

## 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.



## Manutencoop Facility Management S.p.A. €425,000,000 8.5% Senior Secured Notes due 2020

Guaranteed on a senior basis by Servizi Ospedalieri S.p.A. and Manutencoop Private Sector Solutions S.p.A.

Manutencoop Facility Management 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") €425,000,000 aggregate principal amount of its 8.5% Senior Secured Notes due 2020 (the "Notes"). Servizi Ospedalieri S.p.A. and Manutencoop Private Sector Solutions S.p.A. (each a "Guarantor" and collectively, the "Guarantors"), in each case wholly-owned subsidiaries of the Issuer, will guarantee the due and punctual payment of all amounts due and payable in respect of the Notes (the "Notes Guarantees"). The Notes will be issued pursuant to an indenture (the "Indenture") to be dated on or around August 2, 2013 (the "Issue Date") among the Issuer, the Guarantors, 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 8.5% per annum. Interest will be payable on the Notes semi-annually in arrears on August 1 and February 1 of each year, beginning on February 1, 2014. The Notes will mature on August 1, 2020. At any time on or after August 1, 2016, the Issuer may redeem all or a portion of the Notes at the redemption prices specified herein. Prior to August 1, 2016, the Issuer may also redeem all or part of the Notes if the Issuer pays a "make-whole" premium. In addition, on or before August 1, 2016, the Issuer may also redeem up to 35% of the Notes with the net proceeds from one or more equity offerings. See "Description of the Notes" for further information.

If the Issuer undergoes a change of control or sells certain of its assets, the Issuer may be required to make an offer to purchase the Notes. 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.

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. The Notes will be guaranteed on a senior basis by the Guarantors. The Notes Guarantees will rank equal in right of payment with all of each Guarantor's existing and future unsubordinated indebtedness and will rank senior to each Guarantor's existing and future indebtedness that is subordinated in right of payments to the Notes. The Notes Guarantees will be subject to contractual and legal limitations that may limit their enforceability, and the Notes Guarantees may be released under certain circumstances. See "Risk Factors—Risks Related to the Notes, Notes Guarantees and Collateral," "Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests and Certain Insolvency Law Considerations."

On or about the Issue Date, the Notes and the Notes Guarantees will be secured by first-ranking pledges over by (i) all of the shares of each of the Guarantors, (ii) the receivables of the Issuer in respect of the Proceeds Loans (as defined herein), (iii) the Issuer's interest in the receivables in respect of certain future intercompany loans granted by the Issuer to any of its Restricted Subsidiaries (in addition to the Proceeds Loans), (iv) the Issuer's and Manutencoop Private Sector Solution S.p.A.'s respective interests in certain trade receivables in respect of private sector customers and (v) the Issuer's and Manutencoop Private Sector Solution S.p.A.'s respective interests in certain bank accounts associated with such trade receivables which have been pledged to secure the Notes (collectively the "Collateral") as more fully described elsewhere in this offering memorandum (the "Offering Memorandum"). The Revolving Credit Facility (as defined herein) will also be secured by the Collateral on a first-ranking basis and by a special lien (*privilegio speciale*). 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 Guarantees and Security Interests and Certain Insolvency Law Considerations."

Subject to and as set forth in "Description of the Notes—Additional Amounts," the Issuer will not be liable to pay any additional amounts to holders of the Notes in relation to, among other things, 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) where the Notes are held by a person resident in a country that does not allow for satisfactory exchange of information with Italy (as per article 168-bis, Italian Presidential Decree No. 917 of December 22, 1986) and otherwise in circumstance as described in "Description of the Notes—Additional Amounts."

This Offering Memorandum includes information on the terms of the Notes and the Notes Guarantees, 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, *société anonyme* ("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 26.

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Issue price for the Notes: 98.713% plus accrued interest, if any, from the Issue Date

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Neither the Notes nor the Notes Guarantees 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 to non U.S. persons 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 Bookrunners

J.P. Morgan

UniCredit Bank

Banca IMI

Mediobanca

The date of this Offering Memorandum is July 26, 2013.







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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, UniCredit Bank AG, Banca IMI S.p.A. and Mediobanca—Banca di Credito Finanziario S.p.A. (the "**Initial Purchasers**"), the Trustee, the Paying Agent and the Security Agent 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 each of the Issuer and the Guarantors accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, neither the Issuer nor any Guarantor 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, neither the Issuer nor any Guarantor represents that its affairs are the same as described or that the information in this Offering Memorandum is correct, nor does the Issuer or any Guarantor 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.

Neither the U.S. Securities and Exchange Commission, any U.S. state securities commission nor any non-U.S. securities authority nor other authority has approved or disapproved of the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

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, any 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, any 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 *"Transfer Restrictions."* 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. In the course of any review by the 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 the competent authority may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information in the listing particulars. We may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects since the publication of this Offering Memorandum. We cannot guarantee that such application for the admission of the

Notes to listing of the Notes on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. Following the listing, the relevant listing particulars will be available at the offices of the Listing Agent. Any investor or potential investor in the European Economic Area (the “EEA”) 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 BEHALF OF J.P. MORGAN SECURITIES PLC) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT J.P. MORGAN SECURITIES PLC (OR PERSONS ACTING ON BEHALF OF J.P. MORGAN SECURITIES PLC) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER HAS RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

## **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 Guarantors 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 Guarantees 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 *“Transfer Restrictions.”*

## **Notice to New Hampshire residents**

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR



RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

## Notice to certain European investors

### European Economic Area

This Offering Memorandum has been prepared on the basis that the offer and sale of the Notes will be made pursuant to an exemption under the Prospectus Directive as implemented in member states of the EEA, from the requirement to produce and publish a prospectus which is compliant with the Prospectus Directive, as so implemented, for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA or any of its member states (each a **"Relevant Member State"**) of the Notes which are the subject of the placement referred to in this Offering Memorandum must only do so in circumstances in which no obligation arises for the Issuer or the Initial Purchasers to produce and publish a prospectus which is compliant with the Prospectus Directive, including Article 3 thereof, as so implemented, for such offer. For EEA jurisdictions that have not implemented the Prospectus Directive, all offers of the Notes must be in compliance with the laws of such jurisdictions. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute a final placement of the Notes.

For the purposes of this provision, the expression **"Prospectus Directive"** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and the expression **"2010 PD Amending Directive"** means Directive 2010/73/EU.

Each subscriber for, or purchaser of, the Notes in this Offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Initial Purchasers and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment and agreement.

### 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, (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 Notes may otherwise lawfully be communicated (all such persons together being referred to as **"relevant persons"**). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

### Italy

No action has been or will be taken which could allow an offering of the Notes to the public in the Republic of Italy within the meaning of Article 1, paragraph 1, letter t) of Legislative Decree No. 58 of February 24, 1998, as subsequently amended (the **"Italian Financial Act"**). Accordingly, the Notes may not be offered or sold directly or indirectly in the Republic of Italy,

and neither this Offering Memorandum nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer, the Guarantors, the Notes or the Notes Guarantees or the Collateral may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Notes cannot be offered or sold in the Republic of Italy either on the primary or on the secondary market to any natural persons nor to entities other than qualified investors (*investitori qualificati*) as defined pursuant to Article 100 of the Italian Financial Act and Article 34-ter, paragraph 1, letter b) of Regulation No. 11971 of May 14, 1999 as amended (the “**Issuers Regulation**”) issued by the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) or unless in circumstances which are exempt from the rules on public offers pursuant to Article 100 of the Italian Financial Act and the implementing CONSOB regulations, including the Issuers Regulation.

The Notes may not be offered, sold or delivered and neither this Offering Memorandum nor any other material relating to the Notes may be distributed or made available in the Republic of Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this Offering Memorandum or any other material relating to the Notes in Italy is made in one of the following ways: (a) by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No 385 of September 1, 1993 as amended, the Italian Financial Act, CONSOB Regulation No. 16190 of October 29, 2007 as amended and any other applicable laws and regulations; and (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority. 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.*”

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;
- unfavorable economic conditions in Italy;
- 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;
- inability to accurately estimate future costs of integrated facility management services;
- inability to cater to customer preferences and provide consistent quality of service;
- risks related to divestments or acquisitions;
- risks related to the collective bargaining agreement applicable to cleaning and facility management;
- risks related to claims arising out of temporary joint associations;
- risks related to 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 our capital structure;
- risks related to our indebtedness;
- risks related to the Notes, the Note Guarantees 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 the Validity and Enforceability of the Notes Guarantees 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 Group's financial information included in this Offering Memorandum has been extracted or derived from: (i) the audited consolidated financial statements of the Issuer and its consolidated subsidiaries as of and for the years ended December 31, 2012, 2011 and 2010, prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("**IFRS**"), audited by Reconta Ernst & Young S.p.A. (the "**Audited Consolidated Financial Statements**") and containing the auditors' report therein and (ii) the unaudited interim condensed consolidated financial statements of the Issuer and its consolidated subsidiaries as of and for the three months ended March 31, 2013 and 2012, prepared in accordance with International Accounting Standards 34 (the "**Unaudited Interim Condensed Consolidated Financial Statements**").

The unaudited financial information for the twelve months ended March 31, 2013 has been derived by subtracting from the audited consolidated financial statements of the Issuer and its consolidated subsidiaries for the year ended December 31, 2012 the information from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2012 and adding the information from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2013.

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 Group's results of operations and/or financial condition, as well as on the comparability of the prior periods.

## Non-IFRS financial measures

In this Offering Memorandum, we present certain non-IFRS measures, including EBITDA, Adjusted EBITDA, *Pro forma* Adjusted EBITDA, gross interest bearing financial indebtedness, net interest bearing financial indebtedness, net financial indebtedness, capital expenditures, net working capital and Adjusted net working capital. We define "EBITDA" as operating income/ (loss) before accrual to provisions for risk and charges and amortization/depreciation, write-downs and write-backs of assets. We define "Adjusted EBITDA" as EBITDA as adjusted for certain non-recurring and other extraordinary items described in Footnote 1 under "*Summary Historical Consolidated Financial Information and Other Data—Other Financial Information.*" We define "*Pro forma* Adjusted EBITDA" as Adjusted EBITDA as further adjusted for the annualization of the PIB contract as described in Footnote 1 under "*Summary Historical Consolidated Financial Information and Other Data—Other Financial Information.*" We believe that EBITDA, Adjusted EBITDA and *Pro forma* Adjusted EBITDA are useful indicators of our ability to monitor and assess our operating performance.

We define "gross interest bearing financial indebtedness" and "net interest bearing financial indebtedness" as measurements of our indebtedness as described in Footnote 3 under "*Summary Historical Consolidated Financial Information and Other Data—Other Financial Information.*" We define "net financial indebtedness" as the sum of bank borrowings, current portion of long-term debt, other current financial liabilities and long-term debt net of current financial receivables (i.e. balances of bank accounts which are pledged as part of our factoring facilities as discussed under "*Description of Certain Financing Arrangements—Non-recourse (pro soluto) Factoring Facilities,*" amounts in escrow and credits under mergers and acquisitions arrangements and short-term financial credits and bank accounts with non-consolidated

subsidiaries and associates), cash and cash equivalents and certificates of deposit and non-proprietary accounts. Net financial indebtedness is intended to indicate the amount of the Group's debt if all liabilities were to be repaid using liquid funds and in accordance with the CONSOB Communication No. DEM/6064293 of July 28, 2006. 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. The Group's capital expenditure for the years ended December 31, 2010, 2011 and 2012 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.*" 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, Adjusted EBITDA, *Pro forma* Adjusted EBITDA, gross interest bearing financial indebtedness, net interest bearing financial indebtedness, net financial indebtedness, 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, Adjusted EBITDA and *Pro forma* Adjusted EBITDA, gross interest bearing financial indebtedness, net interest bearing financial indebtedness, net financial indebtedness, capital expenditures, net working capital and Adjusted net working capital of other companies. The information presented by each of EBITDA, Adjusted EBITDA, and *Pro forma* Adjusted EBITDA, gross interest bearing financial indebtedness, net interest bearing financial indebtedness, net financial indebtedness, 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, Adjusted EBITDA and *Pro forma* Adjusted EBITDA are not measurements of performance under IFRS and you should not consider any of EBITDA, Adjusted EBITDA or *Pro forma* Adjusted 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, Adjusted EBITDA and *Pro forma* Adjusted 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, Adjusted EBITDA and *Pro forma* Adjusted 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, Adjusted EBITDA and *Pro forma* Adjusted 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 three segments in accordance with IFRS 8:

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

Our Facility Management Segment, as further described under "*Business*," includes the following activities: Technical maintenance services, Cleaning and hygiene, Energy and HVAC management, Landscaping and Other facility management services. In the year ended December 31, 2012, our Facility Management Segment generated €925.3 million, or 86.3%, of our total revenue.

Our Laundering and Sterilization Segment, as further described under "*Business*," includes our laundering and sterilization activities. In the year ended December 31, 2012, our Laundering and Sterilization Segment generated €134.4 million, or 12.5%, of our total revenue.

Our Other Segment, as further described under "*Business*," includes our Building construction and Project management and energy activities which our management considers as non-core services of the Group. In the year ended December 31, 2012, our Other Segment generated €14.6 million, or 1.4%, of our total revenue.

We do not report a geographical breakdown of our total revenue in our consolidated financial statements as revenue generated outside of Italy is not, and has not been, material for the periods under review. Our total revenue generated outside of Italy declined from €24.4 million in the year ended December 31, 2010 to €0.4 million in the year ended December 31, 2012, primarily due to the loss of Fiat as a customer. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting the Comparability of our Results of Operations—The loss of Fiat as a customer*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Stable and growing customer base*."

## Other data

Certain numerical figures contained in this Offering Memorandum, including financial information and certain operating data, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.



## Currency presentation and definitions

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.

### Definitions

As used in this Offering Memorandum:

“Agents”	the Paying Agent, the Transfer Agent, the Registrar, the Listing Agent and the Security Agent, collectively
“AVCP”	Authority for the Supervision of Public Contracts for Works, Services and Supplies ( <i>Autorità per la Vigilanza sui Contratti Pubblici di Lavori, Servizi e Forniture</i> )
“Banca Popolare di Vicenza Facility”	the loan agreement dated as of January 24, 2011 by and between the Issuer, as borrower and Banca Popolare di Vicenza, as lender, to provide for a €50.0 million credit facility
“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)
“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) <i>divided by</i> year-to-date revenues <i>multiplied by</i> the days of the period to date
“CAGR”	compound annual growth rate
“CCFS Facility”	the loan agreement dated as of January 24, 2013 (as amended and restated on June 12, 2013 with such amendments being conditional on the issuance of the Notes and the signing of the Revolving Credit Facility) by and between the Issuer, as borrower, and Consorzio Cooperativo Finanziario per lo Sviluppo Soc. Cop., as lender, to provide a €18.0 million guaranteed facility for the refinancing of the loan equal to €30.0 million previously granted by CCFS to the Issuer

<b>"CCNL Multiservizi"</b> . . . . .	the collective bargaining agreement dated May 31, 2011 currently in force between labor unions and cleaning and facility management providers such as the Group ( <i>Contratto Collettivo Nazionale di Lavoro per il personale dipendente da imprese esercenti servizi di pulizia e servizi integrati/multiservizi</i> )
<b>"Collateral"</b> . . . . .	subject to the provisions of the Intercreditor Agreement and the Agreed Security Principles the Notes and the Notes Guarantees will be secured by first-ranking pledges over (i) all of the shares of each of the Guarantors, (ii) the Issuer's interest in the receivables in respect of the Proceeds Loans, (iii) the Issuer's interest in the receivables in respect of any Intercompany Loans, (iv) the Issuer's and MPSS' respective interests in the Private Sector Contract Receivables and (v) the Issuer's and MPSS' respective interests in the Designated Bank Accounts (see also <i>"Description of the Notes—Security"</i> )
<b>"Crédit Agricole Factoring Facility"</b>	the factoring facility dated March 19, 2007, among the Issuer and Servizi Ospedalieri, as assignors, Calyon-Corporate and Investment Bank (now called Crédit Agricole Corporate and Investment Bank), as factor and Eurofactor S.A., as program administrator, in relation to the sale of certain trade receivables by the assignors to the factor for an amount of up to €40.0 million (see <i>"Description of Certain Financing Arrangements—Non-Recourse (Pro soluto) Factoring Facilities—Crédit Agricole Factoring Facility"</i> )
<b>"Designated Bank Accounts"</b> . . . . .	bank accounts of the Issuer and MPSS associated with the Private Sector Contract Receivables and subject to pledge as part of the Collateral (see also <i>"Description of the Notes—Security"</i> )
<b>"EBITDA"</b> . . . . .	a non-IFRS, non-audited measurement of our performance as defined under <i>"Presentation of Financial Information—Non-IFRS Measures"</i>
<b>"EnergyProject"</b> . . . . .	EnergyProject S.p.A., a wholly-owned subsidiary of the Group that operates the Project management and energy activities of the Group, consisting in designing and building of photovoltaic plants
<b>"Eurozone"</b> . . . . .	the member states of the European Union participating in the European Monetary Union
<b>"Existing Financial Debt"</b> . . . . .	The Banca Popolare di Vicenza Facility, the MPS Capital Services Facility, the CCFS Facility and certain other indebtedness of the Group as described under <i>"Description of Certain Financing Arrangements—Liabilities due from associates and subsidiaries"</i> which are expected to remain outstanding after the issuance of the Notes

<b>"Facility Management Segment"</b> . . .	our reporting segment under IFRS that comprises the following businesses: Technical maintenance services, Cleaning and hygiene, Energy and HVAC management, Landscaping and Other facility management services (see also <i>"Presentation of Financial Information—Segment Reporting"</i> )
<b>"healthcare customers"</b> . . . . .	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 <i>"Business—Customers and Contracts—Healthcare Customers"</i> )
<b>"GDP"</b> . . . . .	gross domestic product
<b>"Group," "us," "we" and "our"</b> . . .	the Issuer and its consolidated subsidiaries, unless the context requires otherwise or is clear from the context
<b>"Gruppo Sicura"</b> . . . . .	Gruppo Sicura S.r.l., a 80% owned subsidiary of the Issuer that operates the Fire prevention and safety activities of the Group, and its subsidiaries
<b>"Guarantors"</b> . . . . .	Servizi Ospedalieri (as defined below) and MPSS (as defined below)
<b>"Italian Civil Code"</b> . . . . .	the Italian civil code ( <i>codice civile</i> ), enacted by Royal Decree No. 22 of March 16, 1942, as subsequently amended and supplemented
<b>"Italian Public Tender Laws"</b> . . . . .	Legislative Decree April 12, 2006, No. 163 and Presidential Decree October 5, 2010, No. 207
<b>"Intercompany Loans"</b> . . . . .	any future intercompany loans granted by the Issuer to any of its Restricted Subsidiaries in addition to (but not including) the Proceeds Loans (see also <i>"Description of the Notes—Security"</i> )
<b>"Intesa Sanpaolo Factoring Facility"</b> . . . . .	The factoring facility dated September 7, 2011 (as amended and restated on or about the Issue Date with such amendments being conditional on the issuance of the Notes and the signing of the Revolving Credit Facility), among the Issuer and MPSS, as assignors, Banca IMI S.p.A. (until June 2012) and Intesa Sanpaolo S.p.A. (which replaced Banca IMI S.p.A. subsequent to June 2012), as factors and Accounting Partners S.r.l., as program administrator, in relation to the sale of certain trade receivables by the assignors to the factors for a maximum amount available of €93.0 million (see <i>"Description of Certain Financing Arrangements—Non-Recourse (Pro soluto) Factoring Facilities—Intesa Sanpaolo Factoring Facility"</i> )
<b>"Issuer"</b> . . . . .	Manutencoop Facility Management S.p.A.

<b>"Laundering and Sterilization Segment"</b> . . . . .	our reporting segment under IFRS that includes our laundering and sterilization activities (see also <i>"Presentation of Financial Information—Segment Reporting"</i> )
<b>"Maco"</b> . . . . .	Manutencoop Costruzioni S.p.A., a wholly owned subsidiary of the Issuer that operates the Building construction activities of the Group
<b>"MSC"</b> . . . . .	Manutencoop Società Cooperativa, our controlling shareholder
<b>"Mia"</b> . . . . .	Manutenzione Installazione Ascensori S.p.A., a wholly-owned subsidiary of the Issuer that operates the Elevator systems activities of the Group
<b>"MPS Capital Services Facility"</b> . . . .	the loan agreement dated as of December 29, 2010 (as amended and restated on June 27, 2013) by and between the Issuer, as borrower and MPS Capital Services Banca per le Imprese S.p.A., as lender to provide €25.0 million to be used for the acquisition of the shares in other companies by the Issuer or its subsidiaries for a cost equal to €37.5 million
<b>"MPSS"</b> . . . . .	Manutencoop Private Sector Solutions S.p.A. (formerly known as MP Facility S.p.A., company incorporated in 2004), a wholly owned subsidiary of the Issuer since 2008 that offers facility management to private sector customers of the Group and a Guarantor of the Notes offered hereby
<b>"Pirelli RE"</b> . . . . .	Pirelli RE Integrated Facility Management B.V., a company acquired by the Group in 2008
<b>"PPP"</b> . . . . .	private public partnerships, a model of government service delivery involving the private sector, often in a BOT arrangement
<b>"Private Sector Contract Receivables"</b> . . . . .	trade receivables owing to the Issuer and MPSS in respect of any indebtedness (whether existing or future) arising under or in connection with certain invoices issued or to be issued by the Issuer and MPSS as a result of supply of goods or services to private sector clients as described under <i>"Description of the Notes—Security"</i>
<b>"Proceeds Loans"</b> . . . . .	refer to the loan agreements to be entered into between (i) the Issuer, as lender and Servizi Ospedalieri, as borrower and (ii) the Issuer, as lender and MPSS, as borrower pursuant to which the Issuer will lend, and each of Servizi Ospedalieri and MPSS will borrow, certain proceeds of the Notes in order to allow them to repay certain indebtedness (see also <i>"Description of the Notes—Security"</i> )



<b>"PSE"</b> . . . . .	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
<b>"Refinancing Transactions"</b> . . . . .	the series of transactions as defined under <i>"Summary—The Refinancing Transactions"</i>
<b>"retention rate"</b> . . . . .	refers to 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
<b>"Revolving Credit Facility"</b> . . . . .	the senior secured revolving credit facility providing for up to €30 million to be entered into on or about the Issue Date among the Issuer, UniCredit Bank AG, Milan Branch, as agent and the other lenders thereto
<b>"Roma Multiservizi"</b> . . . . .	Roma Multiservizi S.p.A., a 45.47%-owned affiliate of the Issuer (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
<b>"Security Agent"</b> . . . . .	UniCredit Bank AG, Milan Branch, in its capacity as security agent and legal representative ( <i>mandatario con rappresentanza</i> ) of the Trustee
<b>"Security Documents"</b> . . . . .	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 <i>"Description of the Notes—Security"</i> )
<b>"Servizi Ospedalieri"</b> . . . . .	Servizi Ospedalieri S.p.A., company incorporated in 1985, a wholly-owned subsidiary of the Issuer since 2007 that operates the Laundering and Sterilization Segment of the Group and a Guarantor of the Notes offered hereby
<b>"Smail"</b> . . . . .	Società Manutenzione Illuminazione S.p.A., a wholly owned subsidiary of the Issuer that operates the Lighting activities of the Group
<b>"SMEs"</b> . . . . .	small and medium-sized enterprises
<b>"TJA"</b> . . . . .	temporary joint associations, a method of entering into consortia which the Group uses along with partners in order to bid for public tenders and provide the goods and services thereunder

**"Trustee"** . . . . . The Law Debenture Trust Corporation p.l.c., in its capacity as trustee, legal representative (*mandatario con rappresentanza*) under the Indenture and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code

## 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 *Centro Ricerche Economiche Sociali di Mercato per l'Edilizia e il Territorio* ("**Cresme**"), *Smart Lavanderie Industriali* edition 2013—Databank division of Cerved Group S.p.A. ("**Databank**") and 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, 2012 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 "2012E." 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 2012E 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, 2012. Our estimates involve risks and uncertainties and are subject to change based on various factors. See "*Risk Factors*", "*Industry*" and "*Business*" for further discussion.

## Summary

This summary highlights selected information about the Issuer, the Guarantors, 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 our Audited Consolidated Financial Statements, The Unaudited Interim Condensed Consolidated 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. We serve a diverse range of over 1,600 customers, including public sector entities (including healthcare providers) and private sector companies in Italy, our exclusive market. 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 our controlling shareholder. Since our consolidation as an independent Group, we have emerged as a multi-disciplinary provider of facility management services. MSC, our controlling shareholder with a 71.89% interest in our share capital, provides us with stable, long-term support. Our comprehensive multi-service and multi-technical offering covers most of the areas of the facility management and laundering and sterilization markets. 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 approximately 15,000 people, we believe we are currently the undisputed leader in the Italian facility management market.

In 2008, we culminated a period of sustained growth through the acquisition of Pirelli RE, which greatly enhanced our ability to provide integrated facility management to private sector customers. Since such acquisition, we have entered a phase of stable growth with 1.0% CAGR of total revenue from 2009 to 2012, (as adjusted for the loss of the contract with Fiat S.p.A. in 2010), even during a challenging economic period.

In the twelve months ended March 31, 2013, we generated total revenue of €1,072.7 million and Adjusted EBITDA of €124.3 million, corresponding to a 11.6% Adjusted EBITDA margin as percentage of total revenue.

### **Service offering**

We believe we distinguish ourselves through the breadth of services we regularly provide to our customers and the custom solutions we can devise both for their facility management and laundering and sterilization needs. According to Interconnection Consulting the facility management services can be classified among three broad areas: technical, infrastructural and entrepreneurial. The Group operates across all these three areas, however, as attested by our market shares and revenue, we possess particular strength in technical services as demonstrated by a suite of services within our Facility Management Segment pursuant to which we provide Technical maintenance services, Energy and HVAC management, Fire prevention and safety and



Elevator systems services. In addition, we have strong capabilities in infrastructural services as demonstrated by our Cleaning and hygiene and Landscaping services within our Facility Management Segment. We also provide certain entrepreneurial services within our Facility Management Segment, including Document management. According to Databank, the laundering and sterilization services can be classified by three categories of clients; healthcare, hotels and restaurants, and community and industrial. The Group focuses exclusively on healthcare customers.

On an organizational level, we classify our services to our customers through three reporting segments: Facility Management Segment which generated 86.3% of total revenue and 71.6% of EBITDA in the year ended December 31, 2012, Laundering and Sterilization Segment which generated 12.5% of total revenue and 28.9% of EBITDA in the year ended December 31, 2012 and Other Segment consisting of non-core activities and assets held for sale which generated 1.4% of total revenue and negative EBITDA of €0.5 million in the year ended December 31, 2012.

In addition to our service offering, we strive to position ourselves as value-added partners to our customers, fostering long-standing relationships as testified by our consistently high retention rate of 93% (average of 2010 to 2012, which for 2011 does not take into account our 2010 revenue derived from the contract with Fiat S.p.A.) and developing industry experience of the public sector, healthcare and certain segments of the private sector such as telecommunications and retail. 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:

***Provider of mission critical services to a variety of public and private customers.*** 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. We estimate that more than three fourths of our total revenue in 2012 was generated from such mission critical services, which include, among others, Technical maintenance services, Cleaning and hygiene, Energy and HVAC management and laundering and sterilization. Once we become a provider, customers can focus on their core businesses and outsource to us non-core activities which nevertheless are vital to achieve success. For example, among others: (i) in the public sector, we provide daily cleaning, maintenance of elevators, heating and plumbing systems and landscaping for public schools, state buildings and museums that allow them to comfortably 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 telecommunications towers and diverse retail and office spaces for our customers which keep their operations running smoothly.

***Stable underlying markets with growth potential.*** The Italian facility management and laundering and sterilization markets have historically outpaced the GDP growth. The Italian facility management market reported a CAGR of 1.2% (source: Interconnection Consulting) for the period 2008-2011 compared to Italy's real GDP CAGR of (1.2)% for the same period (source: IMF) and the healthcare segment of the Italian laundering and sterilization market reported a CAGR of 1.2% for the period 2010-2011 (source: Databank) compared to Italy's real GDP CAGR of (1.0)% for the same period (source: IMF). We believe this represents additional 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 the Italian already outsourced portion of the facility management market will grow at a CAGR of 1.4% from 2011 to 2015. Databank estimates that the healthcare segment of the laundering and sterilization market will grow at a CAGR of 0.3% from 2012 to 2014 (within which, the subsegment of sterilization of surgical instruments will grow at a CAGR of 8.0% from 2012 to 2014). The already outsourced portion of the Italian facility management market has a significant untapped potential, as demonstrated by the lower penetration rate compared to more mature markets such as the United Kingdom, where the Facility Management market represented 3.1% of GDP, compared to Italy's 1.5% (data referred to 2006). Moreover, Interconnection Consulting estimates that the current market size of the already outsourced portion of the Italian facility management is €26 billion, or only 33.4% of the total potential market. 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 exhibit favorable demand dynamics and 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 trend towards outsourcing of government (excluding the healthcare sector) facility management is expected to grow at a CAGR of 1.8% from 2011 to 2015. In addition, 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.

***Established leader in the Italian market.*** We are the leading player in the highly fragmented Italian facility management market. In the already outsourced facility management sector, our market share was 4.1% in 2012E according to Interconnection Consulting and, according to publicly available data, we were two-thirds larger in 2011 than our next direct competitor with a similar service offering. 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 2012 with a market share of 17.0% according to Databank. 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 revenue deriving from discretionary and non-discretionary spending. Additionally, we possess unique in-depth knowledge of the complex Italian public tender requirements. The Group has dedicated approximately 50 specialists focused on preparing public and private tender bids across our Facility Management Segment and Laundering and Sterilization Segment. In 2012, our Facility Management Segment participated in 190 such 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, as testified by our high customer retention rate (average of 93% over the period 2010 to 2012, which for 2011 does not take into account our 2010 revenue derived from the contract with Fiat S.p.A.).

***One-stop-shop for facility management solutions.*** We believe we provide to our customers one of the largest offer of integrated and interdisciplinary services available in the Italian facility management market. Our business model seeks to position us as a partner for our customers possessing the knowhow 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 example, in 2010 we were awarded an initial contract by an Italian bank which we believe we implemented efficiently, allowing us to successfully cross-sell and obtain a contract for additional engineering works in 2010 worth two times the original cleaning contract, followed by two successive purchases of other maintenance works and services in 2011, yielding total revenue in 2011 from such Italian bank nearly in excess of four times the original contract amount in 2010. We believe our integrated services tend to produce increased customer loyalty, which provides us with an important competitive advantage. We have historically been able to add services to existing contracts or to extend our services to additional regions in Italy. 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 a state-of-the-art information technology systems.

***Strong barriers to entry and competitive advantages.*** We believe that the facility management and laundering and sterilization markets are characterized by strong 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 which we believe is not easy to replicate. Our state-of-the-art 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. 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, strong customer relationships and established track record of complying with Italian public tender rules bolster our leading position.

***Unique density of network throughout Italy and national reach support operational excellence.*** Close proximity to customers is essential in the markets we serve. We strive to achieve this close proximity in our Facility Management Segment through a dense regional network of 58 offices in Italy and in our Laundering and Sterilization Segment through a network of 31 facilities (among which 5 dedicated plants and 20 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 NH Hotels, Telecom Italia, Unipol and Wind Telecomunicazioni) as well as to continue to serve the needs of SMEs providing, in particular, services with attractive margins, such as Elevator systems, Energy and HVAC management and sterilization services. Our geographical 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, our network permits us to serve many of our customers directly with our own personnel 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. For example, in 2009, we were awarded an original mono-site cleaning contract by a large supermarket chain and subsequently we successfully cross-sold our services to offer additional services at that location, following which we obtained additional contracts for multiple locations such as that by 2012 our revenue from such customer was nearly three times the original contract amount in 2009. 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.

