	**26,695**	**35,908**	**35,908**
Advances from customers and payables for work to be performed	7,065		6,872	
Trade payables and advances from customers	**380,821**	**26,699**	**453,687**	**35,908**
Fees due to directors and statutory auditors	706		907	
Tax payables	44,292		65,275	
Payables to social security institutions within 12 months	9,152		10,002	
Collections on behalf of ATI ("Associazione temporanea di Imprese")	11,859		16,557	
Payables to employees within 12 months	47,149		45,378	
Other payables within 12 months	6,430		5,139	
Property collection on behalf of customers	2,176		2,176	
Other current operating payables to third parties	**121,764**	**0**	**145,434**	**0**
Other current payables to Manutencoop Cooperativa	80	80	7	7
Other payables to Group subsidiaries	701	701	171	171
Other current operating payables to Manutencoop Group	**781**	**781**	**178**	**178**
Accrued expenses	6		18	
Deferred income	1,074		2,715	
Accrued expenses and deferred income	**1,080**	**0**	**2,733**	**0**
OTHER CURRENT LIABILITIES	**123,625**	**781**	**148,345**	**178**

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

Trade payables and advances from customers at 31 December 2014 amounted to € 380,821 thousand, against a balance of € 453,687 thousand at 31 December 2013.

Trade payables to Manutencoop Group, amounting to € 26,695 thousand at 31 December 2014, are mainly composed of payables due to Manutencoop Cooperativa for € 10,897 thousand, Bologna Multiservizi Soc. Cons. a r.l. for € 1,687 thousand, Se.Sa.Tre. Soc. Cons. a r.l. for € 1,715 thousand, Roma Multiservizi S.p.A. for € 1,973 thousand and Savia Soc. Cons. a r.l for € 1,626 thousand.

Other current liabilities showed a balance of € 123,625 thousand at 31 December 2014 and are mainly made up of the following items:

- payables to employees of € 47,149 thousand, including the current monthly salaries to be paid in the months after the closing of the financial year, as well as payables for additional monthly salaries to be paid (a portion of the 14th salary, to be paid in the month of July). Furthermore, the corresponding payables to social security institutions were recognized for € 9,152 thousand;

- payables to tax authorities for € 44,292 thousand, mainly related to the balance of the VAT payables due from Group subsidiaries (€ 65,275 thousand at 31 December 2013);

- collections on behalf of Temporary Associations of Companies for € 11,859 thousand, which relate to the amounts collected by the Group, on behalf of third parties, mainly relating to job orders under Consip agreements.

20. Operating segments

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

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

Information on the operating segments for the For the year ended 31 December 2014.

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Segment revenues	824,370	144,856	8,654	(3,590)	974,290
Segment costs	(791,206)	(130,098)	(9,578)	3,590	(927,292)
Operating income (loss) by segment	**33,164**	**14,758**	**(924)**		**46,998**
Share of net profit of associates	1,057	141			1,198
Net financial income (costs)					(36,204)
Profit before taxes					**11,992**
Income taxes					(11,413)
Profit from discontinued operations	12,049				12,049
NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2014					**12,627**

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Assets allocated to the segment	564,369	139,484	5,125	(2,268)	706,710
Goodwill	358,097	11,763			369,860
Investments valued at Equity	26,611	5,270	852		32,733
Assets held for sale	5,003				5,003
Other assets not allocated and related taxes					198,484
SEGMENT ASSETS	**954,080**	**156,517**	**5,977**	**(2,268)**	**1,312,790**
Liabilities allocated to the segment	485,668	69,014	6,170	(2,268)	558,584
Other liabilities not allocated and related taxes					419,300
SEGMENT LIABILITIES	**485,668**	**69,014**	**6,170**	**(2,268)**	**977,884**

	Facility Management	Laundering & Sterilization	Other Activities	Total
Other segment information at 31 December 2014				
Investments in segment assets	10,780	16,016	0	26,796
Amortisation/depreciation and write-downs of segment assets	18,565	21,933	146	40,644

Information on the operating segments for the For the year ended 31 December 2013

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Segment Revenues	899,243	138,402	12,685	(5,332)	1,044,998
Segment costs	(844,250)	(130,511)	(14,781)	5,332	(984,210)
Operating income (loss) by segment	**54,993**	**7,891**	**(2,096)**	**0**	**60,788**
Share of net profit of associates	2,504	148			2,652
Net financial income (costs)					(28,469)
Profit before taxes					**34,971**
Income taxes					(22,748)
Profit from discontinued operations	2,292		(425)		1,867
NET PROFIT FOR THE YEAR ENDED 31 DECEMBER 2013 RESTATED					**14,091**

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Assets allocated to the segment	687,009	150,082	7,558	(4,664)	839,986
Goodwill	403,331	11,763			415,094
Investments valued at Equity	28,968	5,077	852		34,896
Assets held for sale	130		7,738		7,868
Other assets not allocated and related taxes					251,0010
SEGMENT ASSETS	**1,119,438**	**166,922**	**16,148**	**(4,664)**	**1,548,854**
Liabilities allocated to the segment	585,185	76,372	9,424	(4,664)	666,318
Liabilities held for sale	56		2,364		2,420
Other liabilities not allocated and related taxes					553,861
SEGMENT LIABILITIES	**585,241**	**76,372**	**11,788**	**(4,664)**	**1,222,599**

(in thousands of Euro)	Facility Management	Laundering & Sterilization	Other Activities	Total
Other segment information at 31 December 2013 Restated				
Investments in segment assets	12,161	23,332	0	35,493
Amortisation/depreciation and write-downs of segment assets	19,020	23,737	61	42,817

Geographical areas

The Group conducts its core business in Italy. At 31 December 2014 the activities conducted abroad were entirely marginal for the Group and generated revenues amounting to € 1,435 thousand (€ 529 thousand at 31 December 2013).

The information by geographical area required by IFRS 8 is shown below for the years ended 31 December 2014 and 2013.

(in thousands of Euro)	Italy	Foreign countries	Eliminations	Total
Information by Geographical Area at 31 December 2014				
Revenues	972,855	1,436		974,291
Non-current operating assets	466,793	194		466,987

(in thousands of Euro)	Italy	Foreign countries	Eliminations	Total
Information by Geographical Area at 31 December 2013 Restated				
Revenues	1,044,469	529		1,044,998
Non-current operating assets	530,515			530,515

It should be pointed out that a share of 4% of consolidated revenues was generated by a key customer in the Private market (10% in 2013).

21. Revenue from sales and services

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

(in thousands of Euro)	For the year ended 31 December 2014	31 December 2013 Restated
Revenues from product sales	9,329	16,615
Service revenues	820,594	883,100
Revenues from construction activities and plant installation	100,876	116,248
Other sales revenues	39,725	26,534
REVENUES from SALES AND SERVICES	**970,524**	**1,042,497**

At 31 December 2014, the item *Revenues from sales and services* amounted to € 970,524 thousand (€ 1,042,497 thousand at 31 December 2013).

The decrease recorded in this item was attributable to the reduced volumes achieved in 2014 on the main customer (Telecom Italia), which entailed a revenue differential of € 70 million compared to the previous year.

22. Other revenues

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

(in thousands of Euro)	For the year ended 31 December 2014	31 December 2013 Restated
Grants	613	1,150
Asset capital gains	503	517
Recovery of costs — seconded personnel	137	100
Payment of damages	620	300
Revenues for leases and rentals	15	20
Other revenues	1,878	413
OTHER REVENUES	**3,766**	**2,500**

At 31 December 2014, the balance of *Other revenues* was € 3,766 thousand compared to € 2,500 thousand in 2013.

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

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

Finally, an amount of € 613 thousand was recognised as operating grants, mainly relating to employee training projects.

23. Costs of raw materials and consumables

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

	For the year ended	
(in thousands of Euro)	31 December 2014	31 December 2013 Restated
Change in inventories of fuel and raw materials	342	4,005
Fuel consumption	65,974	85,532
Consumption of raw materials	48,280	50,638
Purchase of semi-finished/finished products	6,319	7,175
Purchase of auxiliary materials and consumables	10,084	13,661
Packaging	1,951	1,934
Other purchases	2,574	2,759
CONSUMPTION OF RAW MATERIALS AND CONSUMABLES	**135,524**	**165,704**

At 31 December 2014 the item amounted to € 135,524 thousand compared to € 165,704 thousand at 31 December 2013. The decrease, equal to € 30,180 thousand, is mainly due a reduction in the production volume and a decrease in fuel prices, used within integrated service contracts, compared to the previous year.

24. Costs for services and use of third party assets

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

	For the year ended	
(in thousands of Euro)	31 December 2014	31 December 2013 Restated
Third-party services	245,147	255,770
Consortia services	11,808	11,622
Equipment maintenance and repair	6,874	7,868
Professional services	38,754	39,373
Statutory Auditors' fees	655	743
Transport	9,125	9,209
Advertising and promotion	578	874
Bonuses and commissions	2,368	2,139
Insurance and sureties	4,776	4,544
Bank services	299	342
Utilities	9,488	11,554
Travel expenses and reimbursement of expenses	3,541	3,506
Employee services	7,414	8,765
Other services	1,579	4,546
Costs for services	**342,406**	**360,855**
Rent expense	17,625	20,450
Rentals and other	4,009	4,394
Costs for leased assets	**21,634**	**24,844**
COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS	**364,040**	**385,699**

For the year ended 31 December 2014, *Costs for services and use of third party assets* totalled € 364,040 thousand, marking a decrease of € 21,660 thousand compared to the previous year, mainly due to lower costs for third party services (€ 10,623 thousand). As early as in previous years the Group started up a process to increase insourcing of certain activities, which resulted in a change in the mix of production factors in favour of the cost of labour, as described in detail under note 24 below. At the same time, the Group set targets for limiting overheads relating to its organizational structures, also by reducing recourse to professional services.

25. Personnel costs

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

	For the year ended	
(in thousands of Euro)	**31 December 2014**	**31 December 2013 Restated**
Wages and salaries	238,370	236,365
Social security charges	75,977	75,678
Secondment costs	37,478	38,614
ESI paid to INPS (National Social Security Institute) and to funds	14,208	14,470
Directors' fees	2,077	2,954
Other personnel costs	1,554	2,656
Current benefits	**369,664**	**370,737**
Employee termination indemnity provision	1,120	1,245
Subsequent benefits	**1,120**	**1,245**
Employment termination benefits	3,426	3,225
Employment termination benefits	**3,426**	**3,225**
PERSONNEL COSTS	**374,210**	**375,207**

At 31 December 2014, *Personnel Costs* (equal to € 374,210 thousand) showed a decrease of € 997 thousand compared to the same period in the previous year (€ 375,207 thousand).

The financial year saw:

- a rise in the average number of workers, partly due to the insourcing process described in note 23, and partly due to the use of personnel in the changed contracts in the Hygiene segment;
- additional reorganisation efforts for certain Group companies, which also entailed, in 2014, costs for mobility, extraordinary redundancy schemes and early retirement incentives.

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

The ratio between *Revenues from sales and services* and the total amount of costs for internal and external personnel used in production (cost of employed workers, cost of external workers, services provided by consortia and professional services) came to 147% at 31 December 2014 (155% at 31 December 2013). The comparison shows a fall in the ratio, affected by lower turnover and overall margins in the 2014 financial year.

The "make-or-buy ratio", i.e. the ratio between the cost of internal labour ("make") and the cost of services provided by third parties, services provided by consortia and professional services ("buy"), on the other hand, points to higher trend than in the previous financial year. This represents an organisational preference for producing by greater recourse to internal production factors than to purchasing services from external sources.

26. Other operating costs

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

(in thousands of Euro)	For the year ended 31 December 2014	31 December 2013 Restated
Capital losses on disposals of assets	298	75
Losses on receivables	73	126
Other taxes	2,088	2,053
Fines and penalties	1,747	1,951
Credit discount on assignments of receivables	0	602
Other operating costs	3,439	2,865
OTHER OPERATING COSTS	**7,645**	**7,672**

Other operating costs amounted to € 7,645 thousand and remained substantially unchanged compared to the previous year (€ 7,672 thousand at 31 December 2013).

In this regard, it should be noted that credit discount costs connected to the assignments of trade receivables without recourse were written off, as a result of the exit, as early as at the end of the previous year, from the plans for revolving assignments in place with Crédit Agricole Corporate & Investment Bank and Banca IMI.

27. Amortization/depreciation, write-downs and write-backs of assets

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

(in thousands of Euro)	For the year ended 31 December 2014	31 December 2013 Restated
Amortisation of intangible assets	6,996	7,561
Depreciation of property, plant and equipment	25,152	25,517
Write-backs of assets	(61)	0
Write-downs of receivables, net of releases	2,107	5,615
Impairment of Property, Plant and Equipment	23	1,184
Impairment of Intangible Assets	4,418	684
Other write-downs	0	194
AMORTISATION/DEPRECIATION, WRITE-DOWNS AND WRITE-BACKS	**38,635**	**40,755**

At 31 December 2014, the item *Amortization/depreciation, write-downs and write-backs of assets* amounted to € 38,635 thousand compared to € 40,755 thousand at 31 December 2013. The decrease of € 2,119 thousand was determined by the net effect of the following main changes:

- A decrease in the write-downs of trade receivables for € 3,508 thousand, mainly due to a lower risk of the receivables recognized, while, at the same time, in the previous year this item had been affected by the write-downs that the Group companies had recognized on some significant credit positions towards bankrupt customers;

- Impairment losses of tangible and intangible assets totalling € 4,441 thousand, relating to the write-off of the residual net value of specific software used in the facility management operations, which proved to be no longer suitable and strategic to be used for company business purposes, as explained in note 5. In the previous year this item included the write-down the write-down of contractual relations with facility management customers and specific software for job orders for € 685 thousand, following a significant reduction in volumes for some contracts being renewed. In 2013, the write-down of property, plant and equipment, which has been residual in the current financial year, included the write-off of intangible assets relating to laundering activities, as a result of the decision to dispose of an industrial laundering plant in Emilia Romagna (€ 1,186 thousand), as well as on other intangible assets.

28. Dividends and income from investments

The breakdown of the item is shown below for the years ended 31 December 2014 and 31 December 2013:

(in thousands of Euro)	For the year ended 31 December 2014	For the year ended 31 December 2013 Restated
Dividends	345	665
Capital gains on equity investments	82	0
Dividends, income and changes from investments	427	665

In 2014, dividends were collected from other companies not included under the scope of consolidation. They amounted to € 345 thousand, € 219 thousand of which from investee companies of the Parent Company MFM S.p.A. and € 126 thousand from investee companies of Servizi Ospedalieri S.p.A.. Revenue from a supplement to the price for the sale of an equity investment was also reported in the year.

29. Financial income

The breakdown of the item is shown below for the years ended 31 December 2014 and 31 December 2013:

(in thousands of Euro)	For the year ended 31 December 2014	For the year ended 31 December 2013 Restated
Interest on bank current accounts	518	492
Interest on non-proprietary and intercompany current accounts	261	352
Interest on trade receivables	985	435
Interest from discounting of non-interest bearing loans	333	52
Interest and other income from securities	38	206
Capital gains on securities	3,400	0
Other financial income	144	347
Financial income	**5,679**	**1,884**

Financial income recorded an increase compared to the previous year, equal to € 3,795 thousand, mainly connected to the buy-back of bonds on the open market for € 45 million, which entailed the recognition of financial income of € 3,400 thousand, as described in note 17.

The interest from the discounting of non-interest bearing and trade receivables improved, the former (€ 281 thousand) after the release of the provision set aside owing to shorter collection times and the latter (€ 550 thousand) owing to the fact that the interest accounted for during the year was not written down, differently from the previous year.

30. Financial expenses

The breakdown of the item is shown below for the years ended 31 December 2014 and 31 December 2013:

(in thousands of Euro)	For the year ended 31 December 2014	31 December 2013 Restated
Charges on bank loans and current account overdrafts	4	337
Financial charges on other loans	37,077	22,741
Financial costs for finance leases	112	83
Financial costs on Group financial accounts	70	208
Interest discount on assignment of receivables	0	2,306
Interest on trade payables	45	60
Expenses from derivatives	0	721
Other financial costs	5,005	4,562
Financial costs	**42,313**	**31,018**

In 2014 *Financial costs* recorded an increase of € 11,295 thousand compared to the previous year. The main change relates to the recognition of charges relating to the Senior Secured Notes, as described under note 17, which entailed the recognition of the relevant costs accrued in the year.