**Resilient and highly recurring revenue base.** We believe that our customers consider resorting to our services to be essential to conduct their core businesses and to support their operations, and indeed generally more efficient than performing such services internally. Our total revenue, excluding revenue generated by the Fiat contract, has grown every year since 2003, including during challenging economic times. The already outsourced portion of the Italian facility management sector is anticipated to grow at a CAGR of 1.5% from 2011 to 2015 according to Interconnection Consulting, whereas the still insourced facility management sector is forecast to grow at a CAGR of 0.7% during the same period. We believe the higher growth expected in our reference market indicates the value proposition offered by outsourced providers such as the Group. Similarly, the value of the healthcare segment of the laundering and sterilization market is anticipated to grow at a CAGR of 0.3% from 2012 to 2014 according to Databank with the sterilization of surgical instruments subsegment expected to grow at a CAGR of 8.0% over the same period. We also benefit from long-term contracts ranging from three years for private sector customers, five years for PSEs and seven years for healthcare customers. Our backlog of €3,001 million as of March 31, 2013 gives us revenue visibility, as its absolute value represents the equivalent of almost three years of revenue, at current yearly revenue rates. The backlog has historically been growing (it was €2,340 million as of December 31, 2010) and is mainly related to contracts with PSEs and healthcare customers, which typically have long duration and represent contractually-committed future earnings. Historically, approximately two-thirds of our yearly revenue has been derived from contracts already in place at the end of the prior year. We have a well-diversified customer base with over 1,600 customers and our top 10 customers accounted for only 22.9% of our revenue in 2012. Our high quality customer base ranges from 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 Carrefour, Telecom Italia, Wind Telecomunicazioni and Auchan). We also believe we have one of the best-in-class retention rate with customers (93% average in 2010 through 2012, which for 2011 does not take into account our 2010 revenue derived from the contract with Fiat S.p.A.), which we believe further improves our visibility on our revenue stream.

**Strong and defendable profitability.** 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. We have also managed to maintain strong profitability in a challenging macro-economic environment, with an average Adjusted EBITDA margin of 11.4% at the Group level over the 2010 to 2012 period. At the segment level, our Facility Management Segment had an EBITDA margin of 8.9% in 2012, which we believe to be one of the highest among both Italian and international key peers, while our Laundering and Sterilization Segment had an EBIT margin of 8.8%, which we believe to be one of the highest in the Italian market. We benefit from a flexible cost structure and we are in the position to defend our profitability. Of our approximate 15,000 employees as of March 31, 2013, 11,800 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, we believe our flexible costs were 71.8%, 71.6% and 74.3% in the years ended December 31, 2010, 2011 and 2012, respectively.



**Superior cash generation.** Our business is highly cash-generative, with low capital expenditure requirements. We have achieved average Adjusted EBITDA margin of 11.4% and, according to management estimates, average cash maintenance capital expenditures of 3.5% as percentage of revenue for the 2010 to 2012 period. Our Facility Management Segment (85.3% of revenue for the 2009-2012 period), according to management estimates, has low cash maintenance capital expenditures requirements (1.2% of revenue for the 2009 to 2012 period), which are mainly absorbed by our information technology systems. Our Laundering and Sterilization Segment (12.5% of revenue in 2012), according to management estimates, had cash maintenance capital expenditures requirements of 18.7% of revenue in 2009 to 2012, 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 have historically achieved a cash flow conversion, defined as the ratio of ((EBITDA-Cash maintenance capital expenditures)/EBITDA), of 71.3% and 71.2% at Group's level, in the years ended December 31, 2011 and 2012, respectively. As of December 31, 2012, the largest part of our trade receivables portfolio (€588.0 million) related to PSEs and healthcare customers while a smaller portion (€258.0 million) related to private customers. Historically, despite payment delays, we have experienced minimal defaults (a default rate of 0.4% in the year ended December 31, 2012). In order to counter the trend in increasing DSOs (an indicator of late payments of trade receivables) that further deteriorated in 2011 with the challenging macroeconomic environment, management implemented a new strategy to improve billing practices and streamline communication with customers which reduced our DSOs (including off-balance sheet DSOs sold pursuant to factoring facilities) by 15 days as of March 31, 2013 as compared to the same date of the previous year and by 12 days as of March 31, 2013 as compared to as of December 31, 2012.

**Highly experienced management team.** The members of our senior and middle management teams have significant experience in the facility management market and have spent most of their career within our organization (among the others, Claudio Levorato, Chairman and CEO, has been with us for 29 years, Gabriele Stanzani, Chief of Treasury and Finance, has been with us for 26 years). Our management has succeeded in the integration of large acquisitions such as Pirelli RE completed in 2008 and of smaller add-on acquisitions such as the build-up of our Elevator systems business during recent years and has a strong track-record in adapting the cost structure in the context of the changes in the economic environment. In addition, we have successfully attracted and retained young talent to management positions where we believe new perspectives can add value to our business. We further believe we have transparency and reporting standards comparable to that of listed companies.

## **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. We intend to consolidate our leading positioning in high-margin services, such as Technical maintenance services, Energy and HVAC management and sterilization of surgical instruments. Within our Facility Management Segment, we intend to focus on competing for complex public tenders which are awarded on the basis of technical quality of the service offering rather than solely on a cost basis. Within our Laundering and Sterilization Segment, in 2012 we opened two new sterilization centers which expanded our ability to offer this high-margin service to new regions in Italy. Databank reports that the value of the market for the sterilization of surgical instruments is expected to grow at a CAGR of 8.0% from 2012 to 2014. Furthermore, in line with our focus on our most profitable activities, we intend to divest the Group's non-core Other Segment, including Maco, our building

construction subsidiary and EnergyProject, our project management and photovoltaic energy business.

***Growth in the private sector of the Italian integrated facility management market.*** We believe that there is significant further growth potential for us in the private sector of the integrated facility management services market in Italy. According to Interconnection Consulting the commercial, retail and industry customers segments will grow at a CAGR of 1.4%, 2.8% and 1.5%, respectively, from 2011 to 2015. We intend to take advantage of the outsourcing trend in the private sector by expanding the volume and range of services we provide to the large-scale retail sector, large industrial groups and property holdings managed by real estate funds. We have reinforced our business structure and sales force assigned to such customers to be able to communicate our compelling service offering to private sector customers, in particular our unique ability to offer integrated facility management services throughout Italy on a scale that many of our competitors cannot match. In 2012, our sales force dedicated to private sector customers initiated a new strategy of approaching executives of current and potential customers with a view to establishing ourselves as multiservice and high value-added solutions provider, improving previous relationship management which was mostly limited to the purchase office level. We also intend to focus on “facility+spinoff” models which enable the outsourced provider to hire the staff previously employed directly by the customer to provide such services, which enables us to achieve a seamless transition of the services to be provided and to benefit from greater flexibility in our cost structure. For example, from 2012 to 2013 we proposed, designed and have begun to implement an innovative hub-and-spoke facility management approach informed by international best practices for Auchan’s Italian operations in which we hired Auchan’s existing facility management personnel.

***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 will strive to exploit our unique 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 aggressively 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 revenue 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.*** 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 and maintaining capital expenditures low. We intend to continue to focus on cost reduction and efficiency improvements in order to maintain our strong profitability. We also plan to continue to improve our working capital management by increasing our focus on customer interaction and strengthening billing and collection procedures. Our Facility Management Segment is characterized by low capital expenditures and even though our Laundering and Sterilization Segment has higher yearly capital expenditure requirements, the Group’s capital expenditures represented 3.2%, 3.5%, 4.1% of total revenue for the years ended December 31, 2010, 2011 and 2012, respectively (in 2012, we opened two new sterilization centers which represented non-recurring investments in a particularly profitable business area).

**Expand European presence through strategic commercial alliances.** We intend to evaluate strategic opportunities to work together with local partners in other jurisdictions to create a network through which we can partner with several leading European players for the purpose of participating in pan-European integrated facility management tenders for large private sector customers as the exclusive partner for the Italian aspects of such tenders.

## **Recent developments**

### **Trading update**

*The following preliminary indications of our results of operations as of and for the quarter and the six months ending June 30, 2013 are estimates based on initial management reviews of our consolidated management accounts, which have not been reviewed by our independent auditors or by any other audit firm and will be subject to approval by our Management Board and Supervisory Board. Our actual six months results may differ from these estimates in ways that could be material. In addition, our interim results are not necessarily indicative of the results that may be expected for any other period or for the full year. See "Forward-Looking Statements," "Presentation of Financial Information—Non-IFRS Financial Measures," "Summary historical consolidated financial information and other data," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."*

On a preliminary basis, for the six months ended June 30, 2013, we believe that the trend of declining DSOs reflected in our March 31, 2013 interim financial statements continued in the second quarter of 2013, with average DSOs of total trade receivables (including trade receivables sold pursuant to our factoring facilities) of approximately 233 to 238 days as of June 30, 2013, compared to 241 days as of March 31, 2013 and 253 days as of June 30, 2012. We believe that this continuing positive trend is principally due to the Group's greater attention on collections and streamlining of internal procedures and to the growing focus by Italian public bodies on reducing payment delays. We expect that our total revenue and Adjusted EBITDA for the six months ended June 30, 2013 will reflect a contract mix of more Technical maintenance services contracts within our Facility Management Segment and more sterilization services contracts within our Laundering and Sterilization Segment, each of which are traditionally higher margin businesses for us.

Based on management's initial review of our consolidated management accounts, we expect that our total revenue and Adjusted EBITDA for the six months ended June 30, 2013 will be broadly in line with or marginally higher than our total revenue and Adjusted EBITDA, respectively, for the six months ended June 30, 2012. As a result of the combination of declining DSOs and broadly stable operating performance for the first six months of 2013, we anticipate our net interest bearing financial indebtedness as of June 30, 2013 has decreased to between approximately €284 million to €269 million, or by approximately 5% to 10%, in comparison with March 31, 2013. In addition, we expect that total trade receivables outstanding under our factoring facilities (without recourse to the Group) has declined significantly as of June 30, 2013, with approximately €110 to €120 million outstanding, a decline of approximately €30 to €40 million with respect to March 31, 2013. The combination of these factors has consequently had a positive impact on our cash flow from operating activities for the first six months of 2013.

### **Government law decree to boost liquidity to private sector contractors**

On April 6, 2013, the Italian government approved Law Decree No. 35/2013 *"Urgent provisions related to the expired debts of the Public Administration, the financial balance of the Regions; Provinces and Municipalities, payment of the taxes of the local public administration entities"* (converted into law by Law No. 64 of June 6, 2013) which, among other things, provides for €40 billion in government funds, for the payment of a portion of debts owned by government entities. The funds allocated for this purpose amount to €40 billion, €20 billion of which is to be spent in 2013 and €20 billion of which is to be spent in 2014. More than three quarters of

the funds are allocated to expediting the payment of commercial debts already due at the end of 2012 and the rest mainly to accelerate the reimbursement of tax credits and exempt from taxation the assignment to third parties of government entity receivables for debts prior to December 31, 2012. The funds to be made available under Law Decree No. 35/2013 will be raised on the debt capital markets. Although the total amount is not clear to date, we estimate that part of such funds will be payable to us to settle at least part of the trade receivables owed to us by PSEs and healthcare customers.

#### ***Joint Venture for pan-European tenders***

We have entered into a joint venture agreement with Atalian Holding Development and Strategy and Clece S.A., two leading integrated facility management companies in France and Spain, respectively, in order to cooperate in the area of pan-European facility management tenders for multinational customers.

#### ***Mia purchase of non-controlling interests in Lenzi S.p.A.***

On July 24, 2013, Mia entered into a share purchase agreement with the holders ("**Lenzi Minority Holders**") of the 40% non-controlling interest in Lenzi S.p.A., pursuant to which Mia purchased such 40% interest for €8.6 million. Pursuant to the contract: (i) Mia must pay the purchase price before January 15, 2014; (ii) the purchase price will accrue interest at an annual rate of 7.9% from the signing date of the share purchase agreement until payment of the purchase price, and (iii) the Lenzi Minority Holders waived all earn-out rights and claims in connection with their Lenzi S.p.A. put options (which had a fair value of approximately €8.0 million as of March 31, 2013).

### **The Refinancing Transactions**

We intend to use the net proceeds from this Offering to repay certain of our outstanding indebtedness and to finance our working capital requirements in respect of certain of our trade receivables. On or about the Issue Date, we will enter into the Revolving Credit Facility with UniCredit Bank AG, Milan Branch, as agent, and the other lenders thereto which provides for up to €30 million in revolving credit on a senior secured basis. The Revolving Credit Facility will be undrawn at the Issue Date. Throughout this Offering Memorandum, we will collectively refer to the signing of the Revolving Credit Facility and the Offering of the Notes hereby and the application of the proceeds therefrom as the "**Refinancing Transactions.**" 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.*"

### **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.

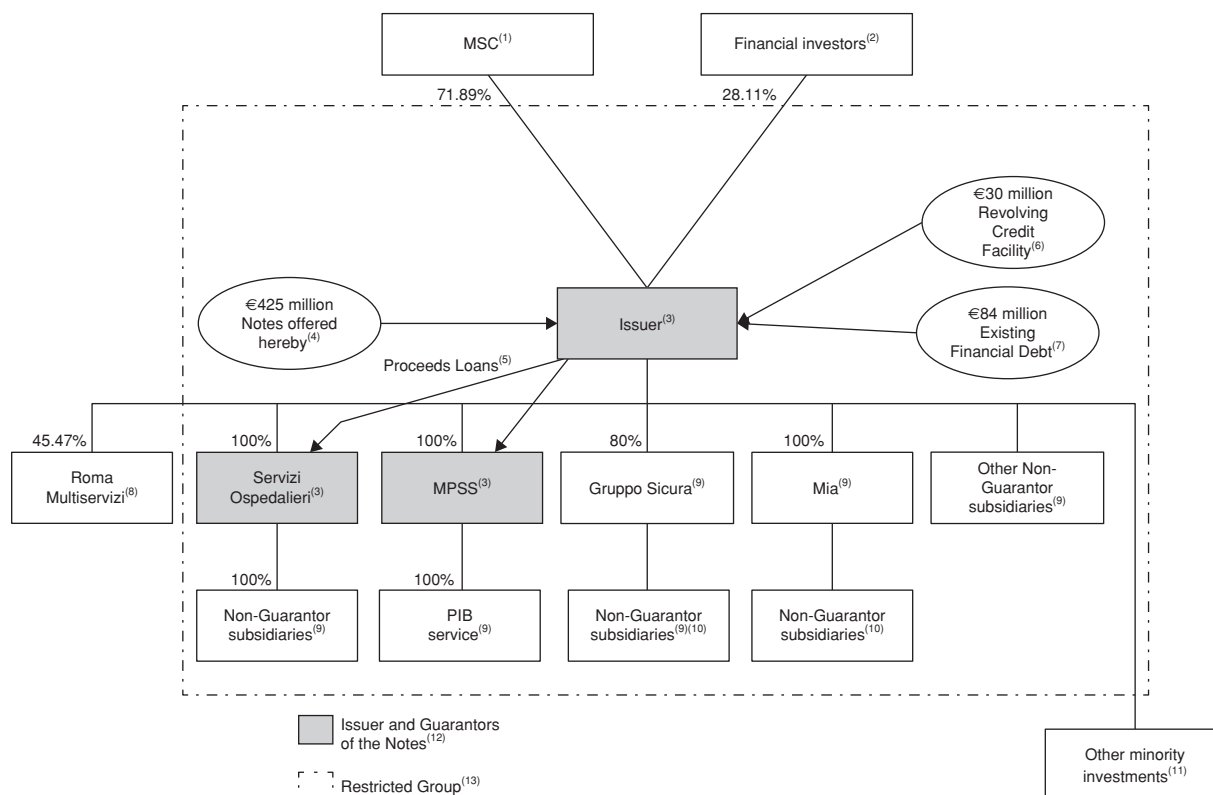
### **Additional information**

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, 2013 after giving effect to the Refinancing 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, 2013. 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, is our controlling shareholder with a 71.89% interest in our share capital. Pursuant to an agreement between MSC and the various financial investors that was approved by all such parties on July 1, 2013, MSC has purchased 7.03% of the Issuer's share capital from such financial investors and such transfer will be legally effective as and when MSC makes full payment thereunder (expected in 2016). See “Principal Shareholders.”

(2) Certain financial investors, including MP Ventures SGR, Private Equity Partners SGR and IdeA Capital Funds SGR, among others, collectively own a 28.11% interest in our share capital. See “Principal Shareholders.”

(3) The Issuer 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 holding company for the rest of the Group. See “Listing and General Information—Issuer Legal Information” for more information. The Guarantors of the Notes will be Servizi Ospedalieri and MPSS, each of which are organized as joint stock companies (*società per azioni*) under the laws of the Republic of Italy and are 100%-owned subsidiaries of the Issuer. See “Listing and General Information—Guarantor Legal Information” for more information. As of March 31, 2013, the Issuer had two non-recourse (*pro-soluto*) factoring facilities in place pursuant to which it could sell up to €210 million of its trade receivables to factoring counterparties on a rolling, quarterly basis. Following the Refinancing Transactions, the Crédit Agricole Factoring Facility will be wound down, while the Intesa Sanpaolo Factoring Facility will remain outstanding. We do not intend to make sales of trade receivables in the near term as we intend to utilize a portion of the net proceeds of the Notes offered hereby to finance working capital requirements previously satisfied in part through the sale of trade receivables. We expect that 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—Non-Recourse (*pro soluto*) Factoring Facilities,” “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.”

(4) The Notes will be senior obligations of the Issuer and will be guaranteed on a senior basis by the Guarantors. However, the Notes Guarantees will be subject to limitations under applicable law and may be released under certain circumstances. See “Description of the Notes—Brief Description of the Notes and the Notes Guarantees—The Notes Guarantees,” “Risk Factors—Risks Related to the Notes, Notes Guarantees and Collateral” and “Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests and Certain Insolvency Law Considerations.” On or about the Issue Date, the Notes and the Notes Guarantees will be secured by the Collateral consisting of first-ranking pledges over (i) all of the shares of each of the Guarantors, (ii) the Issuer's interest in the receivables in respect of the Proceeds Loans, (iii) the Issuer's interest in the

receivables in respect of any Intercompany Loans, (iv) the Issuer's and MPSS' respective interests in respect of the Private Sector Contract Receivables and (v) the Issuer's and MPSS' respective interests in the Designated Bank Accounts.

(5) On or about the Issue Date, the Issuer, as lender, and each of Servizi Ospedalieri and MPSS as borrowers, will enter into proceeds loan agreements pursuant to which the Issuer will lend and each of Servizi Ospedalieri and MPSS will borrow, certain proceeds of the Notes in order to allow them to repay certain indebtedness and to finance certain working capital requirements. See *"Description of the Notes—Security"*.

(6) The Issuer intends to enter into a Revolving Credit Facility on or about the Issue Date providing for up to €30 million of senior secured revolving credit. On or about the Issue Date the Issuer will be the borrower and the Guarantors will be guarantors 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*). 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—Revolving Credit Facility"* for further information.

(7) As of March 31, 2013, €37.9 million was outstanding under the Banca Popolare di Vicenza Facility, €25.0 million was outstanding under the MPS Capital Services Facility, €18.0 million was outstanding under the CCFS Facility and a further €3.3 million was outstanding related to financial leasing and liabilities due from associates and subsidiaries. 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) Not all of our Group companies will guarantee the Notes on the Issue Date. In the twelve months ended March 31, 2013, the Issuer's non-Guarantor subsidiaries generated approximately 11.0% of the Group's total revenue and approximately 12.0% of the Group's EBITDA. As of March 31, 2013, the Group's non-guarantor subsidiaries constituted approximately 16.5% of the Group's total assets. As of March 31, 2013, the total liabilities (excluding intercompany liabilities) of our non-Guarantor subsidiaries, on a *pro forma* basis after giving effect to the Refinancing Transactions and the use of proceeds therefrom as described under *"Use of Proceeds"* were €18.4 million. The Notes will be structurally subordinated to the liabilities of such non-Guarantor subsidiaries. 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, Notes Guarantees and the Collateral—The Notes will be structurally subordinated to the liabilities of non-Guarantor subsidiaries."*

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

(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) In the twelve months ended March 31, 2013, the Issuer and the Guarantors generated approximately 89.0% of the Group's total revenue and approximately 88.0% of the Group's EBITDA. As of March 31, 2013, the Issuer and the Guarantors constituted approximately 83.5% of the Group's total assets.

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

## The Offering

The summary below describes the principal terms of the Notes, the Notes Guarantees 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.

<b>Issuer</b> . . . . .	Manutencoop Facility Management S.p.A., a private joint stock company ( <i>società per azioni</i> ) organized under the laws of the Republic of Italy (the <b>"Issuer"</b> ).
<b>Notes Offered</b> . . . . .	€425,000,000 aggregate principal amount of 8.5% Senior Secured Notes due 2020 (the <b>"Notes"</b> ).
<b>Maturity Date</b> . . . . .	August 1, 2020.
<b>Interest</b> . . . . .	The Notes will bear interest at a rate of 8.5% per annum.
<b>Issue Price</b> . . . . .	98.713%, plus accrued interest, if any, from the Issue Date.
<b>Interest Payment Dates</b> . . . . .	Interest on the Notes will be payable semi-annually in arrears on August 1 and February 1 of each year, beginning on February 1, 2014.
<b>Guarantees</b> . . . . .	The Notes will be guaranteed (the <b>"Notes Guarantees"</b> ) on a senior basis by the Issuer's direct, wholly-owned subsidiaries Servizi Ospedalieri S.p.A. and Manutencoop Private Sector Solutions S.p.A. (each a <b>"Guarantor"</b> and collectively, the <b>"Guarantors"</b> ).

The obligations of the Guarantors will be subject to legal and contractual limitations. See *"Limitations on validity and enforceability of the Notes Guarantees and security interests and certain insolvency law considerations"* and *"Description of the Notes—Brief Description of the Notes and the Notes Guarantees—The Notes Guarantees."*

As of March 31, 2013, after giving *pro forma* effect to the Refinancing Transactions:

- the Issuer and its consolidated subsidiaries would have had approximately €576.6 million of indebtedness, of which €425.0 million is represented by the Notes;
- the Issuer and the Guarantors would have had approximately €425.0 million of secured financial indebtedness; and
- the non-guarantor subsidiaries of the Issuer would have had approximately €18.4 million of financial indebtedness.

As of and for the twelve months ended March 31, 2013, the Issuer and the Guarantors represented approximately 89.0% of our total revenue, approximately 88.0% of our EBITDA and approximately 83.5% of our total assets. See *"Risk Factors—Risks Related to the Notes, Notes Guarantees and Collateral—The Notes Guarantees are*

*significantly limited by applicable laws and are subject to certain limitations and defenses."*

**Security** . . . . . The Notes and the Notes Guarantees will be secured by first-ranking pledges over (i) all of the shares of the Guarantors, (ii) the Issuer's interest in the receivables in respect of the Proceeds Loans, (iii) the Issuer's interest in the receivables in respect of any Intercompany Loans, (iv) the Issuer's and MPSS' respective interests in respect of Private Sector Contract Receivables and (v) the Issuer's and MPSS' respective interests in the Designated Bank Accounts.

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*) to be granted by the Issuer over all its movable assets.

The Intercreditor Agreement will provide that lenders under the Revolving Credit Facility and counterparties to certain future hedging obligations, if any, will receive the proceeds from the enforcement of the Collateral for the Notes in priority to the holders of the Notes. See "*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 Guarantees and Security Interests and Certain Insolvency Law Considerations.*"

**Ranking** . . . . . The Notes will be senior secured obligations of the Issuer and 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 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 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 Guarantees to be provided by each Guarantor will be a senior obligation of that Guarantor and secured as set forth below under "Security" and will:

- rank *pari passu* in right of payment with all existing and future indebtedness of such Guarantor that is not subordinated in right of payment to such Guarantor's Notes Guarantees;
- rank senior in right of payment to any and all of the existing and future indebtedness of such Guarantor that is subordinated in right of payment to such Guarantor's Notes Guarantees;
- be effectively subordinated to such 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 Guarantees on an equal and ratable or priority basis; and
- be structurally subordinated to all existing and future indebtedness of any of such Guarantor's subsidiaries that do not guarantee the Notes.

See "Description of the Notes—Brief Description of the Notes and the Notes Guarantees."

**Optional Redemption . . . . .**

The Issuer may redeem all or part of the Notes on or after August 1, 2016 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 August 1, 2016, by paying a "make-whole" premium as described in the section entitled "Description of the Notes—Optional Redemption."

At any time prior to August 1, 2016, the Issuer may on any one or more occasions use the proceeds of specified equity offerings to redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 108.5% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to 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 65% 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 the redemption date, if the Issuer or, in certain circumstances, any 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 Changes in Taxes."*

**Additional Amounts** . . . . . All payments made by or on behalf of the Issuer or any 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—Additional Amounts."*

The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. Subject to and as set forth in *"Description of the Notes—Additional Amounts,"* the Issuer will not be liable to pay any additional amounts to holders of the Notes if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) ("**Decree No. 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**"), except, in the case of Decree No. 239, 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 Guarantors 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 Notes is resident for tax purposes in a country which allows for a satisfactory exchange of information with Italy (as identified by the Italian tax authorities in Ministerial Decree of September 4, 1996 and in the Ministerial

Decree to be issued as per Article 168-*bis*, Italian Presidential Decree No. 917 of December 22, 1986) (a “**white list country**”) and such holder of 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 a change of control at any time, 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—Repurchase at the Option of Holders—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** . . . . . We will use the net proceeds from this Offering to repay certain of our outstanding indebtedness and to finance working capital requirements previously satisfied in part through the sale of our trade receivables. 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.

<b>Transfer Restrictions; Absence of a Public Market for the Notes . . . .</b>	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 " <i>Plan of Distribution</i> ."
<b>Listing . . . . .</b>	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.
<b>Trustee and <i>Rappresentante Comune</i> . . . . .</b>	The Law Debenture Trust Corporation p.l.c.
<b>Transfer Agent and Paying Agent .</b>	The Bank of New York Mellon, London Branch.
<b>Registrar and Luxembourg Listing Agent . . . . .</b>	The Bank of New York Mellon (Luxembourg) S.A.
<b>Security Agent . . . . .</b>	UniCredit Bank AG, Milan Branch.
<b>Governing Law of the Notes, the Indenture and the Notes Guarantees . . . . .</b>	New York.
<b>Governing Law of the Intercreditor Agreement . . . . .</b>	England and Wales.
<b>Governing Law of the Security Documents . . . . .</b>	Italy.

## **Summary historical consolidated financial information and other data**

The following tables present summary consolidated financial information and other data as of and for each of the years ended December 31, 2010, 2011 and 2012 and as of and for the three months ended March 31, 2012 and 2013. This summary financial information and other data is derived from: (i) the Audited Consolidated Financial Statements, audited by Reconta Ernst & Young S.p.A. and containing the auditors' report therein and (ii) the Unaudited Interim Condensed Consolidated Financial Statements.

The unaudited financial information for the twelve months ended March 31, 2013 has been derived by subtracting from the audited consolidated financial statements of the Issuer for the year ended December 31, 2012 the information from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2012 and adding the information from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2013.

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 our audited consolidated financial statements and unaudited interim condensed consolidated financial statements and related notes included elsewhere in this Offering Memorandum.

## Summary consolidated statement of income:

	For the year ended December 31,			For the three months ended March 31,		For the 12 months ended March 31,
(thousands of €, except percentages)	2010 (audited)	2011 (audited)	2012 (audited)	2012 (unaudited)	2013 (unaudited)	2013 (unaudited)
Total revenue . . . . .	1,139,091	1,068,753	1,072,629	284,431	284,530	1,072,728
Costs of raw materials and consumables . . . .	(131,497)	(146,558)	(163,168)	(53,309)	(57,891)	(167,750)
Change in inventories of finished and semi-finished products	—	(215)	—	—	—	—
Costs for services and use of third party assets . . . . .	(541,221)	(435,068)	(419,981)	(99,181)	(93,148)	(413,948)
Personnel costs . . . . .	(344,483)	(352,912)	(365,285)	(94,656)	(97,116)	(367,745)
Other operating costs . .	(7,381)	(10,260)	(10,313)	(2,883)	(1,578)	(9,008)
Capitalized internal construction costs . . .	—	—	531	—	568	1,099
Amortization/depreciation, write-downs and write-backs of assets . . . . .	(40,942)	(37,732)	(44,388)	(8,688)	(8,962)	(44,662)
Accrual to provisions for risks and charges . . . .	(26,353)	(18,378)	(10,390)	(1,242)	(1,558)	(10,706)
<b>Total operating costs . .</b>	<b>(1,091,877)</b>	<b>(1,001,123)</b>	<b>(1,012,994)</b>	<b>(259,959)</b>	<b>(259,685)</b>	<b>(1,012,720)</b>
<b>Operating income . . . . .</b>	<b>47,214</b>	<b>67,630</b>	<b>59,635</b>	<b>24,472</b>	<b>24,845</b>	<b>60,008</b>
Share of net profit of associates . . . . .	1,194	1,426	3,251	529	694	3,416
Dividends and net income from sale of investments . . . . .	398	1,348	669	—	239	908
Financial income . . . . .	1,963	2,083	3,280	1,690	300	1,890
Financial expenses . . . .	(16,434)	(26,620)	(23,700)	(5,589)	(4,781)	(22,892)
Gains/(losses) on exchange rate . . . . .	35	(3)	(4)	(1)	—	(3)
<b>Profit before taxes from continuing operations</b>	<b>34,370</b>	<b>45,864</b>	<b>43,131</b>	<b>21,101</b>	<b>21,297</b>	<b>43,327</b>
Income taxes . . . . .	(26,293)	(33,408)	(9,823)	(11,174)	(10,106)	(8,755)
<b>Profit after taxes from continuing operations</b>	<b>8,077</b>	<b>12,456</b>	<b>33,308</b>	<b>9,927</b>	<b>11,191</b>	<b>34,572</b>
Loss after taxes from discontinued operations . . . . .	(200)	(227)	(6)	(1)	—	(5)
<b>Profit for the period: . .</b>	<b>7,877</b>	<b>12,229</b>	<b>33,302</b>	<b>9,926</b>	<b>11,191</b>	<b>34,567</b>
Attributable to:						
Equity holders of the parent . . . . .	7,743	11,124	32,574	9,813	11,122	33,883
Non-controlling interests . . . . .	134	1,105	728	113	69	684



## Summary consolidated statement of financial position:

(thousands of €)	As of December 31,			As of
	2010 (audited)	2011 (audited)	2012 (audited)	March 31, 2013 (unaudited)
<b>Assets</b>				
Total property, plant and equipment <sup>(i)</sup> . . . . .	68,206	75,368	86,272	85,922
Goodwill . . . . .	391,755	411,995	418,724	418,234
Other intangible assets . . . . .	25,379	26,622	26,919	26,439
Total investment and other non-current financial assets <sup>(ii)</sup> . . . . .	32,784	32,966	42,377	43,378
Other non-current assets . . . . .	1,409	1,772	1,746	1,610
Deferred tax assets . . . . .	19,347	22,965	23,550	23,574
<b>Total non-current assets</b> . . . . .	<b>538,880</b>	<b>571,688</b>	<b>599,588</b>	<b>599,157</b>
Inventories . . . . .	10,052	12,448	11,240	10,955
Trade receivables and advances to suppliers . .	727,815	682,271	655,497	722,715
Current taxes receivables . . . . .	5,300	9,182	24,747	13,165
Other current assets . . . . .	16,668	18,366	23,690	27,388
Total current financial assets <sup>(iii)</sup> . . . . .	8,205	7,786	11,202	11,818
Cash and cash equivalents . . . . .	51,583	42,656	51,987	56,585
<b>Total current assets</b> . . . . .	<b>819,623</b>	<b>772,709</b>	<b>778,363</b>	<b>842,626</b>
Assets classified as held for sale . . . . .	15,939	—	130	130
<b>Total assets</b> . . . . .	<b>1,374,442</b>	<b>1,344,397</b>	<b>1,378,081</b>	<b>1,441,913</b>
<b>Liabilities</b>				
Employee termination indemnity . . . . .	29,537	31,356	31,321	30,439
Provisions for risks and charges, non-current . .	7,669	10,786	11,797	10,051
Total long-term financial liabilities <sup>(iv)</sup> . . . . .	91,752	147,998	120,435	138,869
Deferred tax liabilities . . . . .	13,272	13,237	12,006	12,022
Other non-current liabilities . . . . .	13	14	7	7
<b>Total non-current liabilities</b> . . . . .	<b>142,243</b>	<b>203,391</b>	<b>175,566</b>	<b>191,388</b>
Provisions for risks and charges, current . . . . .	27,491	33,048	29,297	28,485
Trade payables and advance from customers . .	478,139	462,823	441,551	455,506
Current tax payables . . . . .	1,437	6,398	2,922	1,110
Other current liabilities . . . . .	136,511	147,522	148,362	158,053
Bank borrowings including current portion of long-term debt, and other financial liabilities	303,128	198,461	268,334	284,173
<b>Total current liabilities</b> . . . . .	<b>946,706</b>	<b>848,252</b>	<b>890,466</b>	<b>927,327</b>
Liabilities directly associated with assets classified as held for sale . . . . .	15,363	—	64	62
<b>Total liabilities</b> . . . . .	<b>1,104,312</b>	<b>1,051,643</b>	<b>1,066,096</b>	<b>1,118,777</b>
Total shareholders' equity . . . . .	270,130	292,754	311,985	323,136
<b>Total equity and liabilities</b> . . . . .	<b>1,374,442</b>	<b>1,344,397</b>	<b>1,378,081</b>	<b>1,441,913</b>

(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."

(iii) "Total current financial assets" as presented herein refers to the sum of "current financial assets" and "derivatives."

(iv) "Total long-term financial liabilities" as presented herein refers to the sum of "long-term debt and derivatives."

## Summary consolidated statement of cash flow:

(thousands of €)	For the year ended December 31,			For the three months ended March 31,		For the 12 months ended March 31,
	2010 (audited)	2011 (audited)	2012 (audited)	2012 (unaudited)	2013 (unaudited)	2013 (unaudited)
Cash flow from/(used in)						
operating activities . . .	16,427	92,598	41,698	(28,508)	(21,689)	48,517
Cash flow used in						
investing activities . . . .	(47,016)	(55,479)	(72,857)	(14,280)	(8,026)	(66,604)
Cash flow from/(used in)						
financing activities . . .	2,370	(46,046)	40,491	98,483	34,313	(23,679)
Change in cash and cash equivalents . . . . .	(28,219)	(8,927)	9,331	55,695	4,598	(41,766)
Cash and cash equivalents at the end of the period . . . . .	51,583	42,656	51,987	98,351	56,585	56,585

## Other financial information:

(thousands of €, except percentages and ratios) (unaudited)	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,
	2010	2011	2012	2012	2013	2013
Cash and cash equivalents . . . .	51,583	42,656	51,987	98,351	56,585	56,585
EBITDA <sup>(1)</sup> . . . . .	114,509	123,740	114,413	34,402	35,365	115,376
EBITDA margin <sup>(2)</sup> . . . . .	10.1%	11.6%	10.7%	12.1%	12.4%	10.8%
Adjusted EBITDA <sup>(1)</sup> . . . . .	108,426	131,692	122,581	35,872	37,545	124,254
Adjusted EBITDA margin <sup>(2)</sup> . . . .	10.4%	12.3%	11.4%	12.6%	13.2%	11.6%
Gross interest bearing financial indebtedness <sup>(3)</sup> . . . . .	(349,793)	(291,102)	(316,836)	—	(355,627)	(355,627)
Net interest bearing financial indebtedness <sup>(3)</sup> . . . . .	(298,210)	(248,446)	(264,849)	—	(299,042)	(299,042)
Net interest expense <sup>(4)</sup> . . . . .	14,471	24,537	20,420	3,889	4,481	21,002
Net working capital <sup>(5)</sup> . . . . .	116,833	72,476	93,108	—	131,137	131,137
Capital expenditures <sup>(6)</sup> . . . . .	36,869	37,755	44,349	—	—	40,727

## Other *pro forma* financial information:

<i>Pro forma</i> Adjusted EBITDA <sup>(1)</sup> . .	—	—	124,166	—	37,724	125,610
<i>Pro forma</i> Adjusted EBITDA margin <sup>(2)</sup> . . . . .	—	—	11.6%	—	13.3%	11.7%
<i>Pro forma</i> net interest expense <sup>(4)</sup> . . . . .						50,882
<i>Pro forma</i> gross interest bearing financial indebtedness <sup>(3)</sup> . . . . .						(509,182)
<i>Pro forma</i> net interest bearing financial indebtedness <sup>(3)</sup> . . . .						(465,497)
<i>Pro forma</i> cash and cash equivalents <sup>(7)</sup> . . . . .						43,685
Ratio of Net interest bearing financial indebtedness <sup>(3)</sup> to <i>Pro forma</i> Adjusted EBITDA <sup>(1)</sup> . . . . .						x2.41
Ratio of <i>Pro forma</i> Adjusted EBITDA <sup>(1)</sup> to Net interest expense <sup>(4)</sup> . . . . .						x5.98
Ratio of <i>Pro forma</i> net interest bearing financial indebtedness <sup>(3)</sup> to <i>Pro forma</i> Adjusted EBITDA <sup>(1)</sup> . . . . .						3.71x
Ratio of <i>Pro forma</i> Adjusted EBITDA <sup>(1)</sup> to <i>Pro forma</i> net interest expense <sup>(4)</sup> . . . . .						2.47x

(1) "EBITDA" is defined as operating income before accrual to the provisions for risks and charges and amortization/depreciation, write-downs and write-backs of assets. "Adjusted EBITDA" is defined as EBITDA as adjusted for certain non-recurring items as described below and "*Pro forma* Adjusted EBITDA" is defined as Adjusted EBITDA as further adjusted to give effect to the annualization of the PIB Contract, as described below. EBITDA, Adjusted EBITDA and *Pro forma* Adjusted EBITDA are not measurements of performance under IFRS and you should not consider EBITDA, Adjusted EBITDA and *Pro forma* Adjusted 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, Adjusted EBITDA and *Pro forma* Adjusted 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, Adjusted EBITDA and *Pro forma* Adjusted 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, Adjusted EBITDA and *Pro forma* Adjusted 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 Adjusted EBITDA to EBITDA and *Pro forma* Adjusted EBITDA to Adjusted EBITDA:

**Reconciliation for the years ended December 31, 2010, 2011 and 2012 and three months ended March 31, 2012 and 2013 from operating income to EBITDA and Adjusted EBITDA and as further adjusted for *Pro forma* Adjusted EBITDA:**

(thousands of €) (unaudited)	For the year ended December 31,			For the three months ended March 31,		For the 12 months ended March 31,
	2010	2011	2012	2012	2013	2013
Operating income . . . . .	47,214	67,630	59,635	24,472	24,845	60,008
Amortization/depreciation, accrual to provisions for trade receivables and other assets . . . . .	40,942	37,732	44,388	8,688	8,962	44,662
Accrual to provisions for risks and charges . . . . .	26,353	18,378	10,390	1,242	1,558	10,706
<b>EBITDA . . . . .</b>	<b>114,509</b>	<b>123,740</b>	<b>114,413</b>	<b>34,402</b>	<b>35,365</b>	<b>115,376</b>
Adjustment for Fiat contract <sup>(a)</sup> . . . . .	(10,100)	—	—	—	—	—
Voluntary redundancy and mobility schemes <sup>(b)</sup> . . . . .	1,063	1,897	4,140	980	1,585	4,745
Professional services and advisory fees for extraordinary transactions . . . . .	—	803	19	—	—	19
Mergers and acquisitions expenses and related costs . . . . .	627	1,576	573	72	20	521
Lease agreement break fees <sup>(c)</sup> . . . . .	—	744	529	—	—	529
Earthquake damage costs <sup>(d)</sup> . . . . .	—	—	—	—	240	240
Factoring credit discount <sup>(e)</sup> . . . . .	928	1,399	1,594	418	335	1,511
Dividends from Roma Multiservizi <sup>(f)</sup> . . . . .	1,399	1,533	1,313	—	—	1,313
<b>Adjusted EBITDA . . . . .</b>	<b>108,426</b>	<b>131,692</b>	<b>122,581</b>	<b>35,872</b>	<b>37,545</b>	<b>124,254</b>
Annualization of PIB Contract <sup>(g)</sup> . . . . .	—	—	1,587	—	166	1,356
<b><i>Pro forma</i> Adjusted EBITDA . . . . .</b>	<b>108,426</b>	<b>131,692</b>	<b>124,168</b>	<b>35,872</b>	<b>37,711</b>	<b>125,610</b>

(a) In November 2010, Fiat S.p.A. terminated its contractual relationship with us. Management estimates that in the year ended December 31, 2010, the contract with Fiat S.p.A. contributed €95.2 million, or 8.4% of our revenue and €10.1 million, or 8.8% of our EBITDA. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting the Comparability of our Results of Operations—The loss of Fiat as a customer.*”

(b) Voluntary redundancy schemes refers to financial expenses and incentives incurred during 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.

(c) Lease agreement break fees refers to contractual penalties related to the termination of certain leases related to real estate operated by Pirelli RE that was no longer needed following the acquisition and integration of Pirelli RE into the Group.

(d) In May 2012, a 4.8-magnitude earthquake struck central Italy causing minor damage to certain facilities of our Laundering and Sterilization Segment.

(e) Factoring credit discount refers to the difference between the nominal amount of the trade receivables and the sale price thereof sold by the Group on a non-recourse basis pursuant to factoring agreements. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Trade receivables.*”

(f) Roma Multiservizi is a 45.47%-owned subsidiary that provides facility management services based on the Group’s organizational model and its results are consolidated into our financial statements under the equity method. It is controlled by AMA S.p.A., a company controlled by the City of Rome. The Group provides a number of services, including IT services, to Roma Multiservizi and Roma Multiservizi acts as a subcontractor to the Group in certain instances. Historically, Roma Multiservizi has regularly paid dividends.

(g) On December 27, 2012, we invested €8.0 million in the TJA Palazzo della Fonte S.c.p.A. (“**PdF**”), an entity which manages properties for Banca Etruria S.p.A. and Banca di Anghiari e Stia Credito Cooperativo S.C., two banking groups operating in Central Italy. Following this investment by our Group, PdF entered into a contract with our subsidiary PIB Service S.r.l. (the “**PIB Contract**”) and, subsequently, our subsidiary MPSS assumed PIB Service S.r.l.’s rights under the contract. Pursuant to the PIB Contract, MPSS is paid by PdF for providing facility management and back office outsourcing services to Banca Etruria S.p.A. and Banca di Anghiari e Stia Credito Cooperativo S.C. This is a long-term contract, with an initial duration of 24 years. For the full year 2013, we estimate that the PIB Contract will generate approximately €1.4 million of total EBITDA for our Group, increasing to approximately €1.6 million in 2014. For purposes of calculating *Pro forma* Adjusted EBITDA for the year ended December 31, 2012 and for the twelve months ended March 31, 2013, we annualized the EBITDA we estimate that we will receive pursuant to the PIB Contract starting in 2014 (the first year in which we anticipate the PIB Contract will be fully operative), had such EBITDA begun to accrue on January 1, 2012 and April 1, 2012, respectively. The adjustment for the three months ended March 31, 2013 (equal to €166 thousand) refers to one quarter of the full twelve-month adjustment (equal to €397 thousand), net of the amount that have been recognized as actual EBITDA pursuant to the work performed under the PIB Contract in the first quarter of 2013 (equal to approximately €230 thousand); for the twelve months ended March 31, 2013 the

recognized actual EBITDA recorded was also subtracted from the full twelve-month adjustment in the figure for the twelve months ended March 31, 2013. See *“Forward-Looking Statements.”*

(2) “EBITDA margin” is defined as EBITDA divided by total revenue and “Adjusted EBITDA margin” is defined as Adjusted EBITDA divided by total revenue. “*Pro forma* Adjusted EBITDA margin” is defined as *Pro forma* Adjusted EBITDA divided by total revenue except for the year ended December 31, 2010 where “Adjusted EBITDA margin” is defined as Adjusted EBITDA divided by total revenue as adjusted by subtracting the contribution of the Fiat contract (€95.2 million).

(3) “Net interest bearing financial indebtedness” is defined as gross interest bearing financial indebtedness net of cash and cash equivalents. “*Pro forma* net interest bearing financial indebtedness” is defined as Net interest bearing financial indebtedness after adjustments to give effect to the Refinancing Transactions. “Gross interest bearing financial indebtedness” is defined as the sum of: long-term debt, Bank borrowings including current portion of long-term debt and other financial liabilities and derivatives less the sum of the following: collections on behalf of factoring counterparties, loans from parent company, loans from non-controlling shareholders, dividends due to non-controlling shareholders, escrow accounts, debt for the acquisition of non-controlling interests, capital contribution to be paid, financial liabilities measured at fair value through profit and loss and other current financial liabilities. “*Pro forma* gross interest bearing financial indebtedness” is defined as Gross interest bearing financial indebtedness after adjustments to give effect to the Refinancing Transactions. *Pro forma* net interest bearing financial indebtedness and *Pro forma* gross interest bearing financial indebtedness reflect the aggregate principal amount of the Notes and not the discounted amount at issue. Net interest bearing financial indebtedness, *Pro forma* net interest bearing financial indebtedness, Gross interest bearing financial indebtedness and *Pro forma* gross interest bearing financial indebtedness are not recognized measures 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.”* See also and *“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Net financial indebtedness.”* The following table sets forth a reconciliation of Net interest bearing financial indebtedness and Gross interest bearing financial debt from Long-term financial debt:

(Thousands of €) (unaudited)	As of December 31,			As of March 31,
	2010	2011	2012	2013
<b>Long-term debt</b>	<b>90,192</b>	<b>146,569</b>	<b>119,213</b>	<b>137,683</b>
Loans from non-controlling interests	(1,607)	(1,610)	(1,612)	(1,612)
Escrow accounts <sup>(h)</sup>	—	(1,300)	(1,942)	(1,482)
Debt for the acquisition of non-controlling interests (non-current) <sup>(h)</sup>	(22,203)	(24,059)	(32,400)	(32,637)
<b>Long-term interest bearing indebtedness</b>	<b>66,382</b>	<b>119,600</b>	<b>83,259</b>	<b>101,952</b>
<b>Bank borrowing including current portion of long-term debt, and other financial liabilities</b>	<b>303,128</b>	<b>198,461</b>	<b>268,334</b>	<b>284,173</b>
Collections on behalf of factoring counterparties <sup>(i)</sup>	(6,620)	(21,101)	(31,371)	(22,926)
Other current financial liabilities	(1,792)	(1,978)	(383)	(1,530)
Loans from parent company	(176)	(25)	(66)	(3,003)
Dividends due to non-controlling shareholders	—	(259)	(194)	—
Escrow accounts <sup>(h)</sup>	(1,111)	(4,147)	(500)	(753)
Debt for the acquisition of non-controlling interests (current)	(10,813)	—	(328)	(328)
Capital contribution to be paid	(5)	(5)	(2,197)	(2,197)
Loans from non-controlling shareholders	(622)	(662)	(703)	(696)
Financial liabilities measured at fair value through profit and loss	(138)	(211)	(237)	(251)
<b>Short-term interest bearing indebtedness</b>	<b>281,851</b>	<b>170,073</b>	<b>232,355</b>	<b>252,489</b>
Derivatives	1,560	1,429	1,222	1,186
<b>Gross interest bearing indebtedness</b>	<b>349,793</b>	<b>291,102</b>	<b>316,836</b>	<b>355,627</b>
Cash and cash equivalents	51,583	42,656	51,987	56,585
<b>Net interest bearing indebtedness</b>	<b>298,210</b>	<b>248,446</b>	<b>264,849</b>	<b>299,042</b>

(h) Escrow Accounts and 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.”*

(i) 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—Non-recourse (pro soluto) Factoring Facilities.”*

(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 for the year ended March 31, 2013, as if the Refinancing Transactions had occurred on April 1, 2012, based upon the respective interest rates of the Notes. *Pro forma* net interest expense excludes charges allocated to debt issuance costs, including discounts on the sale of receivables pursuant to factoring programs. *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 Refinancing 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 taxes 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, 2010, 2011 and 2012 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 after adjustments to give effect to the Refinancing Transactions (excluding cash proceeds committed to trade receivables financing). See “*Use of Proceeds.*”

## Summary other financial and operational data:

(millions of €, except percentage) (unaudited)	For the year ended December 31,			For the three months ended March 31,	
	2010	2011	2012	2012	2013
Backlog <sup>(8)</sup>	2,340	2,707	2,979	2,582	3,001
Retention rate <sup>(9)</sup>	94.0%	93.9%	91.1%	—	—
Win rate (total) <sup>(10)</sup>	19%	24%	29%	15%	14%
Win rate (PSE and healthcare customers) <sup>(10)</sup>	18%	24%	26%	15%	8%

(8) “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 Group, where the related revenue are not eliminated upon consolidation. 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 following service areas: Fire prevention and safety and Other Segment. 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 that are not attributable to the Group (for example, contracts held by our 45.47%-owned affiliate Roma Multiservizi are not included in the backlog, as these revenue are 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.*”

(9) “Retention rate” refers to 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. For purposes of calculating the 2011 retention rate, we did not take into consideration the revenue generated in 2010 by our contract with Fiat S.p.A.

(10) “Win rate” refers ratio between the total value of, as applicable, the PSE and healthcare customers tenders or all tenders (PSE, healthcare customers and private sector tenders (new orders only)) in which the Group participated and the total value of such tenders which the Group secured the relevant contract during the relevant period.

## 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 all belong to the public sector) which collectively accounted for approximately 62.4% of our total revenue for the year ended December 31, 2012. Our work with PSEs and healthcare customers exposes the Group to credit risks and delays in trade receivables. In recent years, due to the economic conditions, we have experienced a significant deterioration in receiving prompt payments under many such contracts. In 2012, we estimate that the average payment period for our PSE customers was approximately 274 days and for our healthcare customers was approximately 288 days. Consequently, as of December 31, 2010, 2011 and 2012 and as of March 31, 2013, the average DSOs of total trade receivables (including trade receivables sold pursuant to our factoring facilities) were equal to 234 days, 266 days, 253 days and 241 days, respectively. Total trade receivables (including trade receivables sold pursuant to our factoring facilities) at such dates were equal to €830.1 million, €885.8 million, €845.9 million and €860.2 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. We experienced an 8% increase in the amount of trade receivables that are overdue by 91 days from 2011 to 2012, following a 34% rise from 2010 to 2011. Our allowance for doubtful accounts was €33.3 million as of March 31, 2013, representing approximately 3.9% of our gross total trade receivables (including receivables sold pursuant to our factoring facilities), but we may incur other expenses in connection with our outstanding trade receivables, therefore, these provisions may not be sufficient. 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.

In addition, further increases in average payment delays or in interest rates 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—Public Sector Entities"* and *"Management's Discussion and Analysis of Results of Operations and Financial Condition—Principal Factors Affecting our Results of Operations—Trade receivables."*

***An increase in DSOs 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 and partially by selling trade receivables on a non-recourse basis through factoring transactions. Non-recourse factoring allows us to reduce our trade receivables: as of December 31, 2010, 2011 and 2012 and as of March 31, 2013, total trade receivables outstanding under our factoring facilities (without recourse to the Group) were equal to €141.1 million, €213.1 million, €199.0 million and €148.9 million, respectively. In addition to supporting our working capital, by derecognizing receivables from our statement of financial position, these factoring facilities effectively lowered our DSOs: net of trade receivables sold, our DSOs as of December 31, 2010, 2011 and 2012 and as of March 31, 2013 were reduced to 196 days, to 205 days, to 196 days and to 201 days, respectively. Subsequent to the issuance of the Notes, we intend to wind down the Crédit Agricole Factoring Facility. We expect that following the Refinancing Transactions, the Intesa Sanpaolo Factoring Facility will remain outstanding but we do not intend to make sales of trade receivables thereunder in the near term as we intend to utilize a portion of the net proceeds of the Notes offered hereby to finance working capital requirements previously satisfied in part through the sale of trade receivables. We further expect the trend of reducing our DSOs will continue and we intend to continue making efforts to manage collections and payments under our trade receivables. We expect that non-recourse factoring, however, whether under the Intesa Sanpaolo Factoring Facility, or other such facilities, will continue to be an option available to us to manage our liquidity, if the need arises.

A number of developments outside of our control may make it difficult for us to finance our working capital requirements. If our efforts to reduce our DSOs do not reach fruition due to deteriorating economic conditions or operational difficulties, or if DSOs increase or if we generate significant amounts of new business and/or we hire additional employees, we may experience liquidity constraints as a consequence of the foregoing. The ISP Factor is permitted to cancel its commitments under the Intesa Sanpaolo Factoring Facility every six months (with the next such opportunity falling in July 2013) and, in any case, the agreement expires in 2017. There can be no assurance, therefore, that the Intesa Sanpaolo Factoring Facility would be available and, even if available, would be sufficient for any such working capital purposes or that we will be able to 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 the current unfavorable economic conditions in Italy and by market perceptions concerning Italy.***

For the year ended December 31, 2012, essentially all of our total revenue was generated in Italy. As the crisis in the global financial and credit markets continues to spread to non-financial sectors of the world economy, economies worldwide have started to show significant signs of weakness, resulting in a general contraction in consumer spending that

varies by market. Many European economies are facing sovereign debt crises and have received financial assistance from the International Monetary Fund and the European Financial Stability Facility as the credit rating agencies continued to cut their ratings and post a negative outlook throughout 2012 which was maintained during the first quarter of 2013. Despite such measures, concerns persist regarding the debt and/or deficit burden of certain Eurozone countries, including Italy, and their ability to meet future financial obligations, given the diverse economic and political circumstances in individual member states of the Eurozone.

Such economic contagion has also spread to Italy. In January 2012, Standard and Poor's downgraded its debt rating of Italy from "A" to "BBB+" with a "negative outlook", reflecting its view as to Italy's increasing vulnerability to external financing risks and the negative implications these could have for economic growth and hence public finances. In the same month Fitch Ratings downgraded its long-term credit assessment of Italy from "A+" to "A-" with a "negative outlook." Moody's also downgraded its sovereign debt rating of Italy from "A2" to "A3" with a "negative outlook" in February 2012 followed by a further downgrade to "Baa2" in July 2012, citing fragile market confidence and deterioration in Italy's near-term economic outlook. In November 2011 and in December 2011, Italy passed a €59.8 billion austerity package and an approximately €30 billion austerity package, respectively, that sought to achieve savings from a mixture of spending cuts and tax increases. Measures included sales of state property, a freeze on public sector salaries until 2014 and measures to fight tax evasion. Following parliamentary approval of the November 2011 package, Italy's Prime Minister, Silvio Berlusconi, resigned and was succeeded by Mario Monti. Prime Minister Monti continued this austerity program but resigned in late December 2012; subsequent elections in February 2013 did not result in any one political party garnering sufficient support to independently form a government. Citing the political uncertainty, Fitch Ratings further downgraded Italy from "A-" to "BBB+" in March 2013 with a "negative outlook." In April 2013, Giorgio Napolitano was reelected President of the Republic of Italy, and shortly thereafter he tasked newly-appointed Prime Minister Enrico Letta with forming a coalition government of both right-of-center, centrist and left-of-center parties. However, the ability of the coalition to implement a policy agenda remains uncertain. In July 2013, citing economic conditions, Standard and Poor's downgraded its debt rating of Italy from "BBB+" to "BBB" with a "negative outlook." Certain of these economic and political developments have had a negative impact on Italy's growth, and continued uncertainty could lead to further deterioration of market perceptions thereof.

According to ISTAT, Italy's GDP at constant prices grew at only 1.8% and 0.4% in 2010 and 2011, respectively, and contracted by 2.3% in 2012. ISTAT estimates that Italy's GDP will further contract by 0.5%, on average, in 2013. Inflation averaged 3.0% in 2012, and is expected to decrease to 2.0% in 2013. ISTAT reported that labor unit cost increased by 1.6% in 2012 and is expected to decrease by 1.8% in 2013. In addition, the Italian government's final consumption expenditure increased slightly by 0.7% in 2010 and then decreased by 1.4% in 2011 and 2.6% in 2012. 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 has 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 have reduced or ceased to provide funding to borrowers. If these conditions, together with the sovereign debt crisis in Italy, continue or worsen, it 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 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.

***If major customers terminate their service contracts with us prior to the end of the relevant contractual term or select another provider following expiration of such contracts, 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, 2012, our top 20 customers (which may include affiliates of the same groups) accounted for approximately 30.4% of our total revenue while our top 10 customers accounted for 22.9% of our revenues. In particular, MPSS carries out facility management activities for the entire Telecom Italia group pursuant to a contract which came into effect on November 1, 2004 and due to expire on October 31, 2013. The revenue generated by MPSS based on this contract during the financial year ended December 31, 2012 amounted to €118 million and 11% of our total revenue for the period. There can be no assurance that this contract will be renewed or that if renewed, it will not be on terms less favorable to us than those applied in the past. Moreover, Telepost S.p.A. ("Telepost"), a wholly-owned subsidiary of the Issuer acquired in 2011, provides internal mailing services for the Telecom Italia group pursuant to a contract due to expire in February 2014. The revenue received by Telepost based on this contract during the financial year ended December 31, 2012 amounted to €13.0 million or 3.23% of our total revenue from private customers, and 1.21% of our total revenue for the period. As of the date of this Offering Memorandum, we are in the process of negotiating the renewal of the contract and/or a new contract on similar terms between MPSS and Telecom Italia, however, we cannot assure you that a renewal and/or new contract will be entered into or that if renewed, it will not be on terms less favorable to us than those applied in the past. This could result in the loss of some or all of our business with Telecom Italia and we may not be able to quickly and efficiently redeploy personnel, facilities or equipment that are currently dedicated to servicing Telecom Italia's assets. If the contracts with the Telecom Italia group or other major customers 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 18.9% terms of revenue for the year ended December 31, 2012. We believe we are the leading Italian operator in the integrated facility management market with a market share of 4.1% in terms of revenue for the year ended December 31, 2012 (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 *"Business—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 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 S.p.A. in public procurement with regards to setting economic terms for our services or by ongoing initiatives to reform decentralization in Italy.***

Consip S.p.A. ("**Consip**") is a joint stock company fully owned by Italy's Ministry of the Economy and Finance that provides a number of consultancy and procurement services to PSEs and healthcare customers. Consip functions as a centralized clearinghouse for public tenders 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 convention with Consip, 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 sign such framework conventions, Consip utilizes reference prices established by the AVCP 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. Healthcare customers instead utilize similar framework conventions entered into by regional procurement committees (e.g., Intercenter) which serve as alternatives to Consip with respect to healthcare service contracts. In connection with the spending review discussed under *"—PSE and healthcare customers may curtail their reliance on our services due to public spending cuts 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 benchmarks which allow PSEs and healthcare customers to terminate such non-Consip contracts that may be more expensive. Consip and regional procurement committees therefore exert significant influence in setting the economic terms, and centralized contracting activity may adversely impact our ability to grow or maintain our margins, which could have a material adverse effect on our business, financial condition and results of operations. See *"Business—Regulation—Public Tenders—Consip and procurement policies."*

***PSE and healthcare customers may curtail their reliance on our services due to public spending cuts 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 all belong to the public sector, represented approximately 62.4% of total revenue in the year ended December 31, 2012. 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. Initiatives during the government of Prime Minister Monti to reduce public spending in Italy (the so-called “**spending review**”), have curtailed demand by PSEs and healthcare customers related to procurement of goods and services, including those provided by our Group. Moreover, the spending review required, among other things, a reduction in spending in the healthcare sector which may include the closing of a significant number of hospitals of smaller size. In particular, the spending review required a 5% reduction in the cost of service contracts and a corresponding reduction in the services provided for contracts signed after July 7, 2012 and a 10% reduction for contracts signed after January 1, 2013, in each case with respect to spending for tenders for healthcare services or supplies. The spending review also called for a reduction of prices of applicable non-healthcare and healthcare public tenders to align with the reference prices (*prezzi di riferimento*) published by the AVCP. Any healthcare customer that determines an existing contract contains prices which are higher than the AVCP reference prices may seek to renegotiate such prices or even withdraw from the contract without triggering the right of the supplier to receive damages.

Law No. 135 of August 7, 2012 provides the legal basis for a reorganization of the Italian provincial subdivisions which may result in fewer PSEs and/or healthcare customers if carried through, and therefore in fewer facility management contracts put to public tender, though the amount of each such contract would correspondingly increase. This development would increase the stakes of each public tender and could increase litigation by parties who failed to secure such contract, preventing the winning party from beginning work. The national backdrop of austerity contributed to a general contraction in the duration of contracts, pricing pressures and a reduction of average margins, particularly with respect to services provided to public healthcare operators. Such developments could have a material adverse effect on our business, financial condition and results of operations. See also “—Our business could be adversely affected by the central role of Consip S.p.A. in public procurement with regards to setting economic terms for our services or by ongoing initiatives to reform decentralization in Italy” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Principal factors affecting our results of operations—Fewer but larger public tenders.”

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. PSEs and healthcare customers 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 in our core service areas. 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. In addition, any healthcare customer that determines an existing contract contains the prices which are higher than AVCP reference prices may seek to renegotiate or even withdraw from such contract without triggering the right of the supplier to receive damages. See also “—Our business could be adversely affected by the central role of Consip S.p.A. 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 public spending cuts, 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. The occurrence of any such event 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, any such failure 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 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 Cofely GDF Suez 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 due to our failure to perform our obligations, counterparties may raise claims under 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. If we are unable to obtain new bonds and guarantees or if we renegotiate existing bonds and guarantees at less favorable economic terms or if we are required to pay penalties in 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.

For all of 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

June 7, 2013, the Group (excluding associates and investments in project companies) had performance bonds outstanding in the aggregate amount of €225.1 million. These are off-balance sheet items. While we have not in the past been subject to claims under performance bonds, these bonds and penalties present an ongoing potential for substantial cash out-flows. In the case of a material breach of our obligations under such underlying contracts, claims on performance bonds could individually or in the aggregate have a material adverse effect on our business, results of operations and financial condition.

***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. 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 employment 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 “—PSEs and healthcare customers may curtail their reliance on our services due to public spending cuts 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.***

Historically, 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, maintaining and servicing elevators 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 or elevator 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, 2012 amounted to €51.9 thousand (with coverage up to a maximum amount of €10 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 on 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, 2012 amounted to

€51.9 thousand (with coverage up to a maximum amount of €2 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 for 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 may face risks with respect to any divestments we undertake.***

We intend to eventually divest our Other Segment, which comprises Group companies engaged in Project management and energy and Building construction, mainly due to the crisis affecting the photovoltaic, construction and real estate sectors and its main customers. We can provide no assurance that such divestment will occur, or that it will occur on terms that are commercially favorable to us. Among the risks associated with such divestments, which could materially adversely affect our business, results of operations and financial conditions are the following:

- divestments could result in losses and/or lower margins;
- divestments could result in write-down of goodwill and other intangible assets;
- divestments may result in the loss of qualified personnel; and
- we may encounter unanticipated events or delays and retain or incur legal liabilities related to the divested business with respect to employees, customers, suppliers, subcontractors, public authorities or other parties.