It should be noted that the year saw the write-off of interest discount costs connected to the assignments of trade receivables without recourse, as a result of the abandonment, as early as at the end of the previous year, of the revolving assignments programmes in place with Crédit Agricole Corporate & Investment Bank and Banca IMI and of charges from derivatives, which had been terminated in the previous year.

At 31 December 2014 the Group recognised charges correlated to contingent liabilities for the acquisition of investments (Earn-out and Put option) for € 880 thousand (€ 749 thousand at 31 December 2013).

31. Income taxes

The breakdown of the item is shown below for the years ended 31 December 2014 and 31 December 2013:

(in thousands of Euro)	For the year ended 31 December 2014	31 December 2013 Restated
Current IRES tax	10,105	16,680
Current IRAP tax	9,550	12,865
(Income) costs from tax consolidation	(1,439)	(3,026)
Adjustments to current taxes of previous years	(3,573)	(2,396)
Current taxes	**14,643**	**24,123**
Prepaid/deferred IRES tax	(3,593)	(1,117)
Prepaid/deferred IRAP tax	283	(236)
Prepaid/deferred taxes relating to previous years	81	(20)
Prepaid/deferred taxes	**(3,229)**	**(1,373)**
CURRENT, PREPAID AND DEFERRED TAXES	**11,414**	**22,749**

In 2014 the Group recorded taxes totalling € 11,414 thousand, marking a decrease of € 11,335 thousand compared to the taxes recognized at 31 December 2013.

More specifically, the main changes are as follows:

- a decrease of € 6,575 thousand in IRES tax balance;
- a decrease of € 3,314 thousand in IRAP tax balance;

- a decrease of € 1,587 thousand in the balance of income from tax consolidation;
- positive adjustments to current taxes relating to previous years for € 3,573 thousand (€ 2,396 thousand in negative adjustments at 31 December 2013);
- recognition of a net income amounting to € 3,229 thousand, relating to the total balance of prepaid and deferred taxes against the recognition of a net income of € 1,373 thousand in the previous year.

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 2014 and 31 December 2013 to pre-tax profit is as follows:

Reconciliation between theoretical and effective IRES tax rate	31 December 2014	%	31 December 2013 Restated	%
Pre-tax profit	**23,962**		**37,695**	
of which discontinued operations	11,970		2,723	
Ordinary rate applicable		27.50%		27.50%
Effect of increases (decreases):				
—Temporary differences	33,050	37.93%	7,024	5.12%
—Permanent differences	(16,394)	-18.82%	5,374	3.92%
IRES taxable income	**40,617**		**50,093**	
EFFECTIVE TAX / RATE	**11,170**	**46.61%**	**13,776**	**36.55%**
of which discontinued operations	**1.065**		**661**	

The value shown as current effective IRES (€ 11,170 thousand) is represented by the current IRES tax shown in the previous table, that includes the contribution of discontinued operation (€ 1,065 thousand).

The reconciliation between the effective and theoretical IRAP tax rate is shown below:

Reconciliation between theoretical and effective IRAP tax rate	31 December 2014	%	31 December 2013 Restated	%
Pre-tax profit	**23,962**		**37,695**	
of which discontinued operations	11,970		2,723	
Ordinary rate applicable		1.17%		
		2.98%		2.98%
		3.44%		3.44%
		3.90%		3.90%
		4.60%		4.60%
		4.73%		4.73%
		4.82%		4.82%
		4.97%		4.97%
		5.57%		5.57%
Effect of increases (decreases):				
—Labour cost	351,172		380,256	
—Balance from financial management	6,971		13,958	
—Other differences between taxable base and pre-tax result	(161,629)		(112,762)	
IRAP taxable income	**220,475**		**319,148**	
—of which at 1.17%	1,343		2,694	
—of which at 2.98%	2,347		3,323	
—of which at 3.44%	11,754		5,552	
—of which at 3.90%	129,316		196,949	
—of which at 4.60%	8,172		7,470	
—of which at 4.73%	4,004		7,030	
—of which at 4.82%	53,220		79,586	
—of which at 4.97%	10,319		16,423	
—of which at 5.57%	0		119	
EFFECTIVE TAX / RATE	**10,015**	**35.40%**	**13,338**	**35.38%**
of which discontinued operations	**466**		**473**	

In 2014, as in 2013, the Group companies did not pay income taxes in areas other than Italy.

Deferred and prepaid taxes

At 31 December 2014, the Group recorded deferred tax assets of € 27,439 thousand, net of deferred tax liabilities of € 11,775 thousand, as shown below:

(in thousands of Euro)	Equity Tax Effect		Economic Tax Effect	
	31 December 2014	31 December 2013 Restated	31 December 2014	31 December 2013 Restated
Prepaid taxes:				
Multi-year costs	333	384	51	(31)
Finance lease	0	0	0	0
Maintenance exceeding deductible limit	138	139	(2)	(131)
Presumed losses on receivables	6,889	6,966	(178)	(393)
Provisions for risks and charges	8,002	9,814	1,192	149
Write-downs on asset items	1,865	1,811	(349)	(592)
Discounting-back of receivables	19	3	3	0
Fees due to Directors, Statutory Auditors and Independent Auditors	210	517	219	33
Amortization	1,013	1,069	(286)	(127)
Adjustments to job order margin	0	0	0	67
Interest expense	6,075	457	(5,618)	(405)
Employee benefits and length of service bonuses	62	15	(62)	0
Substitute tax	0	1,385	1,385	0
Employee incentives	516	976	473	26
Up-front fees on contracts for the assignment of receivables	0	16	0	8
Cash cost deduction	13	37	19	29
Other temporary differences	2,304	517	(270)	(40)
Other consolidation adjustments	0	20	0	(10)
Total prepaid taxes	**27,439**	**24,126**	**(3,423)**	**(1,417)**
Deferred taxes:				
Tax amortisation	(48)	0	(13)	0
IFRS work in progress valuation	(2)	(387)	(3)	(146)
Lease for tax purposes	(46)	(41)	(3)	(11)
Employee benefit discounting	9	(49)	(541)	(3)
Goodwill amortisation	(8,926)	(627)	801	21
Purchase Price Allocation (PPA)	(2,184)	(8,159)	(75)	817
Capital gains - deferred taxation	(9)	(2,258)	0	(643)
Undistributed profit	(329)	(9)	56	0
Other temporary differences	(220)	0	(108)	0
Cash cost deduction	0	(533)	0	3
Other consolidation adjustments	0	(81)	0	27
Total deferred taxes	**(11,755)**	**(12,144)**	**114**	**44**
NET PREPAID/(DEFERRED) TAXES	**15,684**	**11,982**	**(3,310)**	**(1,353)**

32. 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:

(in thousands of Euro)	For the year ended 31 December 2014	For the year ended 31 December 2013 Restated
Net profit attributable to shareholders (in thousands of Euro)	12,354	13,747
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)	**0.113**	**0.126**

(in thousands of Euro)	For the year ended 31 December 2014	For the year ended 31 December 2013 Restated
Net earnings deriving from continuing operations (in thousands of Euro)	578	14,516
Net profit /(loss) deriving from continuing operations pertaining to minority interests (in thousands of Euro)	(273)	(344)
Net profit deriving from continuing operations pertaining to the Group (in thousands of Euro)	305	14,172
Number of ordinary shares for the purpose of basic earnings per share	109,149,600	109,149,600
BASIC EARNINGS PER SHARE OF CONTINUING OPERATIONS (IN EURO)	**0.003**	**0.130**

No other transactions were performed regarding ordinary shares or potential ordinary shares between the balance sheet date and the date the financial statements were drafted.

Dividends

The Parent Company did not distribute dividends in 2012, 2013 and 2014 financial years.

33. Commitments and contingent liabilities

Finance lease

The Group signed finance lease agreements primarily for plant and equipment used in the production processes of the Laundering & Sterilisation SBU and for motor vehicles. The table below details the amount of future rental fees deriving from finance leases and the current value of these fees:

	31 December 2014		31 December 2013 Restated	
(in thousands of Euro)	Rental fees	Present value of rental fees	Rental fees	Present value of rental fees
Within one year	877	775	1,135	976
From one year to five years	1,492	1,408	2,363	2,213
After five years	109	105	179	170
TOTAL LEASE FEES	**2,478**	**2,288**	**3,677**	**3,359**
Financial costs	(190)		(318)	
PRESENT VALUE OF LEASE FEES	**2,288**	**2,288**	**3,359**	**3,359**

Guarantees given

At 31 December 2014, the Group granted sureties to third parties for:

- guarantees in favour of associates amounting to € 18,075 thousand (2013: € 11,263 thousand);
- other sureties granted to third parties: i) to ensure the correct fulfilment of contract obligations in place with customers amounting to € 231,702 thousand (2013: € 252,236 thousand) ii) 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 € 1,792 thousand (2013: € 2,340 thousand);
- guarantees in favour of Factoring Agencies amounting to € 2,104 thousand (2012: € 2,104 thousand), to ensure correct fulfilment of factoring contracts.

The sureties are issued on non-recourse factoring transactions to cover financial risks. For this reason the risk was measured at fair value and recorded as a financial liability. At 31 December 2014 this liability was equal to zero as assignments of receivables are no longer carried out (€ 35 thousand at 31 December 2013).

Guarantees given within the Senior Secured Notes

The Parent Company MFM S.p.A. and the subsidiaries Servizi Ospedalieri S.p.A. and Manutencoop Private Sector Solutions S.p.A. have issued, in favour of the banks participating in the RCF loan agreement and in favour of the bondholders, described under note 17, the following collaterals:

- first-recorded pledge on the shares held by MFM S.p.A. in Manutencoop Private Sector 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 Manutencoop Private Sector Solutions S.p.A.. At 31 December 2014 the receivables assigned as security amounted to € 77,793 thousand (€ 96,236 thousand at 31 December 2013);
- execution of a deed of pledge on the current accounts held with Unicredit S.p.A., which were credited with the amounts collected from private customers assigned as security. The balance of these current accounts at 31 December 2014 was equal to € 10,103 thousand;
- the release by Servizi Ospedalieri S.p.A. and Manutencoop Private Sector Solutions S.p.A. of a personal security for an overall maximum amount of € 48,411 thousand and € 16,907 thousand, respectively, at 31 December 2014.

On 29 September 2014, the guarantees issued to the Lending Banks that had granted the Revolving Credit Facility were formally cancelled. This took place after the facility had been voluntarily cancelled on 30 July 2014, and therefore all the guarantees described above, which had been previously shared between bondholders and the Lending Banks of the Revolving Credit Facility, remain such only to the bondholders. On the contrary, MFM S.p.A.'s movable assets, previously subject to a lien in the framework of the arrangement became fully available to the company again.

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 2014 no events of default had occurred.

Contingent liabilities

There were no contingent liabilities recognised at the balance sheet date, with the exception of those already recognised in the Consolidated financial statements and described in the explanatory notes.

34. Related party transaction

Related party transactions were performed under normal market conditions, i.e. in line with conditions that would be applied between aware and independent parties. Market prices are applied to both commercial and financial transactions.

Non-interest bearing loans are only disbursed in the case of pro-quota financing granted by syndicated shareholders to consortium companies. These loans were, however, discounted in the financial statements of the Parent Company MFM S.p.A.. The Parent Company not only provides technical-production services relating to the core business, but also administrative and IT services for certain Group companies.

The Parent Company also has some administrative, financial and lease service contracts in place with its parent company Manutencoop Società Cooperativa.

No guarantees were given or received in relation to receivables and payables with related parties. In the financial year the Group did not make any significant accrual to the provision for bad debts for amounts due from related parties.

The main contracts in place with other MFM Group companies, controlled by Manutencoop Società Cooperativa, with the latter and its subsidiaries, are shown below.

- MFM signed a contract with associate Roma Multiservizi S.p.A. on the basis of which it is committed to providing an Information System service. The contract, expiring on 31 December 2014, was extended on 11 December 2014 for additional 12 months and makes provision for an annual consideration of € 850 thousand.

- Manutencoop Cooperativa sub-leased to MFM S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The duration of the lease has a 5-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 1,722 thousand, to be paid in 12 monthly instalments.

- The affiliate company Manutencoop Immobiliare S.p.A. leased to Gruppo Sicura S.r.l. the property located in Vicenza (VI), at via Zamenhof no. 363, for use as offices/warehouse. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 390 thousand, to be paid in 12 monthly instalments.

- The affiliate company Manutencoop Immobiliare S.p.A. leased to MFM S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 348 thousand, to be paid in 12 monthly instalments.

- On 6 July 2007, MFM S.p.A. signed a framework agreement with its parent company, Manutencoop Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Cooperativa to MFM S.p.A, pursuant to Title III, Chapter I of Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a legislative contract that does not grant rights to third parties, MFM and the parent company Manutencoop Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Cooperativa, and the operating rules for establishing and terminating said contracts.

- Manutencoop Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the MFM Group, to preparing pay packets.

- MFM S.p.A. signed agreements with Manutencoop Cooperativa and its subsidiaries for the provision of tax consultancy services.

The breakdown of the balances relating to the transactions carried out by the Parent Company with related parties is provided in Annex III attached to the Consolidated Financial Statements.

Management and coordination activities

The Parent Company MFM S.p.A. is subject to the management and coordination activities of Manutencoop Società Cooperativa and, pursuant to art. 2497-*bis*, paragraph 4 of the Italian Civil Code, the key figures of the latest set of approved financial statements are provided below:

(in thousands of Euro)	31 December 2013	31 December 2012
BALANCE SHEET		
ASSETS		
A) Subscribed capital, unpaid	155	244
B) Fixed assets	342,646	302,775
C) Current assets	42,031	40,828
D) Accrued income and prepaid expenses	2,256	2,480
TOTAL ASSETS	**387,088**	**346,327**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity:		
Share capital	11,741	14,136
Reserves	252,548	253,139
Profit/(Loss) for the year	338	(591)
B) Provisions for risks and charges	3,959	3,967
C) Employee Severance Indemnity	2,384	2,685
D) Payables	115,315	72,158
E) Accrued expenses and deferred income	804	833
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**387,088**	**346,327**
MEMORANDUM ACCOUNTS	**175,405**	**242,560**
INCOME STATEMENT		
A) Value of production	42,859	40,652
B) Cost of production	(42,037)	(40,450)
C) Financial income and costs	(3,060)	(135)
D) Value adjustments to financial assets	1,631	(838)
E) Non-recurring income and costs	186	84
Income taxes for the year	759	96
Profit/(Loss) for the year	**338**	**(591)**

Remuneration of members of the Management Board, executives with strategic responsibilities and members of the Supervisory Board

Fees paid to members of governing and control bodies are shown below, as well as those paid to executives with strategic responsibilities in the Parent Company, including for roles held in other Group companies:

(in thousands of Euro)	**31 December 2014**	**31 December 2013**
Board of Directors/Management Board		
Short-term benefits	1,097	1,831
Post-employment benefits	0	0
Total Board of Directors/Management Board	**1,097**	**1,831**
Executives with strategic responsibilities		
Short-term benefits	2,642	3,105
Post-employment benefits	166	104
Total other executives with strategic responsibilities	**2,808**	**3,209**
Board of Statutory Auditors / Supervisory Board		
Short-term benefits	477	507
Total Board of Statutory Auditors / Supervisory Board	**477**	**507**

Since 2008, MFM S.p.A.'s Corporate Governance has been structured under a "two-tier" governance and control system, through the appointment of the Management Board and Supervisory Board.

The table below reports the fees accounted for in the 2014 consolidated income statement for audit and non-audit services rendered by Reconta Ernst & Young S.p.A. and by other entities in its network:

(in thousands of Euro)	**31 December 2014**	**31 December 2013 Restated**
Audit services	733	923
Certification services	27	421
Other services	40	14
TOTAL fees due to the Independent Auditors	**800**	**1,358**

In 2014 certification services involved the release of the Comfort Letters on the bond issue. Other services involved formalities required by local administrative entities and services rendered for tax issues.

35. Management of financial risks: objectives and criteria

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 Management Board, which are reviewed periodically. The main objective of these guidelines is to guarantee the presence of a liability structure that is balanced with the composition of the balance sheet assets, in order to maintain a high level of capital strength.