***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 for actions of our employees*" related to fraud, bribery and corruption, environmental violations and crimes against the person or workplace safety violations. Similarly the provisions of LD 231 (as defined under "*Business—Regulation*") may also affect us (see "*—We may incur liabilities for actions of our employees*"). 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 in an operational ban. 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.

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, 2013, our backlog totaled approximately €3,001 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 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.

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 86% 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 manage our growth and integrate acquired businesses successfully.***

Our business has grown significantly in recent years, primarily through acquisitions. Following a series of important corporate acquisitions in 2008, we started an integration project in 2009 which entailed an in-depth review of the Group's organizational structure and corporate restructuring operations, and was completed in 2011. We intend to continue to develop and expand our business, including through selective bolt-on acquisitions. 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 acquired businesses;
- acquisitions may divert management's attention from the operation of existing businesses;
- we may not be able to retain key personnel or customer contacts of acquired businesses; and
- we may encounter unanticipated events, circumstances or legal liabilities related to the acquired businesses.

In addition, there can be no assurance that, following integration with our Group, an acquired operation will be able to maintain its customer base consistent with expectations or generate the expected margins or cash flows. The assessments of any potential acquisition targets 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 will prove to be correct and actual developments may differ significantly from our expectations.

Furthermore, acquisitions of companies expose the Group to the risk of unforeseen obligations with respect to employees, customers, suppliers and subcontractors of acquired 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.***

Since the sale of our former French and Polish subsidiaries to Fiat in 2010, we have conducted essentially all of our business within Italy and therefore we have limited experience operating in foreign markets. However, in the future we may enter international markets, including other European markets or emerging markets, which 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, 2013, approximately 11,800 individuals (approximately 80% of our total employees) 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 March 31, 2013, 609 individuals (4.0% 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. Termination of such contracts by MSC, 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 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 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-granted 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. In particular, the contractor is jointly liable with the subcontractor for the payment of withholding taxes levied at source on employment income and for the value added tax ("VAT") payments due in connection with the activities carried out in accordance with the subcontract. It is our policy not to pay the subcontractor's fees before we receive evidence that all salary and social security payments due by the subcontractor to its employees (including withholding taxes levied at source on employment income) and VAT payments in connection with the subcontract have been made. Italian work safety laws also provide that we, as contractors, are jointly responsible with the principal and our subcontractors for damages suffered by the employees of the subcontractor while performing their duties under the subcontract.

However, according to article 50 of Law Decree No. 69 of June 21, 2013 ("**Law Decree No. 69/2013**"), the joint liability of contractors and subcontractors concerning VAT payments due by the latter for the activities carried out in connection with the relevant subcontract has been repealed. Law Decree No. 69/2013 shall be converted into law within 60 days from publication, otherwise the provisions thereof will be ineffective starting from the date of its entering into force. However, we cannot exclude that the provisions of Law Decree No. 69/2013 will not be subsequently amended.

***We may incur liabilities 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. Convictions with regards to certain scheduled crimes (*moralità professionale*), including fraud, bribery and corruption, environmental violations and crimes against the person or workplace safety violations may render us ineligible to maintain our existing PSE or healthcare customer contracts and/or to participate in 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*" and "*Business—Legal Proceedings*."

***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. We currently manage five 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, 2010, 2011 and 2012, our capital expenditures (defined as the "purchase of property, plant and equipment," "property, plant and equipment under lease" and "other intangible assets") were €36.9 million, €37.8 million and €44.3 million, respectively related to maintenance, upgrade of existing equipment, purchases of new equipment and purchases of linen. 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 December 31, 2012, we had goodwill of €418.7 million, which represented approximately 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 on 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 15,000 employees in Italy, including those employed pursuant to employee leasing arrangements. In the past, we have been involved in certain labor disputes related to 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. 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 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. In the event that such key personnel choose not to remain with us, there is a risk that they may join a competing business. Furthermore, there may be a limited number of persons with the requisite skills to serve in these positions and we may be unable to replace key employees with qualified personnel on acceptable terms.

***We are susceptible to claims of anti-competitive practices.***

Part of our overall strategy is to be a market leader in the markets where we operate. For this reason and taking into particular consideration our leading position in Italy, we may be accused of the abuse of our position or the use of anti-competitive practices. This risk may increase in the event we acquire companies that have strong market leading position in Italy. Any such claims could adversely affect our reputation, potentially result in legal proceedings that could have an impact on our business, financial condition and results of operations and require us to divest assets in markets where we have a leading position. Such claims could also impair our ability to conduct acquisitions accretive to our business. Before certain future acquisitions may be consummated, we may need to seek approvals and consents from regulatory agencies or there may be applicable waiting periods that will need to expire. We may be unable to obtain such regulatory approvals or consents, or in order to obtain them, we may be required to dispose of assets or take other actions that could have the effect of reducing our revenue. Even if regulatory authorities do not require disposals or other actions, the regulatory approval process triggered by our market position or claims of anti-competitive practices may have the effect of delaying acquisitions.

***We are subject to risks related to litigation and other legal 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 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. While we believe none of the legal proceedings to which we are party expose us to material liabilities, 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 audits and investigations and we may face tax liabilities in the future.***

We are from time to time subject to tax audits and investigations by the tax authorities, which includes, without limitation, investigations with respect to the corporate and indirect tax regime of our transactions and/or value-added tax classification. Adverse developments in these laws or regulations, or any change in position by the relevant taxing authority 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 tax authorities may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions. It may be necessary to defend our tax filings in court if a reasonable settlement cannot be reached with the relevant tax authorities and such ensuing litigation could be costly and distract management from the other affairs of our business. Tax audits and investigations by the competent tax authorities may generate negative publicity which could harm our reputation with customers, suppliers and counterparties. We can provide no assurance that the financial impact of any tax reassessment in connection with our business would not have a material adverse effect on our business, financial condition and results of operations.

At the end of February 2013, the Italian tax authorities started a full tax audit on the Issuer in connection with the year ended December 31, 2010; during the tax audit the relevant scope was broadened to include fiscal year 2011 and certain transactions occurred in the previous fiscal years namely the transactions carried out by way of merger between the Issuer and Teckal S.p.A., Integra F.M. B.V., Altair S.p.A. and Gestin Facility S.p.A. as well as certain transactions undertaken by such companies during the years ended December 31, 2008, 2009 and 2010. On May 30, 2013 the Italian tax authorities served the Issuer with two documents (*Processo Verbale di Constatazione*), describing the outcome of the tax audit (the "PVCs"). According to the PVCs, the Italian tax authorities contend that the Issuer failed to comply with certain VAT provisions in connection with some services rendered, alternatively, (a) by the companies which were merged by the Issuer and (b) by the Issuer itself. In particular, such services should have been invoiced applying the standard VAT rate rather than a reduced one (10%). The PVCs seek a payment of approximately €4.0 million in VAT.

Before challenging the taxpayer on the basis of the findings summarized in the PVCs, such findings shall be assessed by the competent tax office which will decide whether or not to issue one or more formal notices of claim (the "**Avvisi di Accertamento**"); the PVCs do not show the amount of penalties and interest; penalties and interest may be shown only in the *Avvisi di Accertamento* which in principle may range from 100% to 200% for each violation. On June 27, 2013, the Issuer, pursuant to Article 5-*bis* of Legislative Decree n. 218/1997, has filed with the competent tax offices the notices of acceptance of the PVCs ("*adesione al PVC*"). According to the procedure set out by Article 5-*bis* mentioned above, the competent tax offices, within 60 days after the notices of acceptance have been filed, shall verify whether the Issuer can settle the findings under the PVCs by paying one sixth of the applicable penalty and, if all the relevant conditions provided for by the law are met, will serve to the Issuer a deed of settlement (*atto di definizione*) showing the amount of taxes and related penalties due. In this regard, on July 4, 2013, the tax office competent in relation to one of the PVCs served the Issuer with two "*atti di definizione*" relating to fiscal years 2008 and 2009 whereby the "*adesione al PVC*" was confirmed and therefore the Issuer is requested to pay only the claimed amount of VAT approximately equal to €1.6 million plus penalties for an amount approximately equal to €346,000 and interests for an amount approximately equal to €222,000. To date the tax office competent in relation to the other PVC has not expressed any position on the notice of acceptance filed by the Issuer.

The *Avvisi di Accertamento* cannot be issued before a 60-day term starting from the day in which the Issuer received the PVCs. The *Avvisi di Accertamento* must provide the Issuer with all the relevant reasoning on the basis of which the claims have been alleged. In the 60-day period following the serving of the *Avvisi di Accertamento*, the Issuer may (i) under certain circumstances, comply with the challenge of the Italian tax authorities and thereby obtain a reduction of tax penalties to one third of the full amount applicable or (ii) appeal against the claims contained in the *Avvisi di Accertamento* by starting a tax litigation before the competent tax court.

The Issuer may request from its clients (in accordance with the so called *rivalsa* principle) a reimbursement of the higher amount of VAT claimed by the Italian tax authorities.

It cannot be excluded that tax litigation may be started to oppose the request of the Italian tax authorities, in such a case the Issuer will determine whether to create an *ad hoc* provision in its balance sheet.

***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.

## **Risks related to our capital structure**

***The Issuer is in part dependent on payments from its subsidiaries in order to make payments on the Notes.***

The Issuer conducts a portion of its operations through operating subsidiaries. As a result, the Issuer will be dependent in part upon the cash flow from its subsidiaries in the form of dividends, intercompany loans or otherwise to make payments on the Notes. The Issuer's operating subsidiaries may not generate cash flow sufficient to enable it to meet its payment obligations. In addition, the Issuer's subsidiaries may be restricted from providing funds to the

Issuer under some circumstances. These circumstances could include, among others, existing and future contractual restrictions, including restrictions in any indebtedness at the subsidiary level, that affect the ability of the Issuer's subsidiaries to pay dividends or make other payments to the Issuer. In addition, applicable tax laws may also subject such payments to taxation.

***The interests of our principal shareholders may be inconsistent with the interests of the holders of the Notes.***

Currently, MSC owns 71.89% of our share capital, and several financial investors and other financial investors own the remaining 28.11%. The interests of our principal shareholders could conflict among themselves and/or with the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our liabilities when due. The principal shareholders 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, pursuant to the 2013 MFM Put and Call Agreement (as defined under "*Principal Shareholders—Shareholders' Agreement and other arrangements between our shareholders*"), the several financial investors that currently own 28.11% of our share capital have the option, beginning on July 1, 2016 for a period of 30 business days except in case of a put option suspension upon resolution of the Issuer's competent bodies to proceed with an IPO, to oblige MSC to purchase their respective interests in our share capital. MSC may not be able to independently secure the liquidity to fulfill such contractual obligation, if exercised by any of the financial investors. It is difficult to predict what effect this development would have on us, although it could result in our shareholder seeking to have additional dividends paid or otherwise result in resources being diverted from investing in our business. In addition, since we engage in a number of business transactions with MSC, a default by MSC or a dispute between our shareholders could have a material adverse effect on our business, financial condition and results of operations.

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

We conduct our business through operating subsidiaries that in some cases include non-controlling shareholders and investments with third parties (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, 2013, financial liabilities with respect to the put options and the earn-outs recognized in our statement of financial position, amounted to at €20.3 million and €12.6 million, respectively. From 2014, management estimates that the potential liability with respect to the earn-outs will fall to zero, while the potential liability with respect to the put options will equal €20.3 million in 2014, and from 2018 will fall to zero. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Arrangements with Non-controlling Shareholders in our Subsidiaries.*"

***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 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 income statement. 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. Net interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years, provided 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 in 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.

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, Article 3(115) of Law No. 549 of December 28, 1995 also sets forth certain limitations to the deductibility of interest expense arising from bonds or notes issued by Italian companies other than banks or listed companies. However, under provisions of Article 32 of Law Decree No. 83 of June 22, 2012, interest on notes is not subject to the limitations set out by Article 3(115) thereof, and is deductible to the extent mentioned above provided that, *inter alia*, the Notes are listed upon their issuance on a regulated market or multilateral trading platform of a Member State of the European Union or state of the European Economic Area included in the White List provided for by Article 168-bis of Presidential Decree No. 917 of December 22, 1986. No assurance can be given that the Notes will be listed or, once listed, that the listing will be maintained. It cannot be ruled out that any future guidance issued by the Italian tax authorities set forth further requirements for the provisions of Article 32 of Law Decree No. 83 of June 22, 2012 to apply and that, based on a restrictive interpretation, the limitations set forth by Article 3(115) of Law No. 549 of December 28, 1995 to the deduction of interest expenses are deemed to apply with respect to the Notes beneficially owned by persons that are not resident in States included in the white list provided for by Article 168-bis of Presidential Decree No. 917 of December 22, 1986.

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-avoidance or anti-abusive criteria, we may be unable to fully deduct our interest expense and could be subject to significant penalties and accrued interest, the imposition of withholding taxes, 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.

## **Risks related to our indebtedness**

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

Upon completion of the Offering of the Notes, we will continue to have a substantial amount of outstanding debt with significant debt service requirements. As of March 31, 2013, on an as adjusted basis after giving effect to the Refinancing Transactions, our consolidated indebtedness would have been €576.6 million and we would have had up to €30 million available for borrowing under our Revolving Credit Facility. Our significant leverage could have important consequences for you as a holder of the Notes, including:

- making it more difficult for the Issuer and the Guarantors to satisfy their obligations with respect to the Notes, the Notes Guarantees 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;
- exposing us to interest rate increases;
- 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 have a senior security interest with respect to 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 €30 million. On the Issue Date, it is expected that our Revolving Credit Facility will be undrawn. In addition, we may incur substantial additional debt in the future. The terms of the Indenture will limit, but not prohibit us from incurring additional debt, including under the Revolving Credit Facility, or by a non-Guarantor or debt that is secured on assets of the Group that do not constitute Collateral, which debt would be satisfied ahead of the Notes and the Notes Guarantees. The incurrence of additional debt would increase the leverage-related risks described in this Offering Memorandum.

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

Restrictive covenants under the Revolving Credit Facility and the Indenture may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our business, financial condition and results of operations.



The Revolving Credit Facility and the Indenture 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 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, 2013, on an as adjusted basis after giving effect to the Refinancing Transactions, our total interest bearing financial liability was approximately €534.2 million. Other than the Notes, our main sources of financing were: (i) long-term loans of approximately €81.9 million (including the Revolving Credit Facility, which will be undrawn at the Issue Date, the Banca Popolare di Vicenza Facility, the MPS Capital Services Facility and the CCFS Facility) and (ii) due to leasing companies of approximately €2.2 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, Notes Guarantees and 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.***

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 Issuer (and any other additional borrower under the Revolving Credit Facility) over its present and future movable assets and such collateral will not be available to secure the Notes since under Italian law it may only be granted to secure bank loans and will be limited in amount to the obligations 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, the Notes and the Notes Guarantees 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 *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, any future hedging arrangements and certain other indebtedness permitted under the Indenture, 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**.” The Indenture will include similar provisions pursuant to which holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral and in accordance with the abovementioned provisions of the Intercreditor Agreement. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*.”

Generally, if there are conflicting enforcement instructions received by the Security Agent from the different classes of creditors which are secured by the Collateral and who can constitute either “majority super senior creditors” (generally, creditors representing 66⅔% of the aggregate of all unpaid and undrawn commitments under the Revolving Credit Facility and the termination value or assumed termination value of certain future “super priority” hedging obligations, if any) or “majority senior secured creditors” (generally, creditors representing the

majority of the outstanding principal amount under the Notes, any *pari passu* secured indebtedness and the termination value or assumed termination value of certain future “super priority” hedging obligations, if any), as the case may be, the representatives of the creditors sharing in the Collateral are required to first consult in good faith with each other (in each case, including the Trustee on behalf of the holders of the Notes, the agent on behalf of the lenders under the Revolving Credit Facility and certain counterparties to future hedging arrangements entered into by the Group, if any) and the Security Agent, for a period of 30 days (or such shorter period as may be agreed) with a view to coordinating the instructions to be given by an instructing group and agreeing an enforcement strategy (a “**joint enforcement strategy**”). Upon conclusion of this “consultation period”, if the relevant creditor representatives are unable to agree on a joint enforcement strategy or if conflicting enforcement instructions are received by the Security Agent from the different classes of creditors which are secured by the Collateral and who can constitute an instructing group, and provided that the “security enforcement principles” set out in the Intercreditor Agreement have been complied with, then the majority senior secured creditors shall constitute an instructing group and shall have the right to instruct the Security Agent as to the enforcement of the Collateral. Notwithstanding the foregoing, no consultation period shall be required if either (i) any of the Collateral becomes enforceable because of an insolvency event in respect of the Issuer or certain members of the Group, (ii) the majority super senior creditors or the majority senior secured creditors determine in good faith that entering into consultation could reasonably be expected to have a material adverse effect on the Security Agent’s ability to enforce any of the Collateral or to reduce the amount likely to be realized upon enforcement of the Collateral in any material respect, (iii) a period of no less than six months has elapsed since the date on which the first enforcement instruction was received by the Security Agent or (iv) the relevant creditor representatives agree that no consultation period is required, in which case, the Security Agent shall act in accordance with the instructions provided by the majority senior secured creditors (provided that such instructions are consistent with the security enforcement principles set forth in the Intercreditor Agreement). If the Security Agent is obliged to follow the enforcement instructions of the majority senior secured creditors as discussed above and either (i) the lenders under the Revolving Credit Facility have not been repaid or prepaid in full within six months of the end of the consultation period, (ii) the Security Agent has not commenced any enforcement action in respect of the relevant Collateral within three months of the end of the consultation period or (iii) an insolvency event has occurred in respect of Issuer or certain members of the Group and the Security Agent has not commenced enforcement of the relevant Collateral or taken any other enforcement action at that time, then the Security Agent shall, provided that the security enforcement principles set out in the Intercreditor Agreement have been complied with, instead follow the instructions that are given by the majority super senior creditors (and the terms of the relevant previous enforcement instructions of the majority senior secured creditors which conflict with the instructions of the majority super senior creditors shall be deemed revoked).

The foregoing security enforcement arrangements could be disadvantageous to the holders of the Notes in a number of respects.

Disputes may occur between the holders of the Notes and creditors under our Revolving Credit Facility, counterparties to certain future 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 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 future 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 lenders under the Revolving Credit Facility 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, 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 the shares of the Guarantor as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Notes Guarantees and the 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.

It is uncertain whether, under Italian law, security 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 nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favour of The Law Debenture Corporation p.l.c. as the Trustee of the Notes, since there is no established concept of "trust" of "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the Trustee as agent or trustee for holders of the Notes under security interests on Italian assets is debatable under Italian law.

The enforceability of Italian law security granted in favor of a trustee acting as trustee and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code is debatable under Italian law and, therefore, the risk of unenforceability by the holders of the Notes and the security documents posed by Italian law cannot be eliminated or mitigated. Furthermore, to date, it is uncertain whether a common representative (*rappresentante comune*) 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.

Also, 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.

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 Guarantees and Security Interests and Certain Insolvency Law Considerations."*

***Your rights in the Collateral securing the Notes may be adversely affected by the failure to perfect security interests in the Collateral; in particular, the security interests in respect of the Private Sector Contract Receivables will not be perfected until an Event of Default (as defined under the Indenture or the Revolving Credit Facility) has occurred.***

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. In particular, the first ranking pledge over the Private Sector Contract Receivables will be established by means of assignment in security. Any such assignment will become effective vis-à-vis the assigned debtor and third parties only upon notification of assignment of the associated trade receivables. In accordance with the applicable Security Documents, the assignment will not be notified until an Event of Default (as defined under the Indenture or the Revolving Credit Facility) occurs. As a result, until an Event of Default occurs and notification is delivered to the assigned debtor and third parties, the security in respect of the Private Sector Contract Receivables will not be perfected vis-à-vis the assigned debtor. 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 principal amount of the Proceeds Loans and any Intercompany Loans may be less than anticipated as a result of prepayments of certain indebtedness of the Group prior to the maturity dates of the Notes.***

On the Issue Date, the Issuer will enter into the Proceeds Loans. In addition, any Intercompany Loans may be entered into in the future. The receivables relating to the Proceeds Loans will be pledged on the Issue Date as part of the Collateral, and any Intercompany Loans subsequently entered into will be pledged at such time to secure the Notes. Repayments prior to the maturity dates of the Notes of amounts due under the Proceeds Loans (exclusively in connection with a partial redemption or repurchase of the Notes) or any Intercompany Loan would result in a reduction in the principal amount of the Proceeds Loans or the 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 Loans or any Intercompany Loans prior to the maturity dates of the Notes. We cannot assure you that these amounts will not be reduced by additional payments prior to the maturity dates of the Notes, which would cause a corresponding reduction in the principal amount of the Proceeds Loans and any Intercompany Loans. Any reduction in the principal amount of the Proceeds Loans and any Intercompany Loans could reduce the value of your security on the receivables from the Proceeds Loans and any Intercompany Loans during the period prior to the maturity dates of the Notes and potentially reduce the value of the guarantees granted by the Guarantors pursuant to the limitation applicable to any such Notes Guarantee. See *"Description of Other Indebtedness—Proceeds Loans"* and *"Description of the Notes—The Notes Guarantees."*



***The pledge over the Private Sector Contract Receivables will not include all respective private sector customer receivables of the Issuer and MPSS and there are circumstances by which future private sector customer receivables will not be pledged as Collateral securing the Notes.***

Not all of the Issuer's and MPSS' existing and future private sector customer receivables will be pledged as Collateral securing the Notes. With respect to private sector customer trade receivables existing on the Issue Date, pursuant to the applicable Security Documents, only such existing receivables will be pledged: as arise under or in connection with any invoice issued by the Issuer and MPSS as a result of supply of goods or services to private sector clients in relation to which the underlying payment obligations are freely assignable (i) without the need for the consent of, or notice to, the relevant assigned debtor or any other person or (ii) any consent or notice required for its assignment has been obtained or served, as applicable, provided that outstanding amount under or in connection with any single invoice, when aggregated with the outstanding amount under or in connection with any other invoice owing by the same client purported to be assigned on the same date pursuant to the relevant Security Document, is greater than €30,000. With respect to future private sector customer trade receivables, while we have agreed to an undertaking to use our reasonable efforts to procure that future contracts for the sale of goods or the performance of services with private sector customers allow for the free transferability of receivables accruing thereunder and are required by the applicable Security Documents to pledge all future Private Sector Contract Receivables of the Issuer and MPSS which do not contain such restrictions to the extent described under "*Description of the Notes—Security—General*", we cannot assure you that we will be successful in obtaining such a right.

***The rights of the Issuer to receive payments under the Proceeds Loans or 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**"). 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 Proceeds Loans or any Intercompany Loans. Furthermore, Servizi Ospedalieri and MPSS are subject to direction and coordination exercised by the Issuer.

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 Servizi Ospedalieri and MPSS under the relevant Proceeds Loans or any other subsidiary under any Intercompany Loan. Accordingly, an Italian court may conclude that Servizi Ospedalieri's and MPSS' obligations under the Proceeds Loans (or the obligations of any other subsidiary under any Intercompany Loans) are subordinated to all its obligations to other creditors. Should any of Servizi Ospedalieri's and MPSS' obligations under the relevant Proceeds Loan (or

the obligations of any other subsidiary under any Intercompany Loans) 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 its Proceeds Loan to Servizi Ospedalieri and MPSS or under any Intercompany Loan, as applicable, which could have a material adverse effect on the Issuer's ability to meet its payment obligations under the Notes.

***The granting of the security interests in the Collateral may create hardening periods for such security interests in accordance with Italian law.***

The granting of new security interests in connection with, and after the, issuance of the Notes may create hardening periods for such security interests (see "*Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests and Certain Insolvency Law Considerations*"). The applicable hardening period for these new security interests will run as from the moment each new security interest has been granted, perfected or recreated. At each time, if the security interest granted, perfected or recreated were to be enforced before the end of the respective applicable hardening period, it may be declared ineffective and/or it may not be possible to enforce it. In addition, the granting of a shared security interest to secure future indebtedness may restart or reopen hardening periods, and the hardening period applicable to a security interest over future receivables (*crediti futuri*) may run from the moment such future receivables arise. Furthermore, the hardening period applicable to a security interest over the Private Sector Contract Receivables may run from the moment the relevant perfection formalities are duly completed. In the event that the Issuer or a Guarantor enter into an insolvency proceeding, the security interest may be declared ineffective and/or it may not be possible to enforce it in relation to the receivables arisen after the declaration of the insolvency proceeding.

***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, the obligations of the Issuer with respect to the Notes and the Indenture and the obligations of the Guarantors under the Notes Guarantees will be secured by first-ranking pledges over (i) all of the shares of each of the Guarantors, (ii) the Issuer's interests in the receivables in respect of the Proceeds Loans, (iii) the Issuer's interest in the receivables in respect of any Intercompany Loans, (iv) the Issuer's and MPSS respective interests in the Private Sector Contract Receivables and (v) the Issuer's and MPSS respective interests in the Designated Bank Accounts as more fully described elsewhere in this Offering Memorandum. 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 recharacterization 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 an 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.

***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.***

Subject to the Agreed Security Principles, the Notes and the Notes Guarantees will be secured by first ranking pledges over (i) all of the shares of each of the Guarantors, (ii) the Issuer's interest in the receivables in respect of the Proceeds Loans, (iii) the Issuer's interest in the receivables in respect of any Intercompany Loans, (iv) the Issuer's and MPSS' respective interests in the Private Sector Contract Receivables and (v) the Issuer's and MPSS' respective interests in the Designated Bank Accounts. The Indenture will also provide for a negative pledge but will allow us and our restricted subsidiaries, subject to specified limitations, to incur secured indebtedness that will be effectively senior to the Notes and the Notes Guarantees to the extent of the value of the assets 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 securing any 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 secured indebtedness. As of March 31, 2013 after giving effect to the Refinancing Transactions, we would have had €2.9 million of indebtedness outstanding which was secured over assets other than the Collateral.

***The Notes will be structurally subordinated to the liabilities of the Issuer's non-Guarantor subsidiaries.***

The Guarantors will guarantee the Notes. For the twelve months ended March 31, 2013, the Issuer's non-Guarantor subsidiaries represented approximately 11.0% of our total revenue and 12.0% of our EBITDA, respectively. As of March 31, 2013, the Issuer's non-Guarantor subsidiaries represented and 16.5% of our total assets. As of March 31, 2013, on an adjusted basis after giving effect to the Refinancing Transactions, our non-Guarantor subsidiaries would have had approximately €18.4 million of indebtedness outstanding and would have had significant trade payables and other liabilities outstanding.

The agreements governing the Notes and 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—Release of Notes Guarantees"*), including, without limitation:

- 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;
- in connection with any sale or other disposition of the capital stock of the Guarantor to a person that is not (either before or after giving effect to such transaction) the Issuer or one of our restricted subsidiaries in accordance with the applicable provisions of the Indenture;
- if the Issuer designates any restricted subsidiary that is a Guarantor to be an unrestricted subsidiary in accordance with the applicable limitations of the Indenture;
- in accordance with the *"Amendments and Waivers"* provisions of the Indenture.
- in connection with an enforcement action under the Intercreditor Agreement; or
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture.

Our subsidiaries that do not guarantee the Notes will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, non-Guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer or any Guarantor, as a direct or indirect shareholder and the creditors of the Issuer (including the holders of the Notes) and the Guarantors will have no right to proceed against the assets of such subsidiary. As such, the Notes and Notes Guarantees will be structurally subordinated to the creditors (including trade creditors) and any holders of preferred stock of our non-Guarantor subsidiaries.

***There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Notes Guarantees will be released automatically without your consent or the consent of the Trustee, including in respect of pledged Private Sector Contract Receivables which are subsequently sold or transferred pursuant to certain financing transactions or otherwise.***

Under various circumstances, the Notes Guarantees and the Collateral will be released automatically and unconditionally including, without limitation:

- in connection with any sale or other disposition of Collateral, directly or indirectly, to a person that is not (either before or after giving effect to such transaction) the Issuer or any restricted subsidiary (but excluding any transaction subject to the covenant described under *"Description of the Notes—Certain Covenants—Merger, Consolidation or Sale of Assets"*), if the sale or other disposition does not violate the provisions of the Indenture;
- to the extent such Collateral is sold or otherwise disposed of pursuant to an enforcement of the security over such Collateral under the applicable Security Document(s) in accordance with the terms of the Intercreditor Agreement;
- 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 of such restricted subsidiary;

- as described under *"Description of the Notes—Certain Covenants—Liens;"*
- as described under *"Description of the Notes—Amendment, Supplement and Waiver;"*
- in connection with a transaction permitted by the covenant described under *"Description of the Notes—Certain Covenants—Merger, Consolidation or Sale of Assets."*
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions *"Description of the Notes—Legal Defeasance and Covenant Defeasance"* and *"Description of the Notes—Satisfaction and Discharge";* and
- in accordance with the Intercreditor Agreement (as defined under *"Description of the Notes"*).

In addition, Liens on property or assets constituting Collateral may also be released to the extent necessary to enable the Issuer or one of our restricted subsidiaries to consummate the sale, transfer or other disposition of such property or assets, including (but not limited to) in connection with factoring transactions undertaken on a non-recourse (*pro soluto*) basis; provided that such sale, transfer or other disposition does not violate the covenant described in *"Description of the Notes—Repurchase at the Option of Holders—Asset Sales."* To the extent that the underlying Private Sector Contract Receivables or intercompany receivables constituting Collateral have been repaid or otherwise satisfied or discharged, the liens in respect thereof will be released immediately. Accordingly, pledges in respect of Private Sector Contract Receivables securing the Notes and Notes Guarantees (as applicable) may be released in certain circumstances, including in connection with factoring transactions undertaken on a non-recourse (*pro soluto*) basis.

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—Release of the Security Interest."*

***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 and are likely to have their centers 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 Guarantees and Security Interests and Certain Insolvency Law Considerations."*

***The Notes Guarantees are significantly limited by applicable laws and are subject to certain limitations and defenses.***

The Guarantors will guarantee the prompt payment of the Notes as described in *"Description of the Notes—The Notes Guarantees."* The Notes Guarantees provide the holders of the Notes with a direct claim against the relevant Guarantor. However, the obligations of each 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 Subsidiary Guarantor to be deemed insolvent under applicable law or such Notes Guarantee to be deemed void, unenforceable or *ultra vires*, or cause the directors of such Guarantor to be held in breach of applicable corporate or commercial law for providing such Notes Guarantee.

In particular, the Notes Guarantees of Servizi Ospedalieri and MPSS as a consequence of applicable Italian corporate law limitations, will not exceed at any time, an amount equal to the aggregate of: (a) the aggregate amount made available to such Guarantor (or any of its direct or indirect subsidiaries) under the Revolving Credit Facility (whether or not outstanding at that time); and (b) (i) as to Servizi Ospedalieri, 150%, and (ii) as to MPSS, 100%, of in each case the aggregate maximum principal amount of any intercompany loans (or other financial support in any form), including, for the avoidance of doubt, the Proceeds Loans, made available to such Guarantor (or any of its direct or indirect subsidiary) by the Issuer, or any other member of the Group, on or after the Issue Date (whether or not outstanding at that time/whether available or outstanding at that time), 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, if and to the extent applicable, the maximum amount that a Guarantor may be required to pay in respect of the Notes Guarantees under or in connection with the Notes and the other documents related thereto shall not exceed €500 million.

As a result, a Guarantor's liability under its Notes Guarantees 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 Guarantees and Security Interests and Certain Insolvency Law Considerations."*

***Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes Guarantees 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 Guarantees or the Collateral to other claims against any Guarantor if it was determined that any Guarantor:

- granted the Notes Guarantees 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 Guarantees or the Collateral, and, at the time thereof was insolvent or rendered insolvent by reason of granting the Notes Guarantees 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 any Guarantor was solvent after the granting of Notes Guarantees or the Collateral. Regardless of the standard that the court uses, we cannot be sure that the granting of the Notes Guarantees 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. 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 Article 32(8) of Law Decree No. 83 of June 22, 2012 and Italian Legislative Decree No. 239.”

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

The Issuer and the Guarantors are incorporated in Italy. All of the directors and executive officers of the Issuer and the Guarantors are non-residents of the United States. Although the Issuer and the Guarantors have submitted 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—Repurchase at the Option of the Holders—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.

***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 2020. The Banca Popolare di Vicenza Facility (of which €37.9 million was outstanding as of March 31, 2013), the CCFS Facility (of which €18.0 million was outstanding as of March 31, 2013), the MPS Capital Services Facility (of which €25.0 million was outstanding as of March 31, 2013) and the Revolving Credit Facility will mature in 2015, 2016, 2017 and 2016, respectively. 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.***

Recent economic events affecting European economies have raised a number of questions regarding the stability and overall standing of the European Monetary Union. Credit risk in these countries and in other Eurozone countries could have a negative impact on our business. Concerns also remain regarding 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 depository, 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 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 Financial Services LLC ("**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 When Notes Rated Investment Grade."* 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 Guarantors to comply with certain procedures.***

The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. The Issuer is not liable to pay any additional amounts to holders of Notes if any withholding or deduction is required pursuant to Decree No. 239 or pursuant to 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 Guarantors or their agents. Investors resident in such countries or investors that are resident in a country allowing for the satisfactory exchange of information with Italy (as per Article 168-bis, Italian Presidential Decree No. 917 of December 22, 1986) but that do not satisfy the conditions set forth by Italian Legislative Decree No. 239 of April 1, 1996 (as amended or supplemented) will only receive the net proceeds of their investment in the Notes. See *"Description of the Notes—Additional Amounts."*

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where the Notes are listed on a regulated market or multilateral trading facility and a holder of Notes is resident for tax purposes in a white list



country and such holder of Notes 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 Decree No. 239 after the date hereof, including any change in the white list countries.

***No assurance can be given that the Notes will be listed or that, once listed, the listings will be maintained or that such listings will satisfy the listing requirement of Article 32(8) of Law Decree No. 83 of June 22, 2012 and Italian Legislative Decree No. 239.***

No assurance can be given that the Notes will be listed or that, once listed, the listings will be maintained or that such listings will satisfy the listing requirement of Article 32(8) of Law Decree No. 83 of June 22, 2012 and Italian Legislative Decree No. 239 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to deductibility of interest expense and the exemption from the requirement to apply withholding tax. The Italian tax authorities recently issued an interpretive circular relating to, *inter alia*, the listing requirement of the aforementioned legislation. In the event that the Notes are not listed or that such listing requirement is not satisfied, our ability to deduct interest expense related to the Notes could be adversely impacted. In addition, in such circumstances, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax currently at a rate of 20%, and 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. We cannot assure you that the Italian tax authorities will not interpret the applicable legislation to require that the listing be effective at closing and we cannot assure you that the listing can be achieved by the Issue Date. We have also made an application to obtain a secondary listing of the Notes on the ExtraMOT Pro Segment of the Italian Stock Exchange, a multilateral trading facility which is likely to be obtained on the day of the issuance of the Notes, but do not, in any event, believe that the applicable legislation requires the listing of the Notes to be effective at closing to benefit from the provisions relating to deductibility of interest expense and exemption from application of withholding tax. The possible limitation on the deductibility of interest expense and the imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay additional amounts to holders of Notes could have a material adverse effect on our financial condition and results of operations.

# Use of proceeds

## Use of proceeds

We expect the gross proceeds from the Offering of the Notes will be approximately €419.5 million. We expect to pay approximately €17.5 million of fees and expenses, including the Initial Purchasers' commission and the estimated expenses in respect of the Refinancing Transactions, including in respect of the issue price discount.

The net proceeds from the Offering of the Notes will be used to repay certain outstanding indebtedness, and to finance the working capital requirements previously satisfied in part through the sale of our trade receivables. See "*Capitalization*" and "*Description of Certain Other Financing Arrangements*."

## Sources and uses

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, 2013. Actual amounts will vary from estimated amounts depending on several factors, including estimated costs, fees and expenses.

(€ in millions)	Sources of funds	Uses of funds <sup>(1)</sup>
Notes offered hereby <sup>(2)</sup>	€425.0	Repayment of a portion of existing
Cash on balance sheet	€12.9	term loans
		Cash committed to working
		capital <sup>(2)</sup>
		Repayment of hedging derivatives
		Estimated fees and expenses <sup>(4)</sup>
<b>Total sources</b>	<b>€437.9</b>	<b>Total uses</b>
		<b>€437.9</b>

(1) Excludes accrued interest.

(2) €425 million aggregate principal amount of Notes are being issued (at an issue price of 98.713%). The impact of the issue price of 98.713% has been reflected under fees and expenses.

(3) In connection with the Refinancing Transactions, we intend to cease selling trade receivables under our factoring facilities pursuant to which we have historically sold a portion of our trade receivables. We expect that, following the Refinancing Transactions, the Intesa Sanpaolo Factoring Facility will remain outstanding but we do not intend to make sales of trade receivables thereunder in the near term as we intend utilize a portion of the net proceeds of the Notes offered hereby to finance working capital requirements previously satisfied in part through the sale of trade receivables. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Trade receivables*."

(4) Represents certain estimated fees and expenses associated with the Refinancing Transactions including an issue price discount of 1.287%. Actual fees and expenses may vary.

## Capitalization

The following table sets forth total consolidated financial assets and capitalization of the Issuer as of March 31, 2013 on a historical basis and as adjusted to give effect to the Refinancing Transactions as if such events had occurred on March 31, 2013. The historical consolidated financial information has been derived from our unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2013 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 Issuer appearing elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to the Issuer's capitalization since March 31, 2013.

(thousand of €)	As of March 31, 2013	Adjustments	As adjusted for the Refinancing Transactions <sup>(1)</sup> (unaudited)
<b>Cash committed to working capital<sup>(2)</sup></b>	—	148,881	148,881
<b>Cash and cash equivalents</b>	56,585	(12,900)	43,685
<b>Other current financial assets<sup>(3)</sup></b>	11,818	—	11,818
Derivatives	1,186	(1,186)	—
Current bank overdrafts <sup>(4)</sup>	198,508	(198,508)	—
Notes offered hereby <sup>(5)</sup>	—	425,000	425,000
Revolving Credit Facility <sup>(6)</sup>	—	—	—
Due to leasing companies <sup>(7)</sup>	2,248	—	2,248
Term loans (including current portion)	153,685	(71,751)	81,934
<i>of which:</i>			
<i>Roll-over term loans (including current portion):</i>	81,934	—	81,934
CCFS Facility <sup>(8)</sup>	17,988	—	17,988
MPS Capital Services Facility <sup>(9)</sup>	24,972	—	24,972
Banca Popolare di Vicenza Facility <sup>(10)</sup>	37,902	—	37,902
Due from associates and subsidiaries <sup>(11)</sup>	1,072	—	1,072
Other term loans (including current portion) <sup>(12)</sup>	71,751	(71,751)	—
<b>Total interest bearing financial indebtedness</b>	355,627	153,555	509,182
Other financial liabilities	67,415	—	67,415
<b>Total financial liabilities</b>	423,042	153,555	576,597
<b>Total shareholders' equity</b>	323,136	—	323,136
<b>Total capitalization<sup>(13)</sup></b>	746,178	153,555	899,733

(1) We have prepared the information presented in the "as adjusted for the Refinancing Transactions" column for illustrative purposes only. Such information addresses a hypothetical situation and, therefore, does not represent our actual financial position or results. Consequently, such information may not be indicative of our 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.

(2) In connection with the Refinancing Transactions, we intend to cease selling trade receivables under our factoring facilities pursuant to which we have historically sold a portion of our trade receivables. We expect that, following the Refinancing Transactions, the Intesa Sanpaolo Factoring Facility will remain outstanding but we do not intend to make sales of trade receivables thereunder in the near term as we intend utilize a portion of the net proceeds of the Notes offered hereby to finance working capital requirements previously satisfied in part through the sale of trade receivables. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Trade receivables."

(3) Other current financial assets includes short-term loans granted to related parties, pledged current accounts related to the collection service of the receivables transferred without recourse to Intesa Sanpaolo, receivables from joint ventures and escrow amounts paid as part of business contributions.

(4) Current bank overdrafts refers to various short-term financing arrangements that 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.

(5) The amount of Notes offered hereby in the as adjusted column reflects the principal amount of the Notes and not the discounted amount at issue. The gross cash proceeds from the Notes offered hereby are expected to be €419.5 million, reflecting an issue price of 98.713%.

(6) On or about the Issue Date, the Issuer and UniCredit Bank AG, Milan Branch, as agent, intend to enter into the Revolving Credit Facility which provides for up to €30 million in revolving credit, secured by first-ranking security over the same Collateral that will secure the Notes offered hereby and an additional special lien ("*privilegio speciale*"). The Revolving Credit Facility will be undrawn at the Issue Date. See "*Description of Certain Financing Arrangements—The Revolving Credit Facility.*"

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

(8) See "*Description of Certain Financing Arrangements—CCFS Facility.*"

(9) See "*Description of Certain Financing Arrangements—MPS Capital Services Facility.*"

(10) See "*Description of Certain Financing Arrangements—Banca Popolare di Vicenza Facility.*"

(11) See "*Description of Certain Financing Arrangements—Liabilities due from associates and subsidiaries.*"

(12) Other term loans refer to the various term loans which will be repaid with the proceeds of the Notes offered hereby.

(13) Capitalization is defined as the sum of total financial liabilities and total shareholders' equity.

## **Selected historical financial information and other data**

The following tables present selected consolidated financial information and other data as of and for each of the years ended December 31, 2010, 2011 and 2012 and as of and for the three months ended March 31, 2012 and 2013. This selected 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, 2013 has been derived by subtracting from the audited consolidated financial statements of the Issuer for the year ended December 31, 2012 the information from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2012 and adding the information from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2013.

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 our Audited Consolidated Financial Statements and Unaudited Interim Condensed Consolidated 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,		For the 12 months ended March 31,
(thousands of €, except percentages)	2010 (audited)	2011 (audited)	2012 (audited)	2012 (unaudited)	2013 (unaudited)	2013 (unaudited)
Total revenue . . . . .	1,139,091	1,068,753	1,072,629	284,431	284,530	1,072,728
Costs of raw materials and consumables . . . .	(131,497)	(146,558)	(163,168)	(53,309)	(57,891)	(167,750)
Change in inventories of finished and semi-finished products	—	(215)	—	—	—	—
Costs for services and use of third party assets . . . . .	(541,221)	(435,068)	(419,981)	(99,181)	(93,148)	(413,948)
Personnel costs . . . . .	(344,483)	(352,912)	(365,285)	(94,656)	(97,116)	(367,745)
Other operating costs . .	(7,381)	(10,260)	(10,313)	(2,883)	(1,578)	(9,008)
Capitalized internal construction costs . . .	—	—	531	—	568	1,099
Amortization/depreciation, write-downs and write-backs of assets . . . . .	(40,942)	(37,732)	(44,388)	(8,688)	(8,962)	(44,662)
Accrual to provisions for risks and charges . . . .	(26,353)	(18,378)	(10,390)	(1,242)	(1,558)	(10,706)
<b>Total operating costs . .</b>	<b>(1,091,877)</b>	<b>(1,001,123)</b>	<b>(1,012,994)</b>	<b>(259,959)</b>	<b>(259,685)</b>	<b>(1,012,720)</b>
<b>Operating income . . . . .</b>	<b>47,214</b>	<b>67,630</b>	<b>59,635</b>	<b>24,472</b>	<b>24,845</b>	<b>60,008</b>
Share of net profit of associates . . . . .	1,194	1,426	3,251	529	694	3,416
Dividends and net income from sale of investments . . . . .	398	1,348	669	—	239	908
Financial income . . . . .	1,963	2,083	3,280	1,690	300	1,890
Financial expenses . . . . .	(16,434)	(26,620)	(23,700)	(5,589)	(4,781)	(22,892)
Gains/(losses) on exchange rate . . . . .	35	(3)	(4)	(1)	—	(3)
<b>Profit before taxes from continuing operations</b>	<b>34,370</b>	<b>45,864</b>	<b>43,131</b>	<b>21,101</b>	<b>21,297</b>	<b>43,327</b>
Income taxes . . . . .	(26,293)	(33,408)	(9,823)	(11,174)	(10,106)	(8,755)
<b>Profit after taxes from continuing operations</b>	<b>8,077</b>	<b>12,456</b>	<b>33,308</b>	<b>9,927</b>	<b>11,191</b>	<b>34,572</b>
Loss after taxes from discontinued operations . . . . .	(200)	(227)	(6)	(1)	—	(5)
<b>Profit for the period: . .</b>	<b>7,877</b>	<b>12,229</b>	<b>33,302</b>	<b>9,926</b>	<b>11,191</b>	<b>34,567</b>
Attributable to:						
Equity holders of the parent . . . . .	7,743	11,124	32,574	9,813	11,122	33,883
Non-controlling interests . . . . .	134	1,105	728	113	69	684

## Selected consolidated statement of financial position:

(thousands of €)	As of December 31,			As of
	2010 (audited)	2011 (audited)	2012 (audited)	March 31, 2013 (unaudited)
<b>Assets</b>				
Total property, plant and equipment <sup>(i)</sup> . . . . .	68,206	75,368	86,272	85,922
Goodwill . . . . .	391,755	411,995	418,724	418,234
Other intangible assets . . . . .	25,379	26,622	26,919	26,439
Total investment and other non-current financial assets <sup>(ii)</sup> . . . . .	32,784	32,966	42,377	43,378
Other non-current assets . . . . .	1,409	1,772	1,746	1,610
Deferred tax assets . . . . .	19,347	22,965	23,550	23,574
<b>Total non-current assets</b> . . . . .	<b>538,880</b>	<b>571,688</b>	<b>599,588</b>	<b>599,157</b>
Inventories . . . . .	10,052	12,448	11,240	10,955
Trade receivables and advances to suppliers . .	727,815	682,271	655,497	722,715
Current taxes receivables . . . . .	5,300	9,182	24,747	13,165
Other current assets . . . . .	16,668	18,366	23,690	27,388
Total current financial assets <sup>(iii)</sup> . . . . .	8,205	7,786	11,202	11,818
Cash and cash equivalents . . . . .	51,583	42,656	51,987	56,585
<b>Total current assets</b> . . . . .	<b>819,623</b>	<b>772,709</b>	<b>778,363</b>	<b>842,626</b>
Assets classified as held for sale . . . . .	15,939	—	130	130
<b>Total assets</b> . . . . .	<b>1,374,442</b>	<b>1,344,397</b>	<b>1,378,081</b>	<b>1,441,913</b>
<b>Liabilities</b>				
Employee termination indemnity . . . . .	29,537	31,356	31,321	30,439
Provisions for risks and charges, non-current . .	7,669	10,786	11,797	10,051
Total long-term financial liabilities <sup>(iv)</sup> . . . . .	91,752	147,998	120,435	138,869
Deferred tax liabilities . . . . .	13,272	13,237	12,006	12,022
Other non-current liabilities . . . . .	13	14	7	7
<b>Total non-current liabilities</b> . . . . .	<b>142,243</b>	<b>203,391</b>	<b>175,566</b>	<b>191,388</b>
Provisions for risks and charges, current . . . . .	27,491	33,048	29,297	28,485
Trade payables and advance from customer . .	478,139	462,823	441,551	455,506
Income tax payables . . . . .	1,437	6,398	2,922	1,110
Other current liabilities . . . . .	136,511	147,522	148,362	158,053
Bank borrowings and current portion of long- term debt . . . . .	303,128	198,461	268,334	284,173
<b>Total current liabilities</b> . . . . .	<b>946,706</b>	<b>848,252</b>	<b>890,466</b>	<b>927,327</b>
Liabilities directly associated with assets classified as held for sale . . . . .	15,363	—	64	62
<b>Total liabilities</b> . . . . .	<b>1,104,312</b>	<b>1,051,643</b>	<b>1,066,096</b>	<b>1,118,777</b>
Total shareholders' equity . . . . .	270,130	292,754	311,985	323,136
<b>Total equity and liabilities</b> . . . . .	<b>1,374,442</b>	<b>1,344,397</b>	<b>1,378,081</b>	<b>1,441,913</b>

(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."

(iii) "Total current financial assets" as presented herein refers to the sum of "current financial assets "and" derivatives."

(iv) "Total long-term financial liabilities" as presented herein refers to the sum of "long-term financial debt and derivatives."

## Selected consolidated statement of cash flow information:

(thousands of €)	For the year ended December 31,			For the three months ended March 31,		For the 12 months ended March 31,
	2010 (audited)	2011 (audited)	2012 (audited)	2012 (unaudited)	2013 (unaudited)	2013 (unaudited)
Cash flow from/(used in)						
operating activities . . .	16,427	92,598	41,698	(28,508)	(21,689)	48,517
Cash flow used in						
investing activities . . . .	(47,016)	(55,479)	(72,857)	(14,280)	(8,026)	(66,604)
Cash flow from/(used in)						
financing activities . . .	2,370	(46,046)	40,491	98,483	34,313	(23,679)
Change in cash and cash equivalents . . . . .	(28,219)	(8,927)	9,331	55,695	4,598	(41,766)
Cash and cash equivalents at the end of the period . . . . .	51,583	42,656	51,987	98,351	56,585	56,585

## Other financial information:

(thousands of €, except percentages and ratios) (unaudited)	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,
	2010	2011	2012	2012	2013	2013
Cash and cash equivalents . . . .	51,583	42,656	51,987	98,351	56,585	56,585
EBITDA <sup>(1)</sup> . . . . .	114,509	123,740	114,413	34,402	35,365	115,376
EBITDA margin <sup>(2)</sup> . . . . .	10.1%	11.6%	10.7%	12.1%	12.4%	10.8%
Adjusted EBITDA <sup>(1)</sup> . . . . .	108,426	131,692	122,581	35,872	37,545	124,254
Adjusted EBITDA margin <sup>(2)</sup> . . . .	10.4%	12.3%	11.4%	12.6%	13.2%	11.6%
Gross interest bearing financial indebtedness <sup>(3)</sup> . . . . .	(349,793)	(291,102)	(316,836)	—	(355,627)	(355,627)
Net interest bearing financial indebtedness <sup>(3)</sup> . . . . .	(298,210)	(248,446)	(264,849)	—	(299,042)	(299,042)
Net interest expense <sup>(4)</sup> . . . . .	14,471	24,537	20,420	3,889	4,481	21,002
Net working capital <sup>(5)</sup> . . . . .	116,833	72,476	93,108	—	131,137	131,137
Capital expenditures <sup>(6)</sup> . . . . .	36,869	37,755	44,349	—	—	40,727

(1) "EBITDA" is defined as operating income before accrual to the provisions for risks and charges and amortization/depreciation, write-downs and write-backs of assets. "Adjusted EBITDA" is defined as EBITDA as adjusted for certain non-recurring items as described below and "Pro forma Adjusted EBITDA" is defined as Adjusted EBITDA as further adjusted to give effect to the annualization of the PIB Contract, as described below. EBITDA, Adjusted EBITDA and Pro forma Adjusted EBITDA are not measurements of performance under IFRS and you should not consider EBITDA, Adjusted EBITDA and Pro forma Adjusted 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, Adjusted EBITDA and Pro forma Adjusted 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, Adjusted EBITDA and Pro forma Adjusted 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, Adjusted EBITDA and Pro forma Adjusted 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 Adjusted EBITDA to EBITDA and *Pro forma* Adjusted EBITDA to Adjusted EBITDA:

Reconciliation for the years ended December 31, 2010, 2011 and 2012 and three months ended March 31, 2012 and 2013 from operating income to EBITDA and Adjusted EBITDA and as further adjusted for *Pro forma* Adjusted EBITDA:

(thousands of €) (unaudited)	For the year ended December 31,			For the three months ended March 31,		For the 12 months ended March 31,
	2010	2011	2012	2012	2013	2013
Operating income . . . . .	47,214	67,630	59,635	24,472	24,845	60,008
Amortization/depreciation, write-downs and write-backs of assets . . . . .	40,942	37,732	44,388	8,688	8,962	44,662
Accrual to provisions for risks and charges . . . . .	26,353	18,378	10,390	1,242	1,558	10,706
<b>EBITDA . . . . .</b>	<b>114,509</b>	<b>123,740</b>	<b>114,413</b>	<b>34,402</b>	<b>35,365</b>	<b>115,376</b>
Adjustment for Fiat contract <sup>(a)</sup> . . . . .	(10,100)	—	—	—	—	—
Voluntary redundancy and mobility schemes <sup>(b)</sup> . . . . .	1,063	1,897	4,140	980	1,585	4,745
Professional services and advisory fees for extraordinary transactions . . . . .	—	803	19	—	—	19
Mergers and acquisitions expenses and related costs . . . . .	627	1,576	573	72	20	521
Lease agreement break fees <sup>(c)</sup> . . . . .	—	744	529	—	—	529
Earthquake damage costs <sup>(d)</sup> . . . . .	—	—	—	—	240	240
Factoring credit discount <sup>(e)</sup> . . . . .	928	1,399	1,594	418	335	1,511
Dividends from Roma Multiservizi <sup>(f)</sup> . . . . .	1,399	1,533	1,313	—	—	1,313
<b>Adjusted EBITDA . . . . .</b>	<b>108,426</b>	<b>131,692</b>	<b>122,581</b>	<b>35,872</b>	<b>37,545</b>	<b>124,254</b>
Annualization of PIB Contract <sup>(g)</sup> . . . . .	—	—	1,587	—	166	1,356
<b>Pro forma Adjusted EBITDA . . . . .</b>	<b>108,426</b>	<b>131,692</b>	<b>124,168</b>	<b>35,872</b>	<b>37,711</b>	<b>125,610</b>

(a) In November 2010, Fiat S.p.A. terminated its contractual relationship with us. Management estimates that in the year ended December 31, 2010, the contract with Fiat S.p.A. contributed €95.2 million, or 8.4% of our revenue and €10.1 million, or 8.8% of our EBITDA. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting the Comparability of our Results of Operations—The loss of Fiat as a customer."

(b) Voluntary redundancy schemes refers to financial expenses and incentives incurred during 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.

(c) Lease agreement break fees refers to contractual penalties related to the termination of certain leases related to real estate operated by Pirelli RE that was no longer needed following the acquisition and integration of Pirelli RE into the Group.

(d) In May 2012, a 4.8-magnitude earthquake struck central Italy causing minor damage to certain facilities of our Laundering and Sterilization Segment.

(e) Factoring credit discount refers to the difference between the nominal amount of the trade receivables and the sale price thereof sold by the Group on a non-recourse basis pursuant to factoring agreements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Results of Operations—Trade receivables."

(f) Roma Multiservizi is a 45.47%-owned subsidiary that provides facility management services based on the Group's organizational model and its results are consolidated into our financial statements under the equity method. It is controlled by AMA S.p.A., a company controlled by the City of Rome. The Group provides a number of services, including IT services, to Roma Multiservizi and Roma Multiservizi acts as a subcontractor to the Group in certain instances. Historically, Roma Multiservizi has regularly paid dividends.

(g) On December 27, 2012, we invested €8.0 million in the TJA Palazzo della Fonte S.c.p.A. ("PdF"), an entity which manages properties for Banca Etruria S.p.A. and Banca di Anghiari e Stia Credito Cooperativo S.C., two banking groups operating in Central Italy. Following this investment by our Group, PdF entered into a contract with our subsidiary PIB Service S.r.l. (the "PIB Contract") and, subsequently, our subsidiary MPSS assumed PIB Service S.r.l.'s rights under the contract. Pursuant to the PIB Contract, MPSS is paid by PdF for providing facility management and back office outsourcing services to Banca Etruria S.p.A. and Banca di Anghiari e Stia Credito Cooperativo S.C. This is a long-term contract, with an initial duration of 24 years. For the full year 2013, we estimate that the PIB Contract will generate approximately €1.4 million of total EBITDA for our Group, increasing to approximately €1.6 million in 2014. For purposes of calculating *Pro forma* Adjusted EBITDA for the year ended December 31, 2012 and for the twelve months ended March 31, 2013, we annualized the EBITDA we estimate that we will receive pursuant to the PIB Contract starting in 2014 (the first year in which we anticipate the PIB Contract will be fully operative), had such EBITDA begun to accrue on January 1, 2012 and April 1, 2012, respectively. The adjustment for the three months ended March 31, 2013 (equal to €166 thousand) refers to one quarter of the full twelve-month adjustment (equal to €397 thousand), net of the amount that have been recognized as actual EBITDA pursuant to the work performed under the PIB Contract in the first quarter of 2013 (equal to approximately €230 thousand); for the twelve months ended March 31, 2013 the recognized actual EBITDA recorded was also subtracted from the full twelve-month adjustment in the figure for the twelve months ended March 31, 2013. See "Forward-Looking Statments."

(2) "EBITDA margin" is defined as EBITDA divided by total revenue and "Adjusted EBITDA margin" is defined as Adjusted EBITDA divided by total revenue. "*Pro forma* Adjusted EBITDA margin" is defined as *Pro forma* Adjusted EBITDA divided by total revenue except for the year ended December 31, 2010 where "Adjusted EBITDA margin" is defined as Adjusted EBITDA divided by total revenue as adjusted by subtracting the contribution of the Fiat contract (€95.2 million).

(3) "Net interest bearing financial indebtedness" is defined as gross interest bearing financial indebtedness net of cash and cash equivalents. "Pro forma net interest bearing financial indebtedness" is defined as Net interest bearing indebtedness after adjustments to give effect to the Refinancing Transactions. "Gross interest bearing indebtedness" is defined as the sum of: long-term debt, Bank borrowings including current portion of long-term debt and other financial liabilities and derivatives less the sum of the following: collections on behalf of factoring counterparties, loans from parent company, loans from non-controlling shareholders, dividends due to non-controlling shareholders, escrow accounts, debt for the acquisition of non-controlling interests, capital contribution to be paid, financial liabilities measured at fair value through profit and loss and other current financial liabilities. "Pro forma gross interest bearing financial indebtedness" is defined as Gross interest bearing financial indebtedness after adjustments to give effect to the Refinancing Transactions. Net interest bearing financial indebtedness, Pro forma net interest bearing financial indebtedness, Gross interest bearing financial indebtedness and Pro forma gross interest bearing financial indebtedness are not recognized measures 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." See also and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Net financial indebtedness." The following table sets forth a reconciliation of Net interest bearing financial indebtedness and Gross interest bearing financial debt from Long-term financial debt:

(Thousands of €) (unaudited)	As of December 31,			As of March 31,
	2010	2011	2012	2013
<b>Long-term debt</b>	<b>90,192</b>	<b>146,569</b>	<b>119,213</b>	<b>137,683</b>
Loans from non-controlling interests	(1,607)	(1,610)	(1,612)	(1,612)
Escrow accounts <sup>(h)</sup>	—	(1,300)	(1,942)	(1,482)
Debt for the acquisition of non-controlling interests (non-current) <sup>(h)</sup>	(22,203)	(24,059)	(32,400)	(32,637)
<b>Long-term interest bearing indebtedness</b>	<b>66,382</b>	<b>119,600</b>	<b>83,259</b>	<b>101,952</b>
<b>Bank borrowing including current portion of long-term debt, and other financial liabilities</b>	<b>303,128</b>	<b>198,461</b>	<b>268,334</b>	<b>284,173</b>
Collections on behalf of factoring counterparties <sup>(i)</sup>	(6,620)	(21,101)	(31,371)	(22,926)
Other current financial liabilities	(1,792)	(1,978)	(383)	(1,530)
Loans from parent company	(176)	(25)	(66)	(3,003)
Dividends due to non-controlling shareholders	—	(259)	(194)	—
Escrow accounts <sup>(h)</sup>	(1,111)	(4,147)	(500)	(753)
Debt for the acquisition of non-controlling interests (current)	(10,813)	—	(328)	(328)
Capital contribution to be paid	(5)	(5)	(2,197)	(2,197)
Loans from non-controlling shareholders	(622)	(662)	(703)	(696)
Financial liabilities measured at fair value through profit and loss	(138)	(211)	(237)	(251)
<b>Short-term interest bearing indebtedness</b>	<b>281,851</b>	<b>170,073</b>	<b>232,355</b>	<b>252,489</b>
Derivatives	1,560	1,429	1,222	1,186
<b>Gross interest bearing indebtedness</b>	<b>349,793</b>	<b>291,102</b>	<b>316,836</b>	<b>355,627</b>
Cash and cash equivalents	51,583	42,656	51,987	56,585
<b>Net interest bearing indebtedness</b>	<b>298,210</b>	<b>248,446</b>	<b>264,849</b>	<b>299,042</b>

(h) Escrow Accounts and 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."

(i) 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—Non-recourse (pro soluto) Factoring Facilities."

(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 for the year ended March 31, 2013, as if the Refinancing Transactions had occurred on April 1, 2012, based upon the coupon of the Notes. Pro forma net interest expense excludes charges allocated to debt issuance costs, including discounts on the sale of receivables pursuant to factoring programs. 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 Refinancing 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 taxes 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, 2010, 2011 and 2012 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."



## 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: (i) our Audited Consolidated Financial Statements, including the notes thereto, and (ii) our 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. We serve a diverse range of over 1,600 customers, including public sector entities (including healthcare providers) and private sector companies in Italy, our exclusive market. 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 our controlling shareholder. Since our consolidation as an independent Group, we have emerged as a multi-disciplinary provider of facility management services. MSC, our controlling shareholder with a 71.89% interest in our share capital, provides us with stable, long-term support. Our comprehensive multi-service and multi-technical offering covers most of the areas of the facility management and laundering and sterilization markets. 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 approximately 15,000 people, we believe we are currently the undisputed leader in the Italian facility management market.

In 2008, we culminated a period of sustained growth through the acquisition of Pirelli RE, which greatly enhanced our ability to provide integrated facility management to private sector customers. Since such acquisition, we have entered a phase of stable growth with 1.0% CAGR of total revenue from 2009 to 2012 (as adjusted for the loss of the contract with Fiat S.p.A. in 2010), even during a challenging economic period.

In the twelve months ended March 31, 2013, we generated total revenue of €1,072.7 million and Adjusted EBITDA of €124.3 million, corresponding to a 11.6% Adjusted EBITDA margin as percentage of total revenue.

### ***Service offering***

We believe we distinguish ourselves through the breadth of services we regularly provide to our customers and the custom solutions we can devise both for their facility management and laundering and sterilization needs. According to Interconnection Consulting the facility management services can be classified among three broad areas: technical, infrastructural and entrepreneurial. The Group operates across all these three areas, however, as attested by our market shares and revenue, we possess particular strength in technical services as demonstrated by a suite of services within our Facility Management Segment pursuant to which we provide Buildings and plant operations maintenance, Energy and HVAC management, Fire prevention and safety and Elevator systems services. In addition, we have strong capabilities in infrastructural services as demonstrated by our Cleaning and hygiene and Landscaping services within our Facility Management Segment. We also provide certain entrepreneurial services within our Facility Management Segment, including Document management. According to Databank, the laundering and sterilization services can be classified by three categories of clients; healthcare, hotels and restaurants, and community and industrial. The Group focuses exclusively on healthcare customers.