In 2013 the Parent Company launched a high-yield bond due 2020, which radically revised the composition of the sources of financing. The bond issue that has been described has then rationalised, as early as in the previous year, our debt structure with a view to greater future financial stability that is more consistent with medium- and long-term strategic growth and development targets. The financial instruments that are traditionally used by the Group Companies are made up of:

- short-term loans and revolving non-recourse factoring transactions targeted at funding working capital. The revolving factoring transactions in place with Crédit Agricole Corporate and Investment Bank and Banca IMI were discontinued as early as in the previous year, as were the very short-term credit facilities used for contingent cash requirements. The financial resources collected by the Group from these instruments have been replaced by those arising from the bond issue;

- medium/long-term loans with a multi-year repayment plan to cover investments in fixed assets and acquisitions of companies and business units. A portion of the medium/long-term loans was repaid through the proceeds from the bond issue. Furthermore, the derivative contracts in place were also cancelled.

The 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 2014 and 31 December 2013:

		Hierarchy				Hierarchy		
	31 December 2014	**Level 1**	**Level 2**	**Level 3**	**31 December 2013**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss								
Financial receivables, securities and other non-current financial assets	163		163		164		164	
– of which securities	163		163		164		164	
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	**163**		**163**		**164**		**164**	

The other financial assets posted in the Statement of financial position are not measured at fair value.

The table below shows the hierarchy for each class of financial liability measured at fair value at 31 December 2014 and 31 December 2013:

		Hierarchy				Hierarchy		
	31 December 2014	Level 1	Level 2	Level 3	31 December 2013	Level 1	Level 2	Level 3
Non-current financial liabilities	**0**		**0**		**0**		**0**	
– of which hedging derivatives	0		0		0		0	
– of which non-hedging derivatives	0		0		0		0	
Current financial liabilities	**0**		**0**		**35**		**35**	
– of which hedging derivatives	0		0		0		0	
– of which non-hedging derivatives	0		0		0		0	
– of which other liabilities	0		0		35		35	
Total FINANCIAL LIABILITIES	**0**		**0**		**35**		**35**	

In 2013 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 2014:

(in thousands of Euro)	31 December 2014	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	3,341	3,341	
Non-current financial assets	18,449		18,449
Other non-current assets	1,787		1,787
Total non-current financial assets	**23,577**	**3,341**	**20,236**
Current financial assets			
Trade receivables and advances to suppliers	580,629		580,629
Current tax receivables	28,922		28,922
Other current assets	30,632		30,632
Current financial assets	3,501		3,501
Cash and cash equivalents	113,382		
Total current financial assets	**757,066**	**0**	**643,684**
TOTAL FINANCIAL ASSETS	**780,643**	**3,341**	**663,920**
FINANCIAL INCOME (COSTS)	**6,106**	**427**	**5,679**

(in thousands of Euro)	31 December 2014	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	379,001		379,001
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	28		28
Total non-current financial liabilities	**379,029**	**0**	**379,029**
Current financial liabilities			
Trade payables and advances from customers	380,821		380,821
Current tax payables	4		4
Other current liabilities	123,625		123,625
Bank borrowings and other financial liabilities	28,512		28,512
Total current financial liabilities	**532,962**	**0**	**532,962**
TOTAL FINANCIAL LIABILITIES	**911,991**	**0**	**911,991**
FINANCIAL INCOME (COSTS)	**(42,313)**	**35**	**(42,348)**

The same information for the year ended 31 December 2013 is shown below:

(in thousands of Euro)	31 December 2013 Restated	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	3,038	3,038	
Non-current financial assets	10,840		10,840
Other non-current assets	1,638		1,638
Total non-current financial assets	**15,516**	**3,038**	**12,478**
Current financial assets			
Trade receivables and advances to suppliers	694,704		694,704
Current tax receivables	16,495		16,495
Other current assets	29,139		29,139
Current financial assets	13,374		13,374
Cash and cash equivalents	184,538		
Total current financial assets	**938,250**	**0**	**753,712**
Total financial assets	**953,766**	**3,038**	**766,190**
FINANCIAL INCOME (COSTS)	**3,364**	**665**	**2,699**

(in thousands of Euro)	31 December 2013 Restated	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	456,369		456,369
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	7		7
Total non-current financial liabilities	**456,376**	**0**	**456,376**
Current financial liabilities			
Trade payables and advances from customers	453,687		453,687
Current tax payables	226		226
Other current liabilities	148,343		148,343
Bank borrowings and other financial liabilities	85,116	35	85,081
Total current financial liabilities	**687,372**	**35**	**687,337**
TOTAL FINANCIAL LIABILITIES	**1,143,748**	**35**	**1,143,713**
Financial income (costs)	**(29,945)**	**202**	**(30,147)**

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.

Following the bond issue and the consequent repayment of the short- and very short-term bank loans, the liquidity risk was further mitigated through the execution of a Revolving Credit Facility (RCF) of € 30 million that can be activated on demand. The line has never been used and no future use was contemplated in consolidated financial plans. In 2014 it was therefore deemed appropriate to cancel the line.

Price risk

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	
(in thousands of Euro)	**31 December 2014**	**31 December 2013 Restated**	**31 December 2014**	**31 December 2013 Restated**
Financial assets				
Cash and cash equivalents	113,382	184,538	113,382	184,538
Receivables and other current financial assets	3,501	13,374	3,501	13,374
Other minority interests	3,341	3,038	3,341	3,038
Non-current financial receivables	18,449	10,840	18,449	10,840
Financial liabilities				
Loans:				
– Variable rate loans	34,949	94,226	34,949	94,226
– Fixed rate loans	370,280	412,687	370,280	412,687
Other current financial liabilities	2,284	34,572	2,284	34,572
Financial liabilities for non-current derivatives	0	0	0	0

Interest rate risk

Traditionally the Group has used variable-rate loans, with the possession of quite a marginal share of fixed rate loans.

With the bond issue launched in 2013, the Management restored the Group's financial structure, definitely strengthening a mix between short- and medium/long-term debt in favour of the latter. The Senior Secured Notes was launched at a discount of 98.713%, with a fixed-rate coupon of 8.5% to be settled on a six-monthly basis and due in 2020. The proceeds from the Notes have been used to repay a significant portion of the loans that were previously in place, in addition to the derivative contracts. As a result of this operation, the Group now applies a fixed rate to the financial cost of its debt.

The other financial instruments of the Group exposed to interest rate risks are those listed in note 17 (to which reference is made) such as *Loans* (other than the Senior Secured Notes), as well as financial statement items recorded under *Cash and cash equivalents*, and *Receivables and other current financial assets* (note 11) and *Non-current financial assets* (note 8).

Interest rate sensitivity analysis

The new structure of the consolidated debt, as we have seen, is affected, to a very marginal extent, by the changes in market rates, as the Group has set the cost for its recourse to credit market at the rate of return it ensures on the bond coupons.

On the contrary, in the previous year, the consolidated profit recorded the cost of the bond issue proceeds for a part of the year only. The table below shows the sensitivity of the pre-tax profit in 2013 should the bond issue dated 2 August have ensured proceeds since 1 January 2013.

	Consolidated financial statements at 31 December 2013 Restated		Consolidated financial statements with bond issue at 1 January 2013	
(in thousands of Euro)	**Net financial costs**	**Profit before taxes Restated**	**Net financial costs**	**Profit before taxes**
For the year ended 31 December 2013	42,438	37,694	29,552	24,808

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.

(in thousands of Euro)	**31 December 2014**	**31 December 2013 Restated**
Employee termination indemnity	21,207	27,599
Interest-bearing loans	405,229	506,913
Trade payables and advances from customers	380,821	453,687
Other current payables	123,625	148,343
Other current financial liabilities	2,284	34,572
Cash and cash equivalents	(113,382)	(184,538)
Other current financial assets	(3,501)	(13,374)
Total Net Debt	816,283	973,202
Group shareholders' equity	333,123	324,300
Undistributed net profit	(11,253)	(13,747)
Total capital	321,870	310,553
EQUITY AND NET DEBT	**1,138,153**	**1,283,755**
Indebtedness ratio	71.70%	75.80%

A 4.1% change was recorded in the debt ratio compared to 31 December 2013, which was mainly due to a reduction of € 156.9 million in net debt compared to a limited capital increase of € 11.3 million.