On an organizational level, we classify our services to our customers through three reporting segments: Facility Management Segment which generated 86.3% of total revenue and 71.6% of EBITDA in the year ended December 31, 2012, Laundering and Sterilization Segment which generated 12.5% of total revenue and 28.9% of EBITDA in the year ended December 31, 2012 and Other Segment consisting of non-core activities and assets held for sale which generated 1.4% of total revenue and negative EBITDA of €0.5 million in the year ended December 31, 2012.

In addition to our service offering, we strive to position ourselves as value-added partners to our customers, fostering long-standing relationships as testified by our consistently high retention rate of 93% (average of 2010 to 2012, which for 2011 does not take into account our 2010 revenue derived from the contract with Fiat S.p.A.) and developing industry experience of the public sector, healthcare and certain segments of the private sector such as telecommunications and retail. 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 2011, we have generated essentially all of our revenue in Italy. According to ISTAT, Italy's GDP at constant prices grew at 1.8% and 0.4% in 2010 and 2011, respectively, and contracted by 2.3% in 2012. According to Eurostat, unemployment in Italy rose from approximately 8% in 2010 to approximately 11% by the end of 2012. Despite the challenging macroeconomic conditions, the trend of customers outsourcing their facility management activities (discussed below) 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 substantially stable market in 2012 of both facility management, according to Interconnection Consulting, and laundering and sterilization, according to Databank (See—*"Industry"*);
- according to Cresme, a 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

approximately 50 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;

- more intense negotiations from our clients to obtain more favourable conditions to them when renewing a contract; this, however, did not impact significantly on our Adjusted EBITDA margins, which remained relatively stable from 12.3% in 2011 to 11.4% in 2012;
- an increasing trend of delays in payments from our customers, particularly from our PSE and healthcare customers for years 2010 and 2011, which reversed in 2012; the DSOs of our trade receivables (including trade receivables sold pursuant to our factoring facilities, described below) increased from 234 days as of December 31, 2010, to 266 days as of December 31, 2011, decreased to 253 days as of December 31, 2012 and further improved by decreasing to 241 days as of March 31, 2013; and
- the spending review recently enacted by the Italian government: although its effects remain uncertain, we believe it has, *inter alia*, curtailed demand by PSEs and healthcare customers related to procurement of goods and services (including those provided by the Group) and may lead to further reductions by our customers, particularly in healthcare spending. However we believe this trend will also spur greater aggregation of public tenders which could accrue to our advantage considering our deep knowledge of the healthcare sector and our integrated service offering.

***Increased outsourcing of facility management and laundering and sterilization 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 by PSEs, healthcare and private sector customers grew at rates of 2.5%, 2.0% and 3.1% (for private sector retail customers), respectively, in the year ended December 31, 2012.

The growth in outsourcing has been reflected by our backlog which, for the years ended December 31, 2010, 2011 and 2012 and the three months ended March 31, 2013, has increased steadily from €2,340 million, to €2,707 million, to €2,979 million and to €3,001 million, respectively. Many of the service contracts we have in place with customers include service delivery and other interventions that span several financial years. We therefore use the measurement of backlog as a significant performance indicator for our business. Backlog serves to measure the total euro value of work to be performed in connection with services and projects for which we have signed contracts or in respect of which we have received binding commitments from customers, or other operations within our Group where the related revenues are not eliminated upon consolidation. 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) nor our Other 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 revenues that are not attributable to the Group (for example, contracts held by the special purpose vehicles in which we hold non-controlling interests as well as contracts held by Roma Multiservizi are not included in the backlog, as these revenues are not directly attributable to the Group); and (iii) we include only revenue for services or projects that are 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. See "*Business—Backlog.*"

The healthcare sector remains our primary source of new contracts (representing more than half of all new contracts in each of 2010, 2011 and 2012), but we have also been successful in obtaining new contracts from private customers during this difficult economic period. Private customers accounted for 23% of new contracts in 2012, compared to 13% in 2011 and 27% in 2010. 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 and offering the highest margins, our backlog affords us important medium-term and high-quality revenue visibility.

#### ***Pricing pressures from customers; operational efficiency efforts***

Pricing pressure has increased in recent years from all customers. However, in 2009 we began a reorganization and restructuring of our Facility Management Segment, which increased our operational efficiency and has allowed us to contain our costs. These efforts, together with our size, leading market position and technical expertise (in terms of organization, training and IT systems, among other things) have given us the economies of scale necessary to provide our services to customers at attractive prices, without significantly compromising our revenue generation or Adjusted EBITDA margins, which have remained relatively stable over the three-year period (for the years ended December 31, 2010, 2011 and 2012, respectively, total revenue was equal to €1,139.1 million, €1,068.8 million and €1,072.6 million and our Adjusted EBITDA margin was equal to 9.5%, 12.3% and 11.4%).

#### ***Trade receivables***

The challenging economic and political conditions in Italy in recent years, combined with the general slowdown in bank lending and difficulties in collecting taxes, among other factors, have led to a marked deterioration in prompt payment of trade receivables from our PSE, healthcare and private sector customers. We experienced a deterioration in receiving prompt payment under many contracts with these customers in 2010 and 2011, followed by a slight improvement in 2012 and a further improvement in the first quarter of 2013 due to greater attention on collections and streamlining of internal procedures within the Group. 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 2012 the average payment period for our private customers, PSE customers and healthcare customers was approximately 201 days, 274 days and 288 days, respectively. As of December 31, 2010, 2011 and 2012 and as of March 31, 2013, the average DSOs of our trade receivables (including trade receivables sold pursuant to our factoring facilities) were equal to 234 days, 266 days, 253 days and 241 days, respectively. Total trade receivables (including trade receivables off balance sheet) at such dates were equal to €830.1 million, €885.8 million, €845.9 million and €860.2 million, respectively. We experienced an 8% increase in the amount of trade receivables that are overdue by 91 days from 2011 to 2012, a less significant increase as compared to the 34% rise from 2010 to 2011. Our allowance for doubtful accounts was €33.3 million for the March 31, 2013, representing approximately 3.9% 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 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, 2010, 2011 and 2012 and as of March 31, 2013, total trade receivables outstanding in our factoring facilities (without recourse to the Group) were equal to €141.1 million, €213.1 million, €199.0 million

and €148.9 million, respectively. In addition to supporting our working capital, these factoring facilities effectively lower our DSOs: net of trade receivables sold pursuant to our factoring programs, our DSOs as of December 31, 2010, 2011 and 2012 and as of March 31, 2013 stood at 196 days, 205 days, 196 days and 201 days, respectively. The increase in DSOs in the first quarter 2013 was due to an increase in the total trade receivables, recognized in the statement of financial position, from December 31, 2012 to March 31, 2013 primarily because we conducted fewer sales of trade receivables under our factoring programs.

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.

On April 6, 2013, the Italian government approved Law Decree No. 35/2013 (converted into law by Law No. 64 of June 6, 2013) which, among other things, provides for €40 billion in government funds, for the payment of a portion of debts owned by government entities. The funds allocated for this purpose amount to €40 billion, €20 billion of which is to be spent in 2013 and €20 billion of which is to be spent in 2014. More than three quarters of the funds are allocated to expediting the payment of commercial debts already due at the end of 2012 and the rest mainly to accelerate the reimbursement of tax credits and exempt from taxation the assignment to third parties of government entity receivables for debts prior to December 31, 2012. The funds to be made available under Law Decree No. 35/2013 will be raised on the debt capital markets. Although the total amount is not clear to date, we estimate that part of such funds will be payable to us to settle at least part of the trade receivables owed to us by PSEs and healthcare customers. See *"Summary—Recent Developments—Government Law Decree to Boost Liquidity to Private Sector Contractors."*

#### ***Fewer but larger public tenders***

According to Cresme, the total value of public tenders for facility management in Italy increased by 3.5% from €35.8 billion in 2011 to €37.1 billion in 2012, while over the same period the total number of public tenders decreased by 17.2%, with the result that the average size of individual public tenders has increased. 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 the public administration purchasing clearinghouses of Consip and other regional procurement committees such as Intercenter. While we have historically competed for and since 2006, we have received certain public tenders managed by Consip, our strategy calls for increasing our involvement in such public tenders, especially those that aggregate demand on a multiservice or larger geographic area basis. 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 contest 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. Our win rate, namely the percentage of public tenders in which we participate and prevail, demonstrated improvement for the years ended December 31, 2010, 2011 and 2012, standing at 18%, 24% and 26%, respectively. In response to the increased stakes for each public tender, we have increased the budget for our Technical and Sales department by 22%, from €11.7 million in the year ended December 31, 2010 to €14.3 million in the year ended December 31, 2012, in order to dedicate more resources in carefully studying and preparing our bids.



### ***Stable and growing 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, 2010, 2011 and 2012.

	For the year ended December 31,					
	2010		2011		2012	
Total revenue by customer type (thousands of €, except percentages)	(unaudited)	% of revenue	(unaudited)	% of revenue	(unaudited)	% of revenue
PSEs (excluding healthcare) . . . . .	297,773	26.1%	286,718	26.8%	282,859	26.4%
Healthcare customers <sup>(1)</sup> . . . . .	310,047	27.2%	365,398	34.2%	386,673	36.0%
Private sector customers . . . . .	531,271	46.7%	416,637	39.0%	403,097	37.6%
<b>Total revenue . . . . .</b>	<b>1,139,091</b>	<b>100.0%</b>	<b>1,068,753</b>	<b>100.0%</b>	<b>1,072,629</b>	<b>100.0%</b>

(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 relative decline over the three-year period of our private sector clients as a percentage of revenue is due primarily to the loss of Fiat as a customer at the end of 2010, discussed below. However, the private sector has remained our most significant portion of total revenue in percentage terms, followed by our public healthcare customers and PSEs, each of which are described below.

*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, 2010, 2011 and 2012, the average duration of our PSE contracts was 3.1 years, 3.9 years and 4.8 years, respectively. As discussed elsewhere in this Offering Memorandum, 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 approximately 50 public tender specialists for our Facility Management Segment and our Laundering and Sterilization Segment and we have recently increased the budget of our technical evaluation and preparation of bids office by 22%, from €11.7 million in the year ended December 31, 2010 to €14.3 million in the year ended December 31, 2012. See also "*Risk Factors—Our business could be adversely affected by the central role of Consip S.p.A. 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. For the years ended December 31, 2010, 2011 and 2012, the average duration of our healthcare contracts was 5.2 years, 7.0 years and 7.1 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, 2010, 2011 and 2012, the average duration of our private sector contracts was 1.8 years, 2.5 years and 3.3 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. At the end of 2012, we entered into an arrangement to participate in Palazzo della Fonte S.c.p.A., a TJA that, pursuant to the PIB Contract, handles facility management and back office outsourcing for Banca Etruria S.p.A. and Banca di Anghiari e Stia Credito Cooperativo S.C., two banking groups operating in Central Italy. The PIB Contract has a duration of 24 years (with the potential to renew for a further 6 years). If we are able to offer similar solutions to other private clients, we may be able to extend the average duration of our private sector contracts.

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

### **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 tools 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, 2010, 2011 and 2012, our total labor costs were €344.5 million, €352.9 million and €365.3 million, respectively.

*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, 2010, 2011 and 2012, we spent €168.6 million, €185.7 million and €214.9 million, respectively, in costs for workers employed with these arrangements, equal to approximately 63.2%, 69.0% and 76.5% of total labor costs of the Issuer 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 80% of our temporary workforce are 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 20% of our temporary employees are directly employed by the Issuer and typically work on a part time basis during times of peak activity, including due to seasonal variations. These temporary employees are generally laborers.

The wage costs to the Issuer for leasing MSC employees is comparable to the wage costs of hiring temporary employees directly, except that the Issuer 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, 2010, 2011 and 2012, we spent €36.5 million, €34.5 million and €37.3 million, respectively, on employee leasing (of which €28.5 million, €27.6 million and €29.2 million, respectively, related to employees leased from MSC) representing 3.2%, 3.2% and 3.5% 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, 2010, 2011 and 2012, costs for services and use of third party assets were €541.2 million, €435.1 million and €420.0 million, respectively. Costs for services and use of third party assets decreased by €106.2 million, or 19.6%, from 2010 to 2011 due to a reduction in maintenance costs for servicing of Fiat's assets, which was subcontracted, following the end of our contract with Fiat.

**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, 2010, 2011 and 2012, our productivity ratios were 146%, 153% and 155%, 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 business is subject to seasonal fluctuations. For example, Energy and HVAC management services have higher levels of activity in the winter months, whereas Landscaping services are typically reduced in the winter months and increased in the summer months because of

weather conditions and our Cleaning and hygiene activities are typically increased in the summer months when customers request more deep-cleaning services. If needed, we occasionally hire temporary workers pursuant to short-term contracts.

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 have historically used factoring facilities to transfer trade receivables for cash. See *"Risk Factors—Risks Related to Our Business—An increase in DSOs may negatively affect our working capital and lead us to experience liquidity constraints."*

## **Factors affecting the comparability of our results of operations**

### ***The loss of Fiat as a customer***

In November 2010, Fiat S.p.A. ("Fiat") took the strategic decision to re-insource its facility management services and establish its own captive facility management operator, therefore terminating its contractual relationship with us. We do not believe Fiat's decision was related to the quality of services that we provided. Fiat did not contribute to our financial results for the first three months of 2013, and for the years ended December 31 2012 and 2011, while for the year ended December 31, 2010, we estimate that services rendered to Fiat contributed €95.2 million, or 8.4%, to our total revenue and €10.1 million, or 8.8%, to our EBITDA. Primarily as a result of the loss of Fiat as a customer, our total revenue decreased by €70.3 million, or 6.2%, from €1,139.1 million for the year ended December 31, 2010 to €1,068.8 million for the year ended December 31, 2011. Although our total revenue increased in 2012 by €3.9 million, or 0.4%, to €1,072.6 million, we have not yet reached the level of 2010 total revenue. In addition, as a result of the subsequent restructuring of our assets and investments that we had made or otherwise deployed to service Fiat's assets, we transferred at the end of 2010 certain business branches and personnel in Italy to Fiat's affiliates and we sold our former Polish and French subsidiaries, in connection with which we recorded losses of €0.9 million from sale of investments in the year ended December 31, 2010. Due to the size of our previous contractual relationship with Fiat, the loss of Fiat as a customer has affected the comparability of our results of operations for the years ended December 31, 2010 and 2011 in this *"Management's Discussion and Analysis of Financial Condition and Results of Operations."*

## **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 the AVCP, 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."

IRES (corporate income tax) is currently levied at a theoretical rate of 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. Only 30% of EBITDA is deductible through financial costs.

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 up to 4.82%). Taxable income for IRAP purposes is the net value of production that is fundamentally equal to operating income plus personnel cost less the sum of a fixed amount (€4,600) for each permanent employee and the total amount of social security contribution costs.

Recently, the Italian government initiated tax reforms through the adoption of Law No. 214/2011 of December 22, 2011 with the aim of further reducing the difference between a company's cost for an employee and the net salary received by the same employee. The reforms included (1) an increase in the IRAP tax reduction mechanism by doubling (to €10,000) the deduction for the following categories: (a) permanent female employees; and (b) permanent male employees under 35 years old; and (2) the introduction of a deduction from the IRES tax base of the IRAP tax amount paid on personnel costs. Such deductions for companies conducting a labor-intensive business, with permanently employed staff, significantly reduced the IRAP and IRES liabilities on "Profit before taxes from continuing operations."

Moreover, article 4 of Law Decree 16/2012, converted in Law No. 44/2012 has extended the deductibility of IRAP tax paid on the labor cost to financial years prior to 2012. This allowed taxpayers to claim a refund of the additional tax IRES paid in the 48 months prior to 2012.

## 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.

### Consolidated statement of income

(thousands of €, except percentages)	For the year ended December 31,						For the three months ended March 31,			
	2010		2011		2012		2012		2013	
	(audited)	% of revenue	(audited)	% of revenue	(audited)	% of revenue	(unaudited)	% of revenue	(unaudited)	% of revenue
<b>Total revenue</b>	<b>1,139,091</b>	<b>100.0%</b>	<b>1,068,753</b>	<b>100.0%</b>	<b>1,072,629</b>	<b>100.0%</b>	<b>284,431</b>	<b>100.0%</b>	<b>284,530</b>	<b>100.0%</b>
Costs of raw materials and consumables	(131,497)	(11.5)%	(146,558)	(13.7)%	(163,168)	(15.2)%	(53,309)	(18.8)%	(57,891)	(20.3)%
Change in inventories of finished and semi-finished products	—	—	(215)	—	—	—	—	—	—	—
Costs for services and use of third party assets	(541,221)	(47.5)%	(435,068)	(40.7)%	(419,981)	(39.2)%	(99,181)	(34.9)%	(93,148)	(32.7)%
Personnel costs	(344,483)	(30.2)%	(352,912)	(33.0)%	(365,285)	(34.1)%	(94,656)	(33.3)%	(97,116)	(34.1)%
Other operating costs	(7,381)	(0.6)%	(10,260)	(1.0)%	(10,313)	(1.0)%	(2,883)	(1.0)%	(1,578)	(0.6)%
Capitalized internal construction costs	—	—	—	—	531	—	—	—	568	0.2%
Amortization/depreciation, write-downs and write-backs of assets	(40,942)	(3.6)%	(37,732)	(3.5)%	(44,388)	(4.1)%	(8,688)	(3.1)%	(8,962)	(3.1)%
Accrual to provisions for risks and charges	(26,353)	(2.3)%	(18,378)	(1.7)%	(10,390)	(1.0)%	(1,242)	(0.4)%	(1,558)	(0.5)%
<b>Total operating costs</b>	<b>(1,091,877)</b>	<b>(95.9)%</b>	<b>(1,001,123)</b>	<b>(93.7)%</b>	<b>(1,012,994)</b>	<b>(94.4)%</b>	<b>(259,959)</b>	<b>(91.4)%</b>	<b>(259,685)</b>	<b>(91.3)%</b>
<b>Operating income</b>	<b>47,214</b>	<b>4.1%</b>	<b>67,630</b>	<b>6.3%</b>	<b>59,635</b>	<b>5.6%</b>	<b>24,472</b>	<b>8.6%</b>	<b>24,845</b>	<b>8.7%</b>
Share of net profit of associates	1,194	0.1%	1,426	0.1%	3,251	0.3%	529	0.2%	694	0.2%
Dividends, net income from sale of investments	398	—	1,348	0.1%	669	0.1%	—	—	239	0.1%
Financial income	1,963	0.2%	2,083	0.2%	3,280	0.3%	1,690	0.6%	300	0.1%
Financial expenses	(16,434)	(1.4)%	(26,620)	(2.5)%	(23,700)	(2.2)%	(5,589)	(2.0)%	(4,781)	(1.7)%
Gains/(losses) on exchange rate	35	—	(3)	—	(4)	—	(1)	—	—	—
<b>Profit before taxes from continuing operations</b>	<b>34,370</b>	<b>3.0%</b>	<b>45,864</b>	<b>4.3%</b>	<b>43,131</b>	<b>4.0%</b>	<b>21,101</b>	<b>7.4%</b>	<b>21,297</b>	<b>7.5%</b>
Income taxes	(26,293)	(2.3)%	(33,408)	(3.1)%	(9,823)	(0.9)%	(11,174)	(3.9)%	(10,106)	(3.6)%
<b>Profit after taxes from continuing operations</b>	<b>8,077</b>	<b>0.7%</b>	<b>12,456</b>	<b>1.2%</b>	<b>33,308</b>	<b>3.1%</b>	<b>9,927</b>	<b>3.5%</b>	<b>11,191</b>	<b>3.9%</b>
Losses after tax from discontinued operations	(200)	—	(227)	—	(6)	—	(1)	—	—	—
<b>Net profit for the period</b>	<b>7,877</b>	<b>0.7%</b>	<b>12,229</b>	<b>1.1%</b>	<b>33,302</b>	<b>3.1%</b>	<b>9,926</b>	<b>3.5%</b>	<b>11,191</b>	<b>3.9%</b>
Attributable to:										
Equity holders of the parent	7,743	0.7%	11,124	1.0%	32,574	3.0%	9,813	3.5%	11,122	3.9%
Non-controlling interests	134	—	1,105	0.1%	728	0.1%	113	—	69	—

### Segment reporting

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

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

- Other Segment.

Our Facility Management Segment, as further described under “*Business*,” includes the following activities: Technical maintenance services, Cleaning and hygiene, Energy and HVAC management, Landscaping, Auxiliary services, Property management, Lighting, Fire prevention and safety, Elevator systems and Document management. In the year ended December 31, 2012, our Facility Management Segment generated €925.3 million, or 86.3%, of our total revenue.

Our Laundering and Sterilization Segment, as further described under “*Business*,” includes only such eponymous activities. In the year ended December 31, 2012, our Laundering and Sterilization Segment generated €134.4 million, or 12.5%, of our total revenue.

Our Other Segment, as further described under “*Business*,” includes our Building construction and Project management and energy activities, all of which our management considers as non-core services of the Group. In the year ended December 31, 2012, our Other Segment generated €14.6 million, or 1.4%, of our total revenue.

We do not report a geographical breakdown of our total revenue in our consolidated financial statements, as revenue generated outside of Italy is not, and has not been material for the periods under review. Our total revenue generated outside of Italy, declined from €24.4 million for the year ended December 31, 2010 to €0.4 million for the year ended December 31, 2012, primarily due to the loss of Fiat as a customer. See “—*Factors Affecting the Comparability of our Results of Operations—The loss of Fiat as a customer*” and “—*Principal Factors Affecting our Results of Operations—We have enjoyed a stable and growing customer base.*”

Total Revenue by Segment (thousands of €, except percentages)	For the year ended December 31,						For the three months ended March 31,			
	2010		2011		2012		2012		2013	
	(audited)	% of revenue	(audited)	% of revenue	(audited)	% of revenue	(unaudited)	% of revenue	(unaudited)	% of revenue
Facility Management										
Segment . . . . .	963,581	84.6%	916,081	85.7%	925,330	86.3%	247,949	87.2%	249,722	87.8%
Laundering and Sterilization										
Segment . . . . .	121,511	10.7%	128,013	12.0%	134,352	12.5%	33,041	11.6%	33,829	11.9%
Other Segment . . . . .	57,436	5.0%	27,127	2.5%	14,622	1.4%	3,769	1.3%	1,647	0.6%
Intra-group eliminations . . .	(3,438)	(0.3)%	(2,468)	(0.2)%	(1,675)	(0.2)%	(328)	(0.1)%	(668)	(0.2)%
<b>Total revenue . . . . .</b>	<b>1,139,091</b>	<b>100.0%</b>	<b>1,068,753</b>	<b>100.0%</b>	<b>1,072,629</b>	<b>100.0%</b>	<b>284,431</b>	<b>100.0%</b>	<b>284,530</b>	<b>100.0%</b>

### ***Three months ended March 31, 2013 compared to the three months ended March 31, 2012***

#### ***Total revenue***

Our total revenue was essentially unchanged from €284.4 million for the three months ended March 31, 2012 to €284.5 million for the three months ended March 31, 2013. This was mainly due to a slight increase in revenue from both our Facility Management Segment and Laundering and Sterilization Segment, which was partially offset by reduced revenue from our Other Segment.

Total revenue for our Facility Management Segment increased by €1.8 million, or 0.7%, from €247.9 million for the three months ended March 31, 2012 to €249.7 million for the three months ended March 31, 2013. The slight increase was attributable to organic growth of this segment.

Total revenue for our Laundering and Sterilization Segment increased by €0.8 million, or 2.4%, from €33.0 million for the three months ended March 31, 2012 to €33.8 million for the three months ended March 31, 2013. This was primarily due to the organic growth of our laundering activities.

Total revenue for our Other Segment decreased by €2.1 million, or 56.3%, from €3.8 million for the three months ended March 31, 2012 to €1.7 million for the three months ended March 31, 2013, reflecting the Group's strategic decision to de-emphasize our project management and energy activities and building construction activities following our decision to cease bidding for construction and photovoltaic work due to adverse market conditions and changes in government policies to support photovoltaic energy.

#### *Costs of raw materials and consumables*

Costs of raw materials and consumables increased by €4.6 million, or 8.6%, from €53.3 million for the three months ended March 31, 2012 to €57.9 million for the three months ended March 31, 2013. This was primarily due to increased energy costs and the increased volume of Energy and HVAC management contracts which we performed, requiring larger volumes of fuel, though such contracts generally include pass-through mechanisms with corresponding increases in "Revenues from sales and services."

#### *Costs for services and use of third party assets*

Costs for services and use of third party assets decreased by €6.0 million, or 6.1%, from €99.2 million for the three months ended March 31, 2012 to €93.1 million for the three months ended March 31, 2013. This was primarily due to a change in the mix of revenue sources over the two periods, with an increase in activity levels on Cleaning and hygiene contracts and a relative decrease in activity levels on Technical maintenance services contracts. Because Technical maintenance services contracts involve higher costs for services and use of third party assets (due to our greater use of third party suppliers for this work) this line item decreased over the periods presented.

#### *Personnel costs*

Personnel costs increased by €2.5 million, or 2.6%, from €94.7 million for the three months ended March 31, 2012 to €97.1 million for the three months ended March 31, 2013. This increase was attributable to the increased volume of work performed under Cleaning and hygiene contracts during the three months ended March 31, 2013, where labor costs are the predominant expense.

#### *Financial income*

Financial income decreased by €1.4 million, from €1.7 million for the three months ended March 31, 2012 to €0.3 million for the three months ended March 31, 2013. This was mainly due to non-recurring interest from trade receivables of €0.6 million recognized during the three months ended March 31, 2012 and reduced financial income.

#### *Financial expenses*

Financial expenses decreased by €0.8 million, or 14.5%, from charges of €5.6 million for the three months ended March 31, 2012 to charges of €4.8 million for the three months ended March 31, 2013. This was mainly due to the effects of the decreasing trend of interest rates and the Group's strategy to make use of non-recourse factoring.

#### *Profit before taxes from continuing operations*

Profit before taxes from continuing operations remained substantially stable, from €21.1 million for the three months ended March 31, 2012 to €21.3 million for the three months ended March 31, 2013. With total operating costs substantially unchanged during the periods under review, this was mainly due to lower financial expenses and a non-recurring dividend from an associate company that was wound up during the three months ended March 31, 2013. As a percentage of revenue, our profit before taxes from continuing operations increased by 0.1 percentage points from 7.4% for the three months ended March 31, 2012 to 7.5% for the three months ended March 31, 2013.

#### *Income taxes*

Income taxes decreased by €1.1 million, or 9.6%, from €11.2 million for the three months ended March 31, 2012 to €10.1 million for the three months ended March 31, 2013. This decrease was mainly due to tax reforms introduced to stimulate employment which, since the reporting date of the financial statements for the year ended December 31, 2012, allowed us to partially deduct the IRAP taxes paid on personnel costs by the Group from the base of calculation of IRES.

#### *Net profit for the period*

Net profit for the period increased by €1.3 million, or 12.7%, from €9.9 million for the three months ended March 31, 2012 to €11.2 million for the three months ended March 31, 2013, due to the reasons described above.

### ***Year ended December 31, 2012 compared to the year ended December 31, 2011***

#### *Total revenue*

Our total revenue increased by €3.9 million, or 0.4%, from €1,068.8 million for the year ended December 31, 2011 to €1,072.7 million for the year ended December 31, 2012. This increase was mainly due to the full year contribution of Telepost S.p.A. which was acquired in October 2011 and contributed approximately €9.7 million to our total revenue in 2012, as well as the contribution of elevator systems companies acquired through the subsidiary Mia during 2012 which contributed for €4.0 million in the year. These increases were partially offset by a €12.5 million reduction in total revenue from our Other Segment. We are in the process of de-emphasizing these activities due to the difficult macroeconomic environment, particularly in the photovoltaic and building sectors.

Total revenue for our Facility Management Segment increased by €9.2 million, or 1.0%, from €916.1 million for the year ended December 31, 2011 to €925.3 million for the year ended December 31, 2012. This increase in total revenue was mainly due to acquisitions made in 2012, which contributed €13.7 million to total revenue in the Facility Management Segment in 2012.

Total revenue for our Laundering and Sterilization Segment increased by €6.3 million, or 5.0%, from €128.0 million for the year ended December 31, 2011 to €134.4 million for the year ended December 31, 2012. This increase was mainly due to the growth and development of our activities related to the sterilization of surgical instruments (involving the preparation of sterile instrument sets for use in surgery rooms), which increased their relative contribution to total revenue in 2012 for this segment.

Total revenue for our Other Segment decreased by €12.5 million, or 46.1%, from €27.1 million for the year ended December 31, 2011 to €14.6 million for the year ended December 31, 2012. This decrease was mainly due to the decision to divest the Group's non-core Other Segment, including Maco, our building construction subsidiary and EnergyProject, our project management and photovoltaic energy business. The decision to exit project management and energy activities was made in 2011, while the decision to exit from building construction activities was made in 2012.

#### *Costs of raw materials and consumables*

Costs of raw materials and consumables increased by €16.6 million or 11.3%, from €146.6 million for the year ended December 31, 2011 to €163.2 million for the year ended December 31, 2012. This increase was primarily due to increased costs for consumption of fuels, which increased by €12.1 million or 18.7%, from €64.9 million for the year ended December 31, 2011 to €77.0 million for the year ended December 31, 2012; however, due to pass-through mechanisms in our Energy and HVAC management contracts, we recorded corresponding upward price adjustments as discussed under "*Principal Factors Affecting our Results of Operations—Stable and growing customer base.*" Consumption of fuel and other raw materials are the main components of this line item. For the year ended December 31, 2012, the cost of



fuel fluctuated, with an increase in the first quarter followed by a decline in the second quarter, though the overall trend was of a slight increase in prices as compared to the year ended December 31, 2011. As a percentage of revenue, our costs of raw materials and consumables increased by 1.5 percentage points, from 13.7% for the year ended December 31, 2011 to 15.2% for the year ended December 31, 2012.

#### *Costs for services and use of third party assets*

Costs for services and use of third party assets decreased by €15.1 million, or 3.5%, from €435.1 million for the year ended December 31, 2011 to €420.0 million for the year ended December 31, 2012. Such decrease was mainly due to lower volumes of work performed under Technical maintenance contracts which typically involve higher costs for external services than other activities; during the year ended December 31, 2012, we received proportionally more new contracts for Cleaning and hygiene services than Technical maintenance contracts—whereas the opposite had occurred in 2011. As a percentage of revenue, our costs for services and use of third party assets decreased by 1.5 percentage points from 40.7% for the year ended December 31, 2011 to 39.2% for the year ended December 31, 2012.

#### *Personnel costs*

Personnel costs increased by €12.4 million, or 3.5%, from €352.9 million for the year ended December 31, 2011 to €365.3 million for the year ended December 31, 2012. This increase was primarily the result of greater volumes of new Cleaning and hygiene contracts which required either hiring more personnel or pursuant to Article 4 of CCNL Multiservizi, we received employees transferred from previous cleaning service providers. The increase was also due to increased personnel from acquired companies (Telepost and companies acquired by Mia) as well as internal restructurings and personnel rationalization efforts (including employee termination payments and related incentives). Our use of employee leasing increased by €2.8 million during the year ended December 31, 2012 due to an increase in the number of Group employees applying for MSC membership and an increase 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 1.1 percentage points, from 33.0% for the year ended December 31, 2011 to 34.1% for the year ended December 31, 2012. 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 increased by €6.7 million, or 17.5%, from €37.7 million for the year ended December 31, 2011 to €44.4 million for the year ended December 31, 2012. This increase was primarily related to the increase in write-downs of trade receivables from €4.7 million for the year ended December 31, 2011 to €12.3 million for the year ended December 31, 2012 mainly due to write-downs of €5.1 million from a building construction customer and of €1.0 million related to a customer of our Laundering and Sterilization Segment that entered bankruptcy in 2012, whereas the remainder is due to the deterioration of the financial condition of certain other customers. This increase was partially offset by a write-back of provision amounting to €1.3 million related to the recognition of a positive price adjustment by the vendor of a branch business acquired in 2008 in Sicily.

#### *Accrual to provisions for risks and charges*

Accrual to provisions for risks and charges decreased by €8.0 million, or 43.5%, from €18.4 million for the year ended December 31, 2011 to €10.4 million for the year ended December 31, 2012. This decrease was primarily attributable to accruals in 2011 related to Telepost and EnergyProject restructuring charges, whereas in 2012 the only accrual was related to the restructuring of Maco.

#### *Operating income/(loss)*

Operating income decreased by €8.0 million, or 11.8%, from €67.6 million for the year ended December 31, 2011 to €59.6 million for the year ended December 31, 2012 for the reasons described above. In particular, operating income in our Facility Management Segment decreased by €4.8 million, or 8.5%, from €61.4 million for the year ended December 31, 2011 to €56.6 million for the year ended December 31, 2012. Operating income of our Laundering and Sterilization Segment decreased by €1.5 million, or 11.3%, from €13.3 million for the year ended December 31, 2011 to €11.8 million for the year ended December 31, 2012. Operating loss of our Other Segment increased by €1.6 million, or 23.7%, from €7.1 million for the year ended December 31, 2011 to €8.7 million for the year ended December 31, 2012; these activities are non-core activities for the Group and have been adversely affected by difficult market conditions, specifically we wrote off €5.1 million of trade receivables for the year ended December 31, 2012 due to the bankruptcy of a building construction customer in 2012.

#### *Financial expenses*

Financial expenses decreased by €2.9 million, or 11.0%, from €26.6 million for the year ended December 31, 2011 to €23.7 million for the year ended December 31, 2012. Such decrease was primarily due to: (i) a decrease in factoring activity, with a corresponding decrease of €1.9 million in the interest discount for trade receivables sold and (ii) a decrease in the liability recorded for earn-out and put options (from €1.7 million in 2011 to €1.2 million in 2012) due to variations in the present value of the potential obligations recorded for the non-controlling interests of Gruppo Sicura and certain subsidiaries of Mia as such earn-outs and put options are calculated according to the operating income and net financial position of the relevant companies. See “—Arrangements with Non-controlling Shareholders in our Subsidiaries” for more information.

#### *Profit before taxes from continuing operations*

Profit before taxes from continuing operations decreased by €2.8 million, or 6.0%, from €45.9 million for the year ended December 31, 2011 to €43.1 million for the year ended December 31, 2012. As a percentage of revenue, our profit before taxes from continuing operations remained essentially unchanged.

#### *Income taxes*

Income taxes decreased by €23.6 million from €33.4 million for the year ended December 31, 2011 to €9.8 million for the year ended December 31, 2012. This decrease was primarily due to non-recurring tax credits of €12.4 million due to a refund of the additional IRES tax paid in the 48 months prior to 2012, as provided by Law Decree No. 12/2012 of January 24, 2012, the decrease in IRES of €4.2 million generated by the ability to deduct IRAP expenses on the taxable portion of personnel costs from the IRES base and the decrease in IRAP due to credits received for hiring female employees and male employees under 35 years of age on the basis of permanent employment contracts.

#### *Net profit for the year*

Net profit for the year increased by €21.1 million from €12.2 million in year ended December 31, 2011 to €33.3 million for the year ended December 31, 2012; this increase was primarily attributable to the factors discussed above.

### ***Year ended December 31, 2011 compared to the year ended December 31, 2010***

#### *Total revenue*

Our total revenue decreased by €70.3 million, or 6.2%, from €1,139.1 million for the year ended December 31, 2010 to €1,068.8 million for the year ended December 31, 2011. This decrease in total revenue was mainly due to the loss of Fiat as a customer of our Facility Management Segment, which we estimate had a negative impact of approximately €95.2 million. Fiat made this decision in connection with a significant internal restructuring and

a change in strategy, which resulted in the internalization of the non-core activities at its offices and facilities.

The loss of Fiat was partially compensated by revenue contribution of approximately €12.0 million from companies acquired during 2011 (including the acquisition of Telepost in the last quarter of 2011 and the acquisition of additional equity in our subsidiary Mia (Elevator systems business area)) and by increased business with healthcare customers in both our Facility Management Segment and Laundering and Sterilization Segment.

Total revenue for our Facility Management Segment decreased by €47.5 million, or 4.9%, from €963.6 million for the year ended December 31, 2010 to €916.1 million for the year ended December 31, 2011. This decrease was mainly due to the loss of Fiat as a customer at the end of 2010.

Total revenue for our Laundering and Sterilization Segment increased by €6.5 million, or 5.4%, from €121.5 million for the year ended December 31, 2010 to €128.0 million for the year ended December 31, 2011. This increase was mainly due to organic growth in both Servizi Ospedalieri and AMG S.r.l., the main operating companies of the segment.

Total revenue for our Other Segment decreased by €30.3 million, or 52.8%, from €57.4 million for the year ended December 31, 2010 to €27.1 million for the year ended December 31, 2011. This decrease was mainly due to decreases in project management and energy activities related to photovoltaic installations, which suffered significant reductions over the periods due to the difficult macroeconomic environment combined with reduced government incentives, particularly in the photovoltaic sector.

#### *Costs of raw materials and consumables*

Costs of raw materials and consumables increased by €15.1 million or 11.5%, from €131.5 million for the year ended December 31, 2010 to €146.6 million for the year ended December 31, 2011. Such increase was almost entirely due to increased costs for consumption of fuels related to integrated facility management service delivery and fewer offsets by contributions from TJA partners due to considerably more new contracts acquired during 2011 which did not involve TJAs. Consumption of fuels and other raw materials are the main components of our costs of raw materials and consumables. For the year ended December 31, 2011, the cost of fuels rose dramatically (an increase of 19% for Dubai Fateh crude oil) due to the loss of Libyan supplies early in 2011 related to the political instability and conflict in that country as well as other disruptions in North Africa and market concerns regarding unrest in the Middle East. As a percentage of revenue, our costs of raw materials and consumables increased by 2.2 percentage points, from 11.5% for the year ended December 31, 2010 to 13.7% for the year ended December 31, 2011.

#### *Costs for services and use of third party assets*

Costs for services and use of third party assets decreased by €106.1 million, or 19.6%, from €541.2 million for the year ended December 31, 2010 to €435.1 million for the year ended December 31, 2011. Such decrease was substantially due to a reduction in maintenance costs for servicing of Fiat's assets following the end of our contracts with Fiat and the fact that, in 2011, we incurred lower costs of services in connection with Maco and EnergyProject, which experienced reduced activity levels in 2011.

As a percentage of revenue, our costs for services and use of third party assets decreased by 6.8 percentage points from 47.5% for the year ended December 31, 2010 to 40.7% for the year ended December 31, 2011. This decrease was due to the lower maintenance costs to third parties as a consequence of the loss of Fiat as a customer. See "*Factors Affecting the Comparability of our Results of Operations—The loss of Fiat as a customer.*"

#### *Personnel costs*

Personnel costs increased by €8.4 million, or 2.4%, from €344.5 million for the year ended December 31, 2010 to €352.9 million for the year ended December 31, 2011. This increase was primarily due to increased volumes of Cleaning and hygiene contracts acquired in 2011 (responsible for approximately half of the increase) and a relative decrease in activity levels on Technical maintenance services contracts (because Technical maintenance services contracts involve lower personnel costs and higher costs for services and use of third party asset), as well as increases in wages and social charges required by the new CCNL Multiservizi entered into force in 2011. In addition to increased wages and salaries (which increased to 21% of our revenue in 2011 from 19.1% in 2010), this increase was also due to increased termination benefits, reflecting reductions in our own personnel. As a percentage of revenue, our personnel costs increased by 2.8 percentage points, from 30.2% for the year ended December 31, 2010 to 33.0% for the year ended December 31, 2011.

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

Amortization/depreciation, write-downs and write-backs of assets decreased by €3.2 million, or 7.8%, from €40.9 million for the year ended December 31, 2010 to €37.7 million for the year ended December 31, 2011. This decrease was primarily attributable to a reduction in the write-down of trade receivables from €7.2 million for the year ended December 31, 2010 to €4.6 million for the year ended December 31, 2011. In addition, in the year ended December 31, 2010 we impaired the goodwill related to the Other Segment for €1.9 million.

#### *Accrual to provisions for risks and charges*

Accrual to provisions for risks and charges decreased by €8.0 million, or 30.3%, from €26.4 million for the year ended December 31, 2010 to €18.4 million for the year ended December 31, 2011. This decrease was primarily attributable to accruals for the year ended December 31, 2010 of €16.7 million related to the corporate reorganization of the Issuer and MPSS following the rationalization of the Group's legal structure at the beginning of 2010, whereas the accruals for restructuring in 2011 were lower (€10.2 million) as they were mainly related to the post-acquisition restructuring of Telepost for €7.1 million and to EnergyProject for €3.0 million, following our decision to wind down the business activity carried out by such subsidiary.

As a percentage of revenue, our accrual to provisions for risks and charges, decreased by 0.6 percentage points from 2.3% for the year ended December 31, 2010 to 1.7% for the year ended December 31, 2011.

#### *Operating income/(loss)*

Operating income increased by €20.4 million, or 43.2%, from €47.2 million for the year ended December 31, 2010 to €67.6 million for the year ended December 31, 2011. This increase was primarily attributable to increased operating income from our Facility Management Segment, as partially offset by an operating loss in our Other Segment.

#### *Financial expenses*

Financial expenses increased by €10.2 million from €16.4 million for the year ended December 31, 2010 to €26.6 million for the year ended December 31, 2011. This increase was primarily due to new finance loans arranged during 2011 and the non-recurring financial expense related to the execution of a new factoring facility with Intesa Sanpaolo.

As a percentage of revenue, our financial expenses increased by 1.1 percentage points from 1.4% for the year ended December 31, 2010 to 2.5% for the year ended December 31, 2011.

#### *Profit before taxes from continuing operations*

Profit before taxes from continuing operations increased by €11.5 million, or 33.4%, from €34.4 million for the year ended December 31, 2010 to €45.9 million for the year ended

December 31, 2011. This increase was primarily due to the increase in operating income mentioned above, related to, among other factors, the decrease in the costs for services and use of third party assets. As a percentage of revenue, our profit before taxes from continuing operations increased by 1.3 percentage points from 3.0% for the year ended December 31, 2010 to 4.3% for the year ended December 31, 2011.

#### *Income taxes*

Income taxes increased by €7.1 million, or 27.1%, from €26.3 million for the year ended December 31, 2010 to €33.4 million for the year ended December 31, 2011. This increase was primarily due to an increase in the negative effect of the interaction between IRAP and IRES taxes which effectively levy more taxes at the provincial level on labor-intensive businesses such as ours.

#### *Net profit for the year*

Net profit for the year increased by €4.3 million, or 55.2%, from €7.9 million for the year ended December 31, 2010 to €12.2 million for the year ended December 31, 2011. This increase was mainly due to an increase in operating income mentioned above, as a result of the decrease in the costs for services and use of third party assets.

## **Liquidity and capital resources**

#### *Liquidity before the Refinancing 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;
- 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;
- borrowings under our existing credit facilities; and
- the sale of trade receivables on a non-recourse basis under our factoring facilities.

As of March 31, 2013, our net financial indebtedness amounted to €354.6 million compared to €325.6 million as of December 31, 2012. We define net financial indebtedness as our total bank loans and borrowings, liabilities under finance leases, and other financial debt (including short-term borrowings, long-term borrowings and financial leases but excluding the fair value of financial derivatives) net of cash and cash equivalents and current financial assets. As of March 31, 2013, we had cash and cash equivalents of €56.6 million compared to €52.0 million as of December 31, 2012, and current financial assets of €11.8 million compared to €11.2 million as of December 31, 2012.

On May 20, 2013, we sold €1.1 million in trade receivables pursuant to a non-recourse factoring arrangement with Credemfactor S.p.A.; such factoring arrangement is not expected to reoccur.

#### *The Refinancing Transactions*

We intend to use the net proceeds of the Offering in connection with the Refinancing Transactions, as follows:

- repay existing financial indebtedness; and
- for the near to mid-term, finance the working capital requirements previously satisfied in part through the sale of our trade receivables.



As of the Issue Date, the Revolving Credit Facility will be undrawn.

*Liquidity following the Refinancing Transactions*

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

- a portion of the net proceeds of the Notes offered hereby
- cash generated from our operating activities;
- available drawings under the Revolving Credit Facility, which is expected to be undrawn at the Issue Date; and
- sale of trade receivables on a non-recourse basis through the Intesa Sanpaolo Factoring Facility or other future factoring facilities, if any.

We expect that following the Refinancing Transactions, the Intesa Sanpaolo Factoring Facility will remain outstanding but we do not intend to make sales of trade receivables thereunder in the near term as we intend to utilize a portion of the net proceeds of the Notes offered hereby to finance working capital requirements previously satisfied in part through the sale of trade receivables. Under the Intesa Sanpaolo Factoring Facility the Factor is permitted to cancel its commitments every six months (with the next such opportunity falling in July 2013) and, in any case, the agreement expires in 2017. We expect that non-recourse factoring will, however, 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, 2010, 2011 and 2012 and as of March 31, 2013.

(thousands of €)	As of December 31,			As of March 31,
	2010	2011	2012	2013 (unaudited)
Trade receivables and advances to suppliers . . . . .	727,815	682,271	655,497	722,715
Inventories . . . . .	10,052	12,448	11,240	10,955
Trade payables and advances from customers . . . . .	(478,139)	(462,823)	(441,551)	(455,506)
Other elements of working capital <sup>(1)</sup> . . . . .	(142,895)	(159,420)	(132,078)	(147,027)
<b>Net working capital<sup>(2)</sup> . . . . .</b>	<b>116,883</b>	<b>72,476</b>	<b>93,108</b>	<b>131,137</b>
Outstanding trade receivables sold under factoring facilities . . . . .	141,102	213,115	199,040	148,881
<b>Net working capital adjusted for trade receivables off-balance sheet ("Adjusted net working capital")<sup>(3)</sup> . . . . .</b>	<b>257,935</b>	<b>285,591</b>	<b>292,148</b>	<b>280,018</b>

(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, 2010, 2011 and 2012 and as of March 31, 2013.

(thousands of €)	As of December 31,			As of
	2010 (audited)	2011 (audited)	2012 (audited)	March 31, 2013 (unaudited)
Current tax receivables . . . . .	5,300	9,182	24,747	13,165
Current tax payables . . . . .	(1,437)	(6,398)	(2,922)	(1,110)
Other current assets . . . . .	16,668	18,366	23,690	27,388
Other current liabilities . . . . .	(136,511)	(147,522)	(148,362)	(158,053)
Assets classified as held for sale . . . . .	15,939	—	130	130
Liabilities directly associated with assets classified as held for sale . . . . .	(15,363)	—	(64)	(62)
Provisions for risks and charges, current . . . . .	(27,491)	(33,048)	(29,297)	(28,485)
<b>Other elements of working capital . . . . .</b>	<b>(142,895)</b>	<b>(159,420)</b>	<b>(132,078)</b>	<b>(147,027)</b>

(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 and Other 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 (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 and Other Information—Non-IFRS Financial Measures."*

Adjusted Net working capital decreased by €12.1 million, or 4.2%, from €292.1 million as of December 31, 2012 to €280.0 million as of March 31, 2013. This decrease was due to the combination of several different effects, namely (i) an increase of €67.2 million in trade receivables and advances to suppliers mainly due to a decrease of €50.2 million in the utilization of factoring and an increase due to the typical seasonal variations in our revenues; (ii) an increase of €14.0 million in trade payables and advances from customers consistent with the increase in the cost for services and for the use of third party assets and costs of raw materials and consumables; and (iii) an increase of €14.9 million in the "other elements of working capital" balance consisting of: (a) an increase of €9.7 million in other current liabilities related to accrued vacation due to the effect of seasonality on our business, (b) a net decrease of €9.8 million in current tax receivables and payables related to income taxes, and (c) a decrease of €3.7 million in other current assets related to prepaid expenses and collections received from TJA partners.

Adjusted net working capital increased by €6.6 million, or 2.3%, from €285.6 million as of December 31, 2011 to €292.1 million as of December 31, 2012. This increase was primarily due to a decrease of €21.3 million in trade payables and advances from customers and a decrease of €27.3 million in the "other elements of working capital", partially offset by a decrease of €26.8 million in trade receivables and advances to suppliers. The decrease in trade payables and advances from customers was due to a 10-day reduction in DPOs in the year ended December 31, 2012. In addition, total trade receivables (i.e. including trade receivables sold under factoring facilities) decreased by €40.9 million primarily due to a 13-days improvement in DSOs. The "other elements of working capital" decreased by €27.3 million, mainly due to: (i) an increase of €15.6 million in current tax receivables related to the recognition of a non-recurring tax credit of €12.4 million pursuant to the Law Decree No. 12/2012 of January 24, 2012 (see *"—Explanation of Income Statement Items—Income taxes"*); (ii) an increase of €5.3 million in the other current assets related to prepaid expenses and collections received from TJA partners; and (iii) a decrease of €3.7 million in current provisions for risks and charges as a consequence of higher utilizations and reversals compared to accruals.

Adjusted Net working capital increased by €27.7 million, or 10.7%, from €257.9 million as of December 31, 2010 to €285.6 million as of December 31, 2011. This increase was primarily due to a €45.5 million decrease in trade receivables and advances to suppliers primarily related to the first utilization (in November 2011) of the Intesa Sanpaolo Factoring Facility, partially offset by a 32-day increase in DSOs. The decrease of €15.3 million in trade payables and advances from customers was due to a €16.5 million increase in the net liability from "other elements of working capital" (due to higher other current liabilities from an increase in employee

headcount and related costs as well as value added tax increases), partially offset by the decrease in costs for services and costs of raw materials and consumables.

On April 6, 2013, the Italian government approved Law Decree No. 35/2013 (converted into law by Law n. 64, of June 6, 2013) which, among other things, provides for €40 billion in government funds to settle trade receivables in arrears owed by PSEs and healthcare customers to the companies operating in the private sector for 2013 and 2014. All such funds will be raised on the debt capital market. Approximately €9.3 billion of such funds will be made available for during 2013 and approximately €14.7 billion of such funds will be made available for during 2014. Although it is not yet clear how much of such funds will be paid within the next quarter, management estimates that at least some of such funds would be payable to us to settle at least part of the trade receivables owed to us. See *"Recent Developments—Government Law Decree to Boost Liquidity to Private Sector Contractors."*

### Cash flow

The table below summarizes the cash flow of the Group for the years ended December 31, 2010, 2011 and 2012 and the three months ended March 31, 2012 and 2013.

(thousands of €)	For the year ended December 31,			For the three months ended March 31,	
	2010 (audited)	2011 (audited)	2012 (audited)	2012 (unaudited)	2013 (unaudited)
Cash flow from/(used in) operating activities . . . . .	16,427	92,598	41,698	(28,508)	(21,689)
Cash flow used in investing activities . . . . .	(47,016)	(55,479)	(72,857)	(14,280)	(8,026)
Cash flow from/(used in) financing activities . . . . .	2,370	(46,046)	40,491	98,483	34,313
Change in cash and cash equivalents . . . . .	(28,219)	(8,927)	9,331	55,695	4,598
Cash and cash equivalents at the end of the period . . . . .	51,583	42,656	51,987	98,351	56,585

#### *Cash flow from/(used in) operating activities*

For the three months ended March 31, 2013, cash flow used in operating activities decreased to €21.7 million from €28.5 million for the three months ended March 31, 2012. Such change is due to the combined effect of (i) lower income taxes paid in the period, (ii) an increase in trade payables and advances from customers, (iii) an increase in trade receivables and advances to suppliers, due to the reduction in trade receivables sold under the Crédit Agricole Factoring Facility, and (iv) a reduction in the variation of other current liabilities.

For the year ended December 31, 2012, cash flow from operating activities decreased to €41.7 million from €92.6 million for the year ended December 31, 2011. The decrease in cash flow from operating activities was mainly due to the combined effect of the following: (i) a decrease in cash generated from trade receivables and advances to suppliers, mainly due to the reduction of trade receivables sold pursuant to our factoring facilities, partially offset by 13-day improvement in DSOs, which together had a net negative effect of €40.7 million; (ii) an increase in other current assets due to the recognition of a one-off tax credit of €12.4 million pursuant to the Law Decree No. 12/2012 of January 24, 2012 (see *"—Explanation of Income Statement Items—Income taxes"*), while in the year ended December 31, 2011, the Company received a cash inflow amounting to €6.0 million as indemnity payment from the seller of Pirelli RE facility management activities; and (iii) a lower increase in other current liabilities, primarily related to the collection of other receivables from members of TJAs in which we participate.

For the year ended December 31, 2011 cash flow from operating activities increased to €92.6 million from €16.4 million for the year ended December 31, 2010. This increase was mainly due to the increase in profit before taxes from continuing operations as compared to the previous year and to the change in operating assets and liabilities, generating a positive

cash flow amounting to €25.6 million, whereas for the year ended December 31, 2010 the change in operating assets and liabilities absorbed cash for €55.0 million. This effect was substantially due to an increase in cash flow from trade receivables and advances to suppliers of €132.9 million, primarily related to the first utilization (in November 2011) of the Intesa Sanpaolo Factoring Facility, partially offset by an increase in cash absorbed by trade payables and advances from customers of €58.6 million.

#### *Cash flow used in investing activities*

For the three months ended March 31, 2013, cash flow used in investing activities decreased to €8.0 million from €14.3 million for the three months ended March 31, 2012. The reduction was primarily due to a decrease of €3.9 million in the purchase of property, plant and equipment, which amounted to €9.8 million in the first quarter 2012 compared to €5.9 million in the first quarter 2013.

For the year ended December 31, 2012, cash flow used in investing activities increased to €72.9 million from €55.5 million for the year ended December 31, 2011. The effect was primarily due to (i) an increase of €6.6 million in capital expenditures mainly related to the purchase of property, plant and equipment for the start-up of new industrial laundering services, (ii) the acquisition of several non-controlling interests in Group companies, such as Lenzi S.p.A., and (iii) the payment of the purchase price for the acquisition of controlling interests in certain local companies operating in the facility management sector.

For the year ended December 31, 2011, cash flow used in investing activities increased to €54.5 million from €47.0 million for the year ended December 31, 2010. The variation was primarily due to the price paid for the acquisition of a 49% interest in Lenzi S.p.A., a company operating in elevator system business, which was partially offset by collection of the sale price from the disposal of the business units servicing the Fiat contract.

For a reconciliation of total capital expenditures to cash flow used in investment activities for the years ended December 31, 2010, 2011 and 2012, see footnote 3 to the table presented under “—Capital Expenditures.”

#### *Cash flow from/(used in) financing activities*

For the three months ended March 31, 2013, cash flow from financing activities decreased to €34.3 million from €98.5 million for the three months ended March 31, 2012. The reduction was primarily due to the lower proceeds from short-term loans in the three months period ended March 31, 2013, compared to the corresponding period of the previous year in which the Group increased its borrowings under short term loans as part of a plan to reduce the amount of trade receivables sold under the Crédit Agricole Factoring Facility.

For the year ended December 31, 2012, financing activities generated cash flow for €40.5 million, whereas for the year ended December 31, 2011 financing activities absorbed cash flow of €46.0 million. The variation was mainly due to short-term loans obtained in the year ended December 31, 2012 compared to the previous year in which the Group reimbursed several bank facilities.

For the year ended December 31, 2011, financing activities absorbed cash for €46.0 million whereas financing activities generated cash flow of €2.4 million for the year ended December 31, 2010. This change was mainly due to the reimbursement of several bank facilities using the proceeds from the first sale of receivables under the Intesa Sanpaolo Factoring Facility which occurred in 2011.

### Net financial indebtedness

The table below sets forth our net financial indebtedness as of December 31, 2010, 2011 and 2012 and as of March 31, 2013.

(thousands of €)	As of December 31,			As of March 31,
	2010 (audited)	2011 (audited)	2012 (audited)	2013 (unaudited)
Long-term financial debt . . . . .	(90,192)	(146,569)	(119,213)	(137,683)
Bank borrowings, including current portion of long-term debt and other financial liabilities . . . .	(303,128)	(198,461)	(268,334)	(284,173)
<b>Financial liabilities . . . . .</b>	<b>(393,320)</b>	<b>(345,030)</b>	<b>(387,547)</b>	<b>(421,856)</b>
Derivatives . . . . .	(1,560)	(1,429)	(1,222)	(1,186)
<b>Gross financial indebtedness . . . . .</b>	<b>(394,880)</b>	<b>(346,459)</b>	<b>(388,769)</b>	<b>(423,042)</b>
Cash and cash equivalents . . . . .	51,583	42,656	51,987	56,585
Derivatives . . . . .	250	35	—	—
Current financial assets <sup>(1)</sup> . . . . .	7,955	7,751	11,202	11,818
<b>Net financial indebtedness<sup>(2)</sup> . . . . .</b>	<b>(335,092)</b>	<b>(296,017)</b>	<b>(325,580)</b>	<b>(354,639)</b>

(1) "Current financial assets" include short-term loans granted to related parties, pledged current accounts related to the collection service of the receivables transferred without recourse to Intesa Sanpaolo, receivables from joint ventures and escrow amounts paid as part of business combinations.

(2) "Net financial indebtedness" is defined as the sum of current long term debt, bank borrowings, including current portion of long-term debt and other financial liabilities, liabilities for derivatives net of cash and cash equivalents, positive portion of derivatives and current financial assets. Net financial indebtedness shows the remaining portion of such liabilities if it were to be partially repaid using all available liquidity cash and cash equivalents and current financial payables. Net financial indebtedness is defined by CONSOB Communication no. DEM/6064293 of July 28, 2006. Net financial indebtedness 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 and Other Information—Non-IFRS Financial Measures."

As of March 31, 2013, after adjustments to give effect to the Refinancing Transactions, our net financial indebtedness would have been €521.1 million compared to €325.6 million as of December 31, 2012.

Net financial indebtedness increased by €29.0 million, or 8.9%, from €325.6 million as of December 31, 2012 to €354.6 million as of March 31, 2013. This was primarily due to the combined effects of: (i) an increase of €18.5 million in long-term debt due to the subscription of a new long-term loan; (ii) an increase of €15.9 million in bank borrowings, current portion of long-term debt and other financial liabilities related to several new short-term bank borrowings entered into for the purposes of meeting our cash requirements following an increase in net working capital and a decrease the use of our factoring facilities; and (iii) an increase of €4.6 million in cash and cash equivalents.

Net financial indebtedness increased by €29.6 million, or 10.0%, from €296.0 million as of December 31, 2011 to €325.6 million as of December 31, 2012. This was primarily due to the combined effects of: (i) a decrease in long-term debt of €27.4 million due to a repayment of €57 million to BNP Paribas, partially offset by the signing of several new long-term loans; (ii) an increase of €69.9 million in bank borrowings, current portion of long-term debt and other financial liabilities; and (iii) an increase of €9.3 million in cash and cash equivalents.

Net financial indebtedness decreased by €39.1 million, or 11.7%, from €335.1 million as of December 31, 2010 to €296.0 million as of December 31, 2011. This was primarily due the combined effect of: (i) an increase in long-term debt of €56.4 million due to the signing of three new long-term loans; (ii) a decrease in bank borrowings, current portion of long-term debt and other financial liabilities of €104.7 million related to the repayment of several short-term bank loans with cash generated from the sales of trade receivables under the Intesa Sanpaolo Factoring Facility and from the new long-term loan mentioned above; and (iii) a decrease of €8.9 million in cash and cash equivalents.



## Contractual obligations and commitments

As of March 31, 2013, after adjustments to give effect to the Refinancing Transactions, our Total financial liabilities amounted to €576.6 million and consisted mainly of the Notes, our Existing Bank Debt and the Revolving Credit Facility (undrawn as of such date). The following table summarizes our total contractual obligations and commitments as of March 31, 2013, giving effect to the Refinancing 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	2014	2015	2016	2017	2018	2019	2020	After 2020	Total
Notes offered hereby . . . . .	—	—	—	—	—	—	—	425.0	—	425.0
Revolving Credit Facility . . . . .	—	—	—	—	—	—	—	—	—	—
Existing Bank Debt . . . . .	17.5	17.8	18.1	23.1	5.1	—	—	—	0.3	81.9
Put options granted to non-controlling interests in connection with business combinations <sup>(1)</sup> . . . . .	—	—	8.0	—	8.9	3.5	—	—	—	20.4
Earn-outs granted to non-controlling interests in connection with business combinations <sup>(1)</sup> . . . . .	0.3	12.3	—	—	—	—	—	—	—	12.6
Escrow agreements <sup>(2)</sup> . . . . .	—	—	0.5	—	1.0	—	—	—	—	1.5
Capital contribution to be paid <sup>(3)</sup> . . . . .	2.2	—	—	—	—	—	—	—	—	2.2
Operating leases <sup>(4)</sup> . . . . .	25.1	—	—	—	—	—	—	—	—	25.1
<b>Total . . . . .</b>	<b>45.1</b>	<b>30.1</b>	<b>26.6</b>	<b>23.1</b>	<b>15.0</b>	<b>3.5</b>	<b>—</b>	<b>425.0</b>	<b>0.3</b>	<b>568.7</b>

(1) Described below in “—Arrangements with Non-Controlling Shareholders in our Subsidiaries.”

(2) Refers to the portion of the purchase price to be paid for the acquisitions of Lenzi S.p.A. (€ 0.5 million in 2015 and €0.5 million in 2017) and EP Servizi S.r.l. (€0.5 in 2017), two subsidiaries of Mia.

(3) Refers to an investment that will be made in Synchron Nuovo San Gerardo S.p.A., a special purpose company for a project-financing to construct the San Gerardo hospital in Monza, Italy. The company is 26,16% owned by the Issuer, 9.62% by Maco and 0.04% by Servizi Ospedalieri.

(4) Includes amounts paid in 2012 for leased property (€14.5 million), for royalties (€0.3 million), for 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, 2013, the Group’s total obligations in respect of employee termination indemnity amounted to €30.4 million. Employee termination indemnity as of December 31, 2012 are described in Note 16 to the audited consolidated financial statements as of and for the year ended December 31, 2012 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, 2013.

(thousands of €)	within 1 year	from 1 to 5 years	after five years	Total
Issuer . . . . .	137.6	105.8	—	243.4
Servizi Ospedalieri . . . . .	619.1	1,220.4	3.9	1,843.4
Gruppo Sicura . . . . .	40.3	101.9	18.9	161.1
<b>Total leasing fees . . . . .</b>	<b>797.0</b>	<b>1,428.1</b>	<b>22.8</b>	<b>2,247.9</b>

## 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, 2010, 2011 and 2012 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, 2010, 2011 and 2012.