36. Events after the reporting date

On 17 February 2015 MFM S.p.A. signed an agreement with Facilicom Facility Solutions, A Dutch company which operates in the facility management market, for the transfer of a stake held in in UFS (United Facility Solutions S.A.), equal to 33.33% of the share capital of the same.

The Chairman and CEO
Claudio Levorato

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**
CO.GE.F. Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	80%	Subsidiary
Consorzio Igiene Ospedaliera Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	66.66%	Subsidiary
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Evimed S.r.l.	Via Zamenhof 363	Vicenza	90%	Subsidiary
Ferraria Soc. cons. a r.l.	Via Poli 4	Zola Predosa (BO)	69%	Subsidiary
Firing S.r.l.	Via Luigi Meraviglia 31	Lainate (MI)	65%	Subsidiary
Global Oltremare Soc.Cons. r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
ISOM Lavori Soc. Cons.rl	Via Poli 4	Zola Predosa (BO)	62.71%	Subsidiary
ISOM Gestione Soc. Cons.rl	Via Poli 4	Zola Predosa (BO)	52.97%	Subsidiary
KANARIND Soc. Cons.rl	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
MACO S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Manutencoop Private Sector Solutions S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
MCF servizi Integrati Soc. cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Palmanova Servizi Energetici Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Protec S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
S.AN.CO S.c.a.r.l.	Via A. Saffi, 51	Bologna	51.50%	Subsidiary
S.AN.GE S.c.a.r.l.	Viale Piero e Alberto Pirelli 21	Milano	89%	Subsidiary
Servizi Brindisi Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	52%	Subsidiary
Servizi l'Aquila Soc. Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Servizi Ospedalieri S.p.A.	Via Calvino 33	Ferrara	100%	Subsidiary
Servizi Sanitari Sicilia Soc.Cons.a r.l.	Via Calvino 33	Ferrara	70%	Subsidiary
Servizi Taranto Soc.Cons. a.r.l.	Via Poli 4	Zola Predosa (BO)	60.08%	Subsidiary
Sicura S.p.A.	Via Zamenhof 363	Vicenza	80%	Subsidiary
Società Manutenzione Illuminazione S.p.A. (SMAIL)	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Telepost S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary

Joint ventures accounted for under the equity method				
Name	**Registered Office**	**City**	**% held**	**Type**
AMG S.r.l.	SS Laghi di Avigliana 48/a	frazione Roata Raffo Busca (CN)	50%	Joint Venture
Cardarelli Soc.cons.r.l.	S.S. Appia 7 bis Km. 11,900 Zona A.s.i. Aversa Nord	Carinaro (CE)	60%	Joint Venture
CO. & MA. Soc. Cons. a r.l.	Via del Parco n. 16	Tremestieri Etneo (Ct)	50%	Joint Venture
DUC Gestione Sede Unica Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	49%	Joint Venture
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	Üniversiteler Mahallesi, Bilkent Plaza, A3 Blok, n. 4	Çankaya/ Ankara	50%	Joint Venture
Legnago 2001 Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	50%	Joint Venture
Malaspina Energy Soc.cons.r.l.	Via Varesina 118	Lurate Caccivio (CO)	50%	Joint Venture
Servizi Luce Soc.Cons.r.l.	Via Poli 4	Zola Predosa (BO)	50%	Joint Venture
Servizi Sportivi Brindisi Soc.cons.r.l.	Via Licio Giorgieri 93	Roma	50%	Joint Venture
UFS – United Facility Solutions SA	Rue colonel Bourg, 101	1030 Bruxelles (Belgio)	33.33%	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.	Via della Cooperazione 9	Bologna	27.58%	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
Consorzio Imolese Pulizie Soc. Cons. a r.l In liquidation	Via Poiano 22	Imola (BO)	60%	In liquidation
CO.M.I. S.r.l. in liquidation	Piazza De Calderini 2/2	Bologna	40%	In liquidation
Como Energia Soc.Cons. r.l.	Via Pietro Strazzi 2	Como	30%	Associate
Consorzio Leader Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
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	Roma	60%	In liquidation
F.lli Bernard S.r.l.	Stradella Aquedotto 21	Bari	20%	Associate
Geslotto6 Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	55%	In liquidation
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
Headmost Division Service FM S.p.A.	Via Rimini 5	Pomezia (RM)	25%	Associate
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi 18	Torino	24.75%	Associate

Associates and other companies accounted for under the equity method				
Name	**Registered Office**	**City**	**% held**	**Type**
Livia Soc.Cons. a r.l. in liquidation	Via Roma 57/B	Zola Predosa (BO)	34.10%	Associate
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)	33.3%	Associate
PBS Soc.Cons. r.l. in liquidation	Via G. Negri 10	Milano	25%	Associate
Progetto ISOM S.p.A.	Via Poli 4	Zola Predosa (BO)	36.98%	Associate
Progetto Nuovo Sant'Anna S.r.l.	Viale Piero e Alberto Pirelli 21	Milano	24%	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	49.11%	Associate
Società Consortile Adanti Manutencoop a r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Serena S.r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Se.Ste.Ro S.r.l.	Via San Pietro 59/B	fraz. Castellina - Soragna (PR)	25%	Associate
Servizi Marche Soc. Cons. a r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	60%	In liquidation
Servizi Napoli 5 Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	45%	Associate
Servizi Sanitari Treviso Soc.Cons.a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Sesamo S.p.A.	Via C. Pisacane 2	Carpi (MO)	20.91%	Associate
Simagest 2 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	90%	In liquidation
Simagest 3 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	89.99%	In liquidation
Synchron Nuovo San Gerardo S.p.A.	Via Poli 4	Zola Predosa (BO)	35.82%	Associate
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi 18	Torino	25%	Associate
Tower Soc.Cons. a r.l. in liquidation	Via Zanardi 372	Bologna	20.17%	Associate

Annex II

Valuation of investments using the equity method

	%	Net book value Dec 31, 2013 Restated	Changes of the year: Additions/ disposals	Dividends	Share of net profit/ write-downs	Provision	Reserves	Net book value Dec 31, 2014	Book value	Investment provision
Alisei s.rl. In liquidation	100%	(60)	23		(23)			(60)	0	(60)
A.M.G. S.r.l.	50%	2,123			79		(2)	2,200	2,200	
Bologna Gestione Patrimonio	27.58%	6						6	6	
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	
Co.S.I.S. Soc.Cons. a r.l.	26.33%	9			(9)			0	0	
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 Leader Soc.Cons. a r.l. In liquidation	50%	5						5	5	
Consorzio Polo sterilizzazione Integrata	60%	23						23	23	
Consorzio Sermagest In liquidation	60%	0						0	0	
Costruzione Manutenzione Immobili	40%	84						84	84	
DUC Gestioni Soc.Cons. a r.l.	49%	10						10	10	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	50%	50						50	50	
F.lli Bernard S.r.l.	20%	752			56			808	808	
Geslotto 6 soc. cons. a r.l.	55%	50						50	50	
GICO Systems S.r.l.	20%	46			14			59	59	
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	41.25%	4						4	4	
Gymnasium soc. cons. a r.l. in liq.	68%	7						7	7	
GRID Modena S.r.l.	23%	24	76		(76)			24	24	
Headmost Division Service FM S.p.A.	25%	0						0	0	
IPP s.r.l.	25%	467			(13)			453	453	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34.10%	3						3	3	
Logistica Ospedaliera Soc. Cons. a r.l	45%	5						5	5	
Malaspina Energy Soc. Cons. a r.l.	50%	50						50	50	
Newco DUC Bologna S.p.A.	24.90%	393			227		(780)	(160)	(160)	
P.B.S. Soc.Cons. a r.l. In liquidation	25%	25						25	25	
Palazzo della Fonte S.c.p.a.	33.30%	8,000						8,000	8,000	
Perimetro Gestione Proprietà Immobiliari Soc.Cons.a.r.l.	20.10%	1,111	(1,111)					0	0	
Progetto ISOM S.p.A.	36.98%	2,399			(470)			1,929	1,929	
Progetto Nuovo Sant'Anna S.r.l.	24%	1,630			246		(223)	1,653	1,653	
ROMA Multiservizi S.p.A.	45.47%	8,658		(1,511)	273		(90)	7,730	7,730	
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	
Savia soc.cons.a.r.l.	49.11%	5						5	5	
Società Consortile Adanti Manutencoop a r.l. In liquidation	50%	10						10	10	
SE.SA.MO. S.p.A.	20.91%	953			305			1,259	1,259	
Se.Ste.Ro S.r.l.	25%	165		(50)	29			144	144	
Serena S.r.l.	50%	9						9	9	
Servizi Luce Soc. Cons. a r.l.	50%	5						5	5	
Servizi Marche soc.Cons. a r.l. In liquidation	60%	6						6	6	
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	50%	5						5	5	
Simagest 2 Soc.Cons.a r.l.	90%	45						45	45	
Simagest 3 Soc.Cons.a r.l.	89.99%	45						45	45	
Synchron Nuovo San Gerardo S.p.A.	35.82%	3,494			656			4,151	4,151	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000						1,000	1,000	
Tower Soc.Cons. a r.l.	20.17%	20						20	20	
UFS – United Facility Solutions SA	33.33%	94			(90)			0	0	
NET BOOK VALUE		**31,798**	**(1,011)**	**(1,561)**	**1,198**	**0**	**(1,094)**	**29,330**	**29,390**	**(60)**

Annex III
Related party transactions

Parent company

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Manutencoop Cooperativa	31-dec-13					31-dec-13				
	Restated	600	40,015		209	Restated	554	14,068	11,613	577
	31-dec-14	352	38,925		70	31-dec-14	113	21,492	10,897	170

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-13					31-dec-13				
	Restated					Restated	3			
	31-dec-14					31-dec-14	3			1
AMG S.r.l.	31-dec-13					31-dec-13				
	Restated		200	4		Restated		504	74	
	31-dec-14	16	261	4		31-dec-14	19	504	106	
Bologna Gestione Patrimonio Soc.Cons. a r.l.	31-dec-13					31-dec-13				
	Restated	75	87			Restated	198		60	
	31-dec-14	75	128			31-dec-14	198		124	
Bologna Multiservizi Soc.Cons. a r.l.	31-dec-13					31-dec-13				
	Restated	1,386	4,233			Restated	2,082		5,206	
	31-dec-14	103	488			31-dec-14	174		1,687	
Bologna Più Soc.Cons.a r.l. In liquidation	31-dec-13					31-dec-13				
	Restated		3			Restated	(2)	39	13	
	31-dec-14		0			31-dec-14	-2	39	13	
Cardarelli Soc. Cons. a r.l.	31-dec-13					31-dec-13				
	Restated		1,148			Restated			1,043	
	31-dec-14		1,395			31-dec-14			402	
Como Energia Soc.Cons.a r.l.	31-dec-13					31-dec-13				
	Restated		1,044			Restated			655	
	31-dec-14		892			31-dec-14			599	
Consorzio Imolese Pulizie soc.Cons. In liquidation	31-dec-13					31-dec-13				
	Restated					Restated	138	36	48	
	31-dec-14					31-dec-14	138	36	48	
Consorzio Leader Soc. Cons. a r.l. In liquidation	31-dec-13					31-dec-13				
	Restated					Restated	13		6	
	31-dec-14					31-dec-14	14		6	
Consorzio Sermagest Soc.Cons.a r.l In liquidation	31-dec-13					31-dec-13				
	Restated					Restated	6			
	31-dec-14					31-dec-14				
CO.& MA. Soc. Cons. a r.l	31-dec-13					31-dec-13				
	Restated					Restated				4
	31-dec-14	360	1,094			31-dec-14	439	20	1,094	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31-dec-13					31-dec-13				
	Restated	5,132	2,579			Restated	7,014		411	
	31-dec-14	5,144	2,489			31-dec-14	5,449		851	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	31-dec-13					31-dec-13				
	Restated	55				Restated	55			
	31-dec-14	61	181			31-dec-14	116	182	387	62
Fr.lli Bernard s.r.l.	31-dec-13					31-dec-13				
	Restated	12	341			Restated	25		135	
	31-dec-14	12	296			31-dec-14	25	50	111	
Gestlotto 6 Soc. cons. a r.l In liquidation	31-dec-13					31-dec-13				
	Restated		4			Restated	6	20	43	
	31-dec-14		4			31-dec-14	6	20	47	
Gico Systems S.r.l.	31-dec-13					31-dec-13				
	Restated	7	587			Restated	7		359	
	31-dec-14	9	701			31-dec-14	6		329	
Global Provincia di RN Soc.Cons.a r.l. In liquidation	31-dec-13					31-dec-13				
	Restated					Restated	251	170	18	
	31-dec-14					31-dec-14	251	70	18	

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Global Riviera Soc.Cons.a r.l.	31-dec-13					31-dec-13				
	Restated	8	14			Restated	8		-177	
	31-dec-14		60			31-dec-14	55		-117	
Global Vicenza Soc.Cons. a r.l.	31-dec-13					31-dec-13				
	Restated	210	1,461			Restated	16		595	
	31-dec-14	214	1,396			31-dec-14	163		604	
Grid Modena S.r.l.	31-dec-13					31-dec-13				
	Restated	74				Restated	118			
	31-dec-14					31-dec-14	18			
Gymnasium Soc. cons. a r.l In liquidation	31-dec-13					31-dec-13				
	Restated					Restated	1	7	33	5
	31-dec-14					31-dec-14	1	7	33	5
HEADMOST In liquidation	31-dec-13					31-dec-13				
	Restated					Restated	454			
	31-dec-14					31-dec-14	454			
IPP S.r.l.	31-dec-13					31-dec-13				
	Restated	385	380	1		Restated	154	99	128	
	31-dec-14	394	358	1		31-dec-14	194	60	129	
Legnago 2001 Soc. Cons. r.l.	31-dec-13					31-dec-13				
	Restated		(6)			Restated	216		78	
	31-dec-14		2			31-dec-14	216		80	
Livia Soc. cons. a r.l.	31-dec-13					31-dec-13				
	Restated	210	1,033			Restated	172		868	
	31-dec-14	10	122			31-dec-14	129		257	
Logistica Ospedaliera Soc. Cons. a r.l.	31-dec-13					31-dec-13				
	Restated		404			Restated			94	
	31-dec-14		426			31-dec-14			92	
Malaspina Energy Soc. Cons. a r.l.	31-dec-13					31-dec-13				
	Restated		61	4		Restated	1,247	172	187	
	31-dec-14		52	4		31-dec-14	1,047	176	52	
Newco DUC Bologna S.p.A	31-dec-13					31-dec-13				
	Restated		7			Restated			15	
	31-dec-14		7			31-dec-14			22	
Palazzo della Fonte S.c.p.a.	31-dec-13					31-dec-13				
	Restated	3,374				Restated	848			
	31-dec-14	4,581				31-dec-14	1,065			
P.B.S. Soc.Cons. a r.l. In liquidation	31-dec-13					31-dec-13				
	Restated					Restated			3	
	31-dec-14					31-dec-14			7	
Perimetro Gestione Proprietà Immobiliari Soc. Cons. p. A.	31-dec-13					31-dec-13				
	Restated	469				Restated	236			
	31-dec-14	111				31-dec-14	37			
Progetto ISOM S.p.A.	31-dec-13					31-dec-13				
	Restated	214	17	8		Restated	13,457	192	92	
	31-dec-14	227	24	13		31-dec-14	9,337	206	2	
Progetto Nuovo Sant'Anna S.r.l.	31-dec-13					31-dec-13				
	Restated	149	122	119		Restated	5,448	5,402	156	15,327
	31-dec-14	170	5	118		31-dec-14	5,818	4,671	164	16,430
Roma Multiservizi S.p.A.	31-dec-13					31-dec-13				
	Restated	1,489	4,812			Restated	450		3,628	
	31-dec-14	1,621	2,242			31-dec-14	518		1,973	530
San Martino 2000 Soc.Cons. r.l.	31-dec-13					31-dec-13				
	Restated	1,694	3,418			Restated	640		631	
	31-dec-14	1,774	3,501			31-dec-14	675		363	
Savia Soc. Cons. a r.l	31-dec-13					31-dec-13				
	Restated	652	1,892			Restated	455		1,454	
	31-dec-14	512	2,258			31-dec-14	338		1,626	
Serena S.r.l. - In liquidation	31-dec-13					31-dec-13				
	Restated					Restated	49	3		
	31-dec-14					31-dec-14	49	3		
Servizi Luce Soc. Cons. a r.l.	31-dec-13					31-dec-13				
	Restated	90	590			Restated	189		1,280	
	31-dec-14	75	1,665			31-dec-14	290		521	
Servizi Marche Soc. Cons. r.l. In liquidation	31-dec-13					31-dec-13				
	Restated		1			Restated	12		4	
	31-dec-14					31-dec-14	12		1	

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Servizi Napoli 5 Soc.Cons. a r.l.	31-dec-13 Restated	1,377	1,283			31-dec-13 Restated	2,535		1,728	
	31-dec-14	1,371	1,256			31-dec-14	1,743		962	
Se.Sa.Mo. S.p.A.	31-dec-13 Restated	5,073		33		31-dec-13 Restated	3,145	606	6	
	31-dec-14	5,253	3	584		31-dec-14	3,003	639	6	
SESATRE S.cons. a r.l.	31-dec-13 Restated	14	4,355	40	40	31-dec-13 Restated	(12)	2,616	4,166	
	31-dec-14	10	4,362	32	32	31-dec-14	(17)	1,921	1,715	
Se.Ste.Ro S.r.l.	31-dec-13 Restated	10	559			31-dec-13 Restated	22		618	
	31-dec-14	14	492			31-dec-14	35		627	
S.I.MA.GEST2 Soc. Cons. r.l. In liquidation	31-dec-13 Restated					31-dec-13 Restated	208	75	4	
	31-dec-14					31-dec-14	208	75	4	1
S.I.MA.GEST3 Soc. Cons. r.l In liquidation	31-dec-13 Restated					31-dec-13 Restated	2		3	
	31-dec-14					31-dec-14	2		3	
Società Consortile Adanti Manutencoop In liquidation	31-dec-13 Restated					31-dec-13 Restated	36		12	
	31-dec-14					31-dec-14	36		12	
Steril Piemonte Soc. cons. a.r.l	31-dec-13 Restated	9	830	8		31-dec-13 Restated	24	775	242	
	31-dec-14		807	5		31-dec-14	23	580	251	
Synchron Nuovo San Gerardo S.p.A.	31-dec-13 Restated	3,699	128			31-dec-13 Restated	3,291		128	
	31-dec-14	15,108	181			31-dec-14	10,115		369	
Tower Soc.Cons. a r.l. In liquidation	31-dec-13 Restated		1			31-dec-13 Restated	17	17	-18	
	31-dec-14		6			31-dec-14	17	17	-11	

Subsidiaries of Manutencoop 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-13 Restated					31-dec-13 Restated	1			
	31-dec-14					31-dec-14	1			
Manutencoop Immobiliare S.p.A.	31-dec-13 Restated	19	2,600			31-dec-13 Restated	3		235	
	31-dec-14	26	2,494			31-dec-14	7		190	
Manutencoop Servizi Ambientali S.p.A.	31-dec-13 Restated	20				31-dec-13 Restated	6			
	31-dec-14					31-dec-14				
Nugareto Società Agricola Vinicola S.r.l.	31-dec-13 Restated	90	4			31-dec-13 Restated	88		4	
	31-dec-14	24	32			31-dec-14	13		35	
Segesta servizi per l'Ambiente S.r.l.	31-dec-13 Restated	11				31-dec-13 Restated	12			
	31-dec-14	17				31-dec-14	9			
Sies S.r.l.	31-dec-13 Restated	34				31-dec-13 Restated	138			
	31-dec-14					31-dec-14				

Associates of Manutencoop 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-13 Restated	64				31-dec-13 Restated	16		2	
	31-dec-14	58				31-dec-14	11			
Consorzio Karabak Due Società Cooperativa	31-dec-13 Restated	3				31-dec-13 Restated				
	31-dec-14	3				31-dec-14	1			
Consorzio Karabak Tre Società Cooperativa	31-dec-13 Restated	1				31-dec-13 Restated	1			
	31-dec-14	1				31-dec-14				
Consorzio Karabak Quattro Società Cooperativa	31-dec-13 Restated	90	17			31-dec-13 Restated	83		25	
	31-dec-14	82	17			31-dec-14	52		8	
Sacoa S.r.l.	31-dec-13 Restated	64				31-dec-13 Restated	16		2	
	31-dec-14	58				31-dec-14	11			

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Total	31-dec-13 Restated	26,798	74,224	217	249	31-dec-13 Restated	44,136	24,801	35,908	15,913
	31-dec-14	37,788	68,622	761	102	31-dec-14	42,624	30,768	26,699	17,199

Annex IV

Statement of reconciliation of the reclassified statement of cash flows and the statutory schedules items

		2014		2013 RESTATED
Cash and cash equivalent at the beginning of the year		**184,538**		**51,394**
Cash flow from current operations		**34,217**		**71,966**
Profit before taxes for the year	*11,992*		*34,971*	
Profit (loss) from discontinued operation	*12,042*		*1,867*	
Capital gain on disposal of discontinued operation	(13,351)		*0*	
Other impairment on discontinued operation	*2,752*		*0*	
Amortization, depreciation, write-downs and (write-backs) of assets	*40,645*		*42,818*	
Accrual (reversal) of provisions for risks and charges	*7,296*		*11,530*	
Employee termination indemnity provision	*1,459*		*1,757*	
Share of net profit of associates, net of dividends collected	*363*		(915)	
Financial charges (income) for the year	*36,597*		29,552	
Net interest received (paid) in the year	(34,019)		(14,068)	
Income tax paid in the year	(29,005)		(20,123)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	(2,561)		(15,424)	
USES OF PROVISIONS FOR RISKS AND CHARGES AND payments OF THE EMPLOYEE TERMINATION INDEMNITY:		**(18,278)**		**(19,021)**
Payments of Employee termination indemnity	(7,983)		(4,242)	
Utilization of provisions	(10,296)		(14,780)	
CHANGE IN adjusted NWOC:		**36,232**		**150,197**
Decrease (increase) of inventories	345		4,961	
Decrease (increase) of trade receivables	97,624		(48,883)	
Increase (decrease) of trade payables and advances from customers	(70,806)		11,516	
Adjustments:				
Change in the amount of trade receivables assigned without recourse to Factoring agencies and not yet collected by the latter	14,968		182,603	
Reclassifications:				
Amount of trade receivables repurchased by Banca IMI, assigned assigned under programmes of factoring without recourse in previous financial years	(5,900)		0	
INDUSTRIAL AND FINANCIAL Capex:		**42,929**		**(34,019)**
Purchase of intangible assets, net of sales	(9,267)		(10,431)	
Purchase of property, plant and equipment	(17,520)		(24,506)	
Proceeds from sales of property, plant and equipment	1,811		642	
Acquisition of investments	692		(185)	
Decrease (increase) of financial assets	5,837		1,275	
Net cash used in business combinations	0		(854)	
Net cash from assets held for sale	58,842		(8)	

		2014		2013 RESTATED
Reclassifications:				
Amount of trade receivables repurchased by Banca IMI, assigned assigned under programmes of factoring without recourse in previous financial years.	5,900		0	
Change in current financial assets, to be included in Net Financial Liabilities	(9,307)		48	
CHANGE IN ADJUSTED NET FINANCIAL LIABILITIES:		**(139,068)**		**(30,045)**
Net proceeds from/(reimburse of) borrowings	(130,027)		140,149	
Adjustments:				
Change in the amount of receivables assigned without recourse to Factoring agencies and not yet collected by the latter	(14,968)		(182,603)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of Profit or Loss	2,561		15,424	
Change in current financial assets, to be included in Net Financial Liabilities	9,307		(48)	
OTHER CHANGES:		**(27,188)**		**(5,932)**
Decrease (increase) of other current assets	(3,216)		(6,213)	
Increase (decrease) of other current liabilities	(23,865)		845	
Dividends paid	(107)		(565)	
CASH AND CASH EQUIVALENTS AT THE END OF THE year		**113,382**		**152,189**

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