(thousands of €)	For the year ended December 31,		
	2010	2011	2012
Purchase of properties <sup>(1)</sup>	34	—	4,022
Purchase of plant and equipment <sup>(1)(2)</sup>	27,836	27,528	31,790
Plant and equipment under financial lease	79	2,475	—
Other intangible assets	8,920	7,752	8,537
<b>Total capital expenditures<sup>(3)</sup></b>	<b>36,869</b>	<b>37,755</b>	<b>44,349</b>

(1) For the year ended December 31, 2012, €4.0 million of purchase of properties and €4.6 million of purchase of plant and equipment related to the construction works carried out at our sterilization plants of Lucca and Teramo.

(2) For the years ended December 31, 2010, 2011 and 2012, €14.1 million, €15.0 and €17.5 million related to linen purchased by our Laundering and Sterilization Segment.

(3) The following table presents a reconciliation between total capital expenditures and cash used in investing activities for the years ended December 31, 2010, 2011 and 2012:

(thousands of €)	For the year ended December 31,		
	2010	2011	2012
<b>Total capital expenditures</b>	<b>36,869</b>	<b>37,755</b>	<b>44,349</b>
Disposals of property, plant and equipment, other intangible assets and assets classified as held for sale	(984)	(688)	(1,020)
Additions from business combinations	3,954	27,978	8,457
Acquisition of investments accounted for under the equity method and other investments	1,730	1,637	21,020
Investments/(disinvestments) in non-current financial assets	5,208	(11,636)	110
Other	239	433	(59)
<b>Cash used in investing activities</b>	<b>47,016</b>	<b>55,479</b>	<b>72,857</b>

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 acquisitions of investments accounted for under the equity method and other investments; and (iii) the investments (disinvestments) in non-current financial assets. During each of the years ended December 31, 2010, 2011 and 2012, the acquisition of investments accounted for under the equity method and the investments in financial assets mainly relate to investments in BOT for the purpose of participating in certain facility management contracts, while the additions from business combinations are primarily related to the development of our elevator system business (operated by our subsidiary Mia), including the acquisition of a 60% interest in Lenzi S.p.A. (which occurred between 2011 and 2012), and the acquisition of Telepost (which occurred in 2011). Furthermore, in 2012, through our fully owned subsidiary PIB S.r.l., we acquired, for a total amount of €8.0 million, a 33% interest in the TJA Palazzo della Fonte S.c.p.a. ("PdF"), that has allowed us to obtain a 24-year contract (renewable for an additional six years) for facility management and back office services to Italian banks. See "Selected historical financial information and other data."

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 €25.3 million, €26.7 million and €33.3 million of capital expenditures for the years ended December 31, 2010, 2011 and 2012, respectively. Other capital expenditures during the periods under review consisted of costs related to upgrading the Group's information system.

We expect our capital expenditures for the year ended December 31, 2013 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 June 7, 2013, the Group (excluding associates and investments in project companies) had performance bonds outstanding in the aggregate amount of €225.1 million. While we have not in the past been subject to claims under performance bonds, these bonds and penalties present an on-going potential for substantial cash out-flows. See Note 34 of the Audited Consolidated Financial Statements as of and for the year ended December 31, 2012 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 due to our failure to perform our obligations, counterparties may raise claims under 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, 2010, December 31, 2011, December 31, 2012 and March 31, 2013 in the amount of €0.1 million, €0.2 million, €0.2 million and €0.3 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 between 2013 to 2016 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. These arrangements mainly relate to Gruppo Sicura and Lenzi S.p.A., a subsidiary of Mia, as well as other subsidiaries of Mia. See Note 19 of the Audited Consolidated Financial Statements as of and for the year ended December 31, 2012 for a more detailed description of these arrangements. Similarly, the contracts for the purchase of certain majority interests of subsidiaries contain provisions for the recognition to the sellers (current non-controlling shareholders) of an earn-out when given conditions are met on a certain future date. Management estimates that the potential liability with respect to the put options and the earn-outs amounts to €20.3 million (payable in 2017) and €12.6 million (€0.3 million payable in less than one year, €12.3 million payable in 2014), respectively.

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, 2013
Gruppo Sicura	20%	Earn-out	€8.0 million
		Put and call	€12.1 million
Lenzi S.p.A.	40%	Put and call	€8.0 million <sup>(1)</sup>
Cofam S.r.l.	40%	Put and call	€3.5 million
Unilift S.r.l.	21.46%	Earn-out	€0.2 million
		Put and call	€0.9 million
S.I.E. S.r.l.	—	Earn-out	€37 thousand
Mind S.r.l.	—	Earn-out	€0.3 million
Nettuno Ascensori S.r.l.	25%	Put and call	€1.0 million (put) <sup>(2)</sup>
			€0.2 million (call) <sup>(2)</sup>
E.P. Servizi S.r.l.	30%	Put and call	€0.6 million <sup>(2)</sup>

(1) On July 24, 2013, Mia purchased the 40% non-controlling interest in Lenzi S.p.A. See “Summary—Recent Developments.”

(2) Since the exercise of the put option is within the discretion of Mia, IFRS 3 does not require a valuation of the put option; however, Mia’s management has made fair value estimates for both Nettuno and EP Servizi put and call options as of March 31, 2013.

## Qualitative and quantitative disclosure of market risk

### Interest rate risk

Certain Group indebtedness contains floating interest rates. A change in interest rates affects the fair value of floating rate financial assets and liabilities and may impact on our future results. As of March 31, 2013, all of our financial liabilities (without considering fluctuations in the fair value of derivatives) bore interest at floating or indexed rates. Following the Refinancing Transactions, the Revolving Credit Facility and the Existing Bank Debt will all bear floating interest rates indexed to EURIBOR. We do not presently intend to implement hedging in respect of 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, the tendency of such customers to promptly pay their trade receivables has deteriorated in recent years as discussed elsewhere in this Offering Memorandum under “—Principal Factors Affecting our Results of Operations—Trade Receivables” and “Risk Factors.” We make provisions for bad trade receivables, although, we believe due to the high quality of our trade receivables portfolio, such provisions were 2.1%, 2.3% and 3.1%, respectively, of total revenue for the years ended December 31, 2010, 2011 and 2012. In addition, our historical default rate (defined as write-downs over total revenue) has been low, at 0.3%, 0.2% and 0.4%, respectively, for the years ended December 31, 2010, 2011 and 2012. 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 checking accounts, short-term certificates of deposit, finance leases and medium-term financing. 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 (such as the Existing Bank Debt) as well as factoring facilities. On or about the Issue Date, we will enter into the Revolving Credit Facility which will provide up to €30 million of revolving credit (which will be undrawn on the Issue Date). See *"Description of Certain Financing Arrangements—The Revolving Credit Facility."*

We expect that following the Refinancing Transactions, the Intesa Sanpaolo Factoring Facility will remain outstanding but we do not intend to make sales of trade receivables thereunder in the near term as we intend to utilize a portion of the net proceeds of the Notes offered hereby to finance working capital requirements previously satisfied in part through the sale of trade receivables. The ISP Factor is permitted to cancel its commitments under the Intesa Sanpaolo Factoring Facility every six months (with the next such opportunity falling in July 2013) and, in any case, the agreement expires in 2017. We expect that non-recourse factoring will, however, 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 and net financial indebtedness. See *"—Net financial indebtedness"* for a definition of net financial indebtedness. 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, 2010, 2011 and 2012, the carrying amount of the Group’s goodwill was equal to €391.8 million, €412.0 million and €418.7 million, respectively.

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 two 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.

#### *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.

# 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, the Trustee or any of the Agents 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 refers 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.

*Public spending rationalization.* PSEs and healthcare customers seek new ways to save costs and increase efficiency due to, among other factors, their limited budgets as a result of austerity measures. We believe this is generating a positive trend for outsourcing their facility management and laundering and sterilization activities to professional operators.

*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.

*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-to-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 may increase customers interest in outsourcing the relevant activities to specialized operators.

*Multiservice 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.

*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 131.4 in 2001 to 144.5 in 2011 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.

## **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, €26.1 billion and €26.3 billion in 2010, 2011 and 2012E, respectively, whereas the entire Italian facility management sector was estimated at €77.9 billion, €79.2 billion and €78.8 billion in 2010, 2011 and 2012E, respectively. The already outsourced portion of the Italian facility management sector, therefore, grew at a CAGR of 1.3% between 2010 and 2012E despite stagnant and



negative GDP growth in such years 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 “*Business—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,					share of 2012 market
	2010	% growth	2011	% growth	2012E	
<b>Total facility management sector</b> . . . . .	<b>77,901</b>	<b>1.6%</b>	<b>79,186</b>	<b>(0.5)%</b>	<b>78,790</b>	<b>100.0%</b>
Still insourced . . . . .	52,271	1.6%	53,082	(1.1)%	52,505	66.6%
Already outsourced . . . . .	25,629	1.9%	26,104	0.7%	26,286	33.4%
<i>Industry</i> . . . . .	7,484	0.1%	7,492	0.3%	7,518	9.5%
<i>Commercial</i> . . . . .	5,049	2.4%	5,169	(0.3)%	5,152	6.5%
<i>Government &amp; Education</i> . . . . .	4,306	2.5%	4,412	2.5%	4,521	5.7%
<i>Healthcare</i> . . . . .	3,768	3.2%	3,890	2.0%	3,969	5.0%
<i>Retail</i> . . . . .	1,025	(4.4)%	1,070	3.1%	1,104	1.4%
<i>Transport</i> . . . . .	2,896	9.7%	2,924	(1.1)%	2,891	3.7%
<i>Sports and Entertainment</i> . . . . .	871	2.0%	888	3.7%	920	1.2%
<i>Other</i> . . . . .	231	13.0%	261	(19.4)%	210	0.3%

Extrapolating from the data from Interconnection Consulting, although the size of the entire facility management sector contracted slightly in 2012E, the already outsourced portion of the facility management grew at a CAGR of 1.3% between 2010 and 2012. Moreover, the fastest growing segments within the market in 2012E were government and education, healthcare sports and entertainment and retail, all of which were more than double the rate of growth of the already outsourced facility management sector at large.

The table below sets forth the service types 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,					share of 2012 market
	2010	% growth	2011	% growth	2012E	
<b>Total already outsourced facility management sector</b>	<b>25,629</b>	<b>1.9%</b>	<b>26,104</b>	<b>0.7%</b>	<b>26,286</b>	<b>33.4%</b>
<i>Technical services</i>	10,713	0.9%	10,807	0.7%	10,882	13.8%
<i>Infrastructural services</i>	13,507	2.6%	13,861	0.5%	13,931	17.7%
<i>Entrepreneurial services</i>	1,384	3.7%	1,436	0.8%	1,472	1.8%

While growth slowed in 2012E due to macro-economic factors, 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.

*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 €27.8 billion in 2015, with a CAGR between 2011 and 2015 of 1.4%, double the expected CAGR of 0.7% for the entire facility management sector over the same period.

Among the segments which are expected to grow with the highest CAGR between 2011 and 2015 there are: retail with a CAGR of 2.8%, healthcare with a CAGR of 2.5% and government and education with a CAGR of 1.8%. 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 1.5% from 2011 to 2015, whereas infrastructure services will grow with a CAGR of 1.6% and entrepreneurial services will grow with a CAGR of 1.1%.

**Overview of laundering and sterilization**

The Group provides laundering and sterilization services in Italy with a focus on the healthcare segment. Databank estimates the market value of the already outsourced laundering and sterilization sector was €1.5 billion, €1.6 billion and €1.6 billion in 2010, 2011 and 2012, respectively (Databank does not compile information regarding the still insourced portion of the market).

Databank categorizes the already outsourced laundering and sterilization market by customers served, namely healthcare, hotels and restaurants and community and industrial. The Group's Laundering and Sterilization Segment focuses on the healthcare category of customers, which Databank indicates as possessing favorable characteristics such as demand for multiservice offering and long-term contracts and which constituted 50.2% of the total already outsourced market in 2012. The table below sets forth the service types of the already outsourced Italian

laundrying and sterilization market according to Databank and their respective rates of growth and market share for the periods indicated.

(millions of €, except percentages)	For the year ended December 31,					share of 2012 market
	2010	% growth	2011	% growth	2012	
<b>Total already outsourced laundrying and sterilization market</b> . . . . .	<b>1,539.5</b>	<b>2.0%</b>	<b>1,570.0</b>	<b>(1.1)%</b>	<b>1,553.0</b>	<b>100.0%</b>
<i>Healthcare</i> . . . . .	764.5	2.4%	783.0	(0.5)%	779.0	50.2%
<i>Hotels and restaurants</i> . . . . .	574.0	1.4%	582.0	(2.7)%	566.0	36.4%
<i>Community and Industrial</i> <sup>(1)</sup> . . . . .	201.0	2.0%	205.0	1.5%	208.0	13.4%

(1) Includes industrial, commercial, services, schools, military, social and religion customers.

According to Databank, the value of the healthcare segment of the Italian laundrying and sterilization market grew at a CAGR of 0.9% from 2010 to 2012, from €764.5 million to €779.0 million, respectively. Despite the spending review in 2011, discussed in more details elsewhere in this Offering Memorandum, the healthcare segment of the Italian laundrying and sterilization market contracted by only 0.5% from 2011 to 2012, whereas the spending review mandated a 5% reduction in healthcare spending in 2012. According to the Italian Ministry of Health statistics as analyzed by Databank, the average number of days of convalescence (hospital stays) have slightly increased from 6.74 days in 2010 to 6.81 days in 2011 in Italy on an aggregate basis. We believe this information concerning stable market size and increased number of days of convalescence indicate that laundrying and sterilization services are mission critical for public healthcare providers and 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.

The table below sets forth the service breakdown of the healthcare segments of the Italian laundrying and sterilization market according to Databank and their respective rates of growth and market share for the periods indicated. While we believe the already outsourced healthcare segment of the laundrying and sterilization market was stable during the period from 2010 to 2012, with a slight decrease in 2012, the subsegment of sterilization of surgical instruments reported consisted growth, with a CAGR of 5.4%.

(millions of €, except percentages)	For the year ended December 31,					share of 2012 healthcare segment
	2010	% growth	2011	% growth	2012	
<b>Total already outsourced healthcare segment of the laundrying and sterilization market</b> . . . . .	<b>764.5</b>	<b>2.4%</b>	<b>783.0</b>	<b>(0.5)%</b>	<b>779.0</b>	<b>100.0%</b>
<i>Laundrying</i> . . . . .	624.0	1.3%	632.0	(1.7)%	621.0	79.7%
<i>Sterilization (of surgical fabrics and linens)</i> . . . . .	84.5	1.1%	85.4	1.6%	86.8	11.1%
<i>Sterilization of surgical instruments</i> . . . . .	56.0	17.1%	65.6	8.5%	71.2	9.1%

Databank reports that in Emilia Romagna, Veneto, Toscana and Sicilia, regions of Italy where Servizi Ospedalieri collectively maintains 14 facilities that provide laundrying and/or sterilization services, the levels of public healthcare spending reported from 2008 to 2011 grew at 2.3%, 2.2%, 2.2% and 1.8%, respectively, all outpacing Italian national healthcare spending growth which during the same period grew at 1.7%. In addition, the Italian regions of Lazio, Calabria, Molise, Abruzzo, Puglia and Campania where the remainder of Servizi Ospedalieri's facilities are located, recorded slight increases or stable public healthcare spending from 2008 to 2011 at 0.6%, 0.5%, 0.4%, 0.0%, 0.0% and (0.1)%, respectively. See "Business—Real Estate and

*Equipment—Real Estate” for more information concerning the location and type of services provided at Servizi Ospedalieri’s facilities.*

*Projected growth of the healthcare segment of the laundering and sterilization market in Italy*

Databank estimates that the healthcare segment of the Italian laundering market is expected to remain stable through 2014, when it is projected to reach €784.0 million, constituting growth at a CAGR of 0.3%. Databank estimates that the value of the already outsourced portion of laundering services will remain relatively stable or grow at a CAGR of (0.8)% from 2012 to 2014. The value of the already outsourced portion of sterilization services, however, will grow at faster rates. Databank expects that the sterilization of surgical fabrics and linens will grow at a CAGR of 1.8% from 2012 to 2014 and the sterilization of surgical instruments to grow at a CAGR of 8.0% during the same period.

**General industry characteristics and trends**

*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 1.2% from 2008 to 2011 notwithstanding a stagnant economic environment in Italy and, as Interconnection Consulting estimates, this trend will continue in the foreseeable future with an expected CAGR of 1.5% from 2011 to 2015. 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 18.9%, with the Group as the market leader with a 4.1% market share for the year ended December 31, 2011. 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. Some European or multinational groups such as GDF Suez, Veolia Environnement, Sodexo and Johnson Controls have subsidiaries present in the Italian market but they are mostly focused on providing specific single services. No international players have a significant presence in the integrated facility management offering in Italy.

In the Italian laundering and sterilization marketplace, according to Databank, it is possible to distinguish two patterns within the healthcare segment: stability in the demand for laundering and sterilization of surgical fabrics and linens and rapid growth in the demand for sterilization of surgical instruments with expected growth at CAGRs of (0.8)%, 1.8% and 8.0%, respectively, in the period from 2012 to 2014. According to Databank, the concentration of the market is limited, with the top five players having a combined market share of 55.5% in 2011. Only two operators were absolute leaders with substantial scale, including the Group which held a marketshare of 16.1% in 2011. The healthcare segment of the laundering and sterilization market recorded positive growth from 2010 to 2012 with a CAGR of 0.9% notwithstanding a stagnant economic environment in Italy coupled with the government spending review in 2011, which targeted a 5% reduction in healthcare spending by 2012.

*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. 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 32.3% of total demand for already outsourced facility management services in 2011 according to Interconnection Consulting and 76.0% of total hospital beds in Italy in 2010 according to the Italian Ministry of Health (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. According to Cresme, between 2007 and 2011, the number of public tenders in Italy by PSEs and healthcare customers seeking outsourced providers to furnish facility management services grew by 52%. Cresme estimated that the amount put to tender by PSE and healthcare customers grew from €24.0 billion in 2007 to €38.3 billion in 2011, corresponding to a CAGR of 12.4%. Cresme further reports that the average initial value of each such contract increased by 60% from 2007 to 2011. 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. 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 provide efficiently 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. Databank estimates 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 contracts*

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 a recessionary environment 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.

# Business

## Overview

We are the leading provider of facility management services and a leading provider of laundering and sterilization services in Italy. We serve a diverse range of over 1,600 customers, including public sector entities (including healthcare providers) and private sector companies in Italy, our exclusive market. 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 our controlling shareholder. Since our consolidation as an independent Group, we have emerged as a multi-disciplinary provider of facility management services. MSC, our controlling shareholder with a 71.89% interest in our share capital, provides us with stable, long-term support. Our comprehensive multi-service and multi-technical offering covers most of the areas of the facility management and laundering and sterilization markets. 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 approximately 15,000 people, we believe we are currently the undisputed leader in the Italian facility management market.

In 2008, we culminated a period of sustained growth through the acquisition of Pirelli RE, which greatly enhanced our ability to provide integrated facility management to private sector customers. Since such acquisition, we have entered a phase of stable growth with 1.0% CAGR of total revenue from 2009 to 2012 (as adjusted for the loss of the contract with Fiat S.p.A. in 2010), even during a challenging economic period.

In the twelve months ended March 31, 2013, we generated total revenue of €1,072.7 million and Adjusted EBITDA of €124.3 million, corresponding to a 11.6% Adjusted EBITDA margin as percentage of total revenue.

## *Service offering*

We believe we distinguish ourselves through the breadth of services we regularly provide to our customers and the custom solutions we can devise both for their facility management and laundering and sterilization needs. According to Interconnection Consulting the facility management services can be classified among three broad areas: technical, infrastructural and entrepreneurial. The Group operates across all these three areas, however, as attested by our market shares and revenue, we possess particular strength in technical services as demonstrated by a suite of services within our Facility Management Segment pursuant to which we provide Technical maintenance services, Energy and HVAC management, Fire prevention and safety and Elevator systems services. In addition, we have strong capabilities in infrastructural services as demonstrated by our Cleaning and hygiene and Landscaping services within our Facility Management Segment. We also provide certain entrepreneurial services within our Facility Management Segment, including Document management. According to Databank, the laundering and sterilization services can be classified by three categories of clients; healthcare, hotels and restaurants, and community and industrial. The Group focuses exclusively on healthcare customers.

On an organizational level, we classify our services to our customers through three reporting segments: Facility Management Segment which generated 86.3% of total revenue and 71.6% of EBITDA in the year ended December 31, 2012, Laundering and Sterilization Segment which generated 12.5% of total revenue and 28.9% of EBITDA in the year ended December 31, 2012 and Other Segment consisting of non-core activities and assets held for sale which generated

1.4% of total revenue and negative EBITDA of €0.5 million in the year ended December 31, 2012.

In addition to our service offering, we strive to position ourselves as value-added partners to our customers, fostering long-standing relationships as testified by our consistently high retention rate of 93% (average of 2010 to 2012, which for 2011 does not take into account our 2010 revenue derived from the contract with Fiat S.p.A.) and developing industry experience of the public sector, healthcare and certain segments of the private sector such as telecommunications and retail. 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:

***Provider of mission critical services to a variety of public and private customers.*** 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. We estimate that more than three fourths of our total revenue in 2012 was generated from such mission critical services, which include, among others, Technical maintenance services, Cleaning and hygiene, Energy and HVAC management and laundering and sterilization. Once we become a provider, customers can focus on their core businesses and outsource to us non-core activities which nevertheless are vital to achieve success. For example, among others: (i) in the public sector, we provide daily cleaning, maintenance of elevators, heating and plumbing systems and landscaping for public schools, state buildings and museums that allow them to comfortably 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 telecommunications towers and diverse retail and office spaces for our customers which keep their operations running smoothly.

***Stable underlying markets with growth potential.*** The Italian facility management and laundering and sterilization markets have historically outpaced the GDP growth. The Italian facility management market reported a CAGR of 1.2% (source: Interconnection Consulting) for the period 2008-2011 compared to Italy's real GDP CAGR of (1.2)% for the same period (source: IMF) and the healthcare segment of the Italian laundering and sterilization market reported a CAGR of 1.2% for the period 2010-2011 (source: Databank) compared to Italy's real GDP CAGR of (1.0)% for the same period (source: IMF). We believe this represents additional 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 the Italian already outsourced portion of the facility management market will grow at a CAGR of 1.4% from 2011 to 2015. Databank estimates that the healthcare segment of the laundering and sterilization market will grow at a CAGR of 0.3% from 2012 to 2014 (within which, the subsegment of sterilization of surgical instruments will grow at a CAGR of 8.0% from 2012 to 2014). The already outsourced portion of the Italian facility management market has a significant untapped potential, as demonstrated by the lower penetration rate compared to more mature markets such as the United Kingdom, where the Facility Management market represented 3.1% of GDP, compared to Italy's 1.5% (data referred to 2006). Moreover, Interconnection Consulting estimates that the current market size of the already outsourced portion of the Italian facility

management is €26 billion, or only 33.4% of the total potential market. 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 exhibit favorable demand dynamics and 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 trend towards outsourcing of government (excluding the healthcare sector) facility management is expected to grow at a CAGR of 1.8% from 2011 to 2015. In addition, 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.

***Established leader in the Italian market.*** We are the leading player in the highly fragmented Italian facility management market. In the already outsourced facility management sector, our market share was 4.1% in 2012E according to Interconnection Consulting and, according to publicly available data, we were two-thirds larger in 2011 than our next direct competitor with a similar service offering. 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 2012 with a market share of 17.0% according to Databank. 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 revenue deriving from discretionary and non-discretionary spending. Additionally, we possess unique in-depth knowledge of the complex Italian public tender requirements. The Group has dedicated approximately 50 specialists focused on preparing public and private tender bids across our Facility Management Segment and Laundering and Sterilization Segment. In 2012, our Facility Management Segment participated in 190 such 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, as testified by our high customer retention rate (average of 93% over the period 2010 to 2012, which for 2011 does not take into account our 2010 revenue derived from the contract with Fiat S.p.A.).

***One-stop-shop for facility management solutions.*** We believe we provide to our customers one of the largest offer of integrated and interdisciplinary services available in the Italian facility management market. Our business model seeks to position us as a partner for our customers possessing the knowhow 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 example, in 2010 we were awarded an initial contract by an Italian bank which we believe we implemented efficiently, allowing us to successfully cross-sell and obtain a contract for additional engineering works in 2010 worth two times the original cleaning contract, followed by two successive purchases of other maintenance works and services in 2011, yielding total revenue in 2011 from such Italian bank nearly in excess of four times the original contract amount in 2010. We believe our integrated services tend to produce increased customer loyalty, which provides us with an important competitive advantage. We have historically been able to add services to existing contracts or to extend our services to additional regions in Italy. 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 a state-of-the-art information technology systems.

***Strong barriers to entry and competitive advantages.*** We believe that the facility management and laundering and sterilization markets are characterized by strong 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 which we believe is not easy to replicate. Our state-of-the-art 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. 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, strong customer relationships and established track record of complying with Italian public tender rules bolster our leading position.

***Unique density of network throughout Italy and national reach support operational excellence.*** Close proximity to customers is essential in the markets we serve. We strive to achieve this close proximity in our Facility Management Segment through a dense regional network of 58 offices in Italy and in our Laundering and Sterilization Segment through a network of 31 facilities (among which 5 dedicated plants and 20 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 NH Hotels, Telecom Italia, Unipol and Wind Telecomunicazioni) as well as to continue to serve the needs of SMEs providing, in particular, services with attractive margins, such as Elevator systems, Energy and HVAC management and sterilization services. Our geographical 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, our network permits us to serve many of our customers directly with our own personnel 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. For example, in 2009, we were awarded an original mono-site cleaning contract by a large supermarket chain and subsequently we successfully cross-sold our services to offer additional services at that location, following which we obtained additional contracts for multiple locations such as that by 2012 our revenue from such customer was nearly three times the original contract amount in 2009. 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.

***Resilient and highly recurring revenue base.*** We believe that our customers consider resorting to our services to be essential to conduct their core businesses and to support their operations, and indeed generally more efficient than performing such services internally. Our total revenue, excluding revenue generated by the Fiat contract, has grown every year since 2003, including during challenging economic times. The already outsourced portion of the Italian facility management sector is anticipated to grow at a CAGR of 1.5% from 2011 to 2015 according to Interconnection Consulting, whereas the still insourced facility management sector is forecast to grow at a CAGR of 0.7% during the same period. We believe the higher growth expected in our reference market indicates the value proposition offered by outsourced providers such as the Group. Similarly, the value of the healthcare segment of the laundering and sterilization market is anticipated to grow at a CAGR of 0.3% from 2012 to 2014 according



to Databank, with the sterilization of surgical instruments subsegment expected to grow at a CAGR of 8.0% over the same period. We also benefit from long-term contracts ranging from three years for private sector customers, five years for PSEs and seven years for healthcare customers. Our backlog of €3,001 million as of March 31, 2013 gives us revenue visibility, as its absolute value represents the equivalent of almost three years of revenue, at current yearly revenue rates. The backlog has historically been growing (it was €2,340 million as of December 31, 2010) and is mainly related to contracts with PSEs and healthcare customers, which typically have long duration and represent contractually-committed future earnings. Historically, approximately two-thirds of our yearly revenue has been derived from contracts already in place at the end of the prior year. We have a well-diversified customer base with over 1,600 customers and our top 10 customers accounted for only 22.9% of our revenue in 2012. Our high quality customer base ranges from 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 Carrefour, Telecom Italia, Wind Telecomunicazioni and Auchan). We also believe we have one of the best-in-class retention rate with customers (93% average in 2010 through 2012, which for 2011 does not take into account our 2010 revenue derived from the contract with Fiat S.p.A.), which we believe further improves our visibility on our revenue stream.

***Strong and defensible profitability.*** 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. We have also managed to maintain strong profitability in a challenging macro-economic environment, with an average Adjusted EBITDA margin of 11.4% at the Group level over the 2010 to 2012 period. At the segment level, our Facility Management Segment had an EBITDA margin of 8.9% in 2012, which we believe to be one of the highest among both Italian and international key peers, while our Laundering and Sterilization Segment had an EBIT margin of 8.8%, which we believe to be one of the highest in the Italian market. We benefit from a flexible cost structure and we are in the position to defend our profitability. Of our approximate 15,000 employees as of March 31, 2013, 11,800 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, we believe our flexible costs were 71.8%, 71.6% and 74.3% in the years ended December 31, 2010, 2011 and 2012, respectively.

***Superior cash generation.*** Our business is highly cash-generative, with low capital expenditure requirements. We have achieved average Adjusted EBITDA margin of 11.4% and, according to management estimates, average cash maintenance capital expenditures of 3.5% as percentage of revenue for the 2010 to 2012 period. Our Facility Management Segment (85.3% of revenue for the 2009-2012 period), according to management estimates, has low cash maintenance capital expenditures requirements (1.2% of revenue for the 2009 to 2012 period), which are mainly absorbed by our information technology systems. Our Laundering and Sterilization Segment (12.5% of revenue in 2012), according to management estimates, had cash maintenance capital expenditures requirements of 18.7% of revenue in 2009 to 2012, 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 have historically achieved a cash flow conversion, defined as the ratio of ((EBITDA-Cash maintenance capital expenditures)/EBITDA), of 71.3% and 71.2% at Group's level, in the years ended December 31, 2011 and 2012, respectively. As of December 31, 2012, the largest part of our trade receivables portfolio (€588.0 million) related to PSEs and healthcare customers while a

smaller portion (€258.0 million) related to private customers. Historically, despite payment delays, we have experienced minimal defaults (a default rate of 0.4% in the year ended December 31, 2012). In order to counter the trend in increasing DSOs (an indicator of late payments of trade receivables) that further deteriorated in 2011 with the challenging macroeconomic environment, management implemented a new strategy to improve billing practices and streamline communication with customers which reduced our DSOs (including off-balance sheet DSOs sold pursuant to factoring facilities) by 15 days as of March 31, 2013 as compared to the same date of the previous year and by 12 days as of March 31, 2013 as compared to as of December 31, 2012.

**Highly experienced management team.** The members of our senior and middle management teams have significant experience in the facility management market and have spent most of their career within our organization (among the others, Claudio Levorato, Chairman and CEO, has been with us for 29 years, Gabriele Stanzani, Chief of Treasury and Finance, has been with us for 26 years). Our management has succeeded in the integration of large acquisitions such as Pirelli RE completed in 2008 and of smaller add-on acquisitions such as the build-up of our Elevator systems business during recent years and has a strong track-record in adapting the cost structure in the context of the changes in the economic environment. In addition, we have successfully attracted and retained young talent to management positions where we believe new perspectives can add value to our business. We further believe we have transparency and reporting standards comparable to that of listed companies.

## **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. We intend to consolidate our leading positioning in high-margin services, such as Technical maintenance services, Energy and HVAC management and sterilization of surgical instruments. Within our Facility Management Segment, we intend to focus on competing for complex public tenders which are awarded on the basis of technical quality of the service offering rather than solely on a cost basis. Within our Laundering and Sterilization Segment, in 2012 we opened two new sterilization centers which expanded our ability to offer this high-margin service to new regions in Italy. Databank reports that the value of the market for the sterilization of surgical instruments is expected to grow at a CAGR of 8.0% from 2012 to 2014. Furthermore, in line with our focus on our most profitable activities, we intend to divest the Group's non-core Other Segment, including Maco, our building construction subsidiary and EnergyProject, our project management and photovoltaic energy business.

**Growth in the private sector of the Italian integrated facility management market.** We believe that there is significant further growth potential for us in the private sector of the integrated facility management services market in Italy. According to Interconnection Consulting the commercial, retail and industry customers segments will grow at a CAGR of 1.4%, 2.8% and 1.5%, respectively, from 2011 to 2015. We intend to take advantage of the outsourcing trend in the private sector by expanding the volume and range of services we provide to the large-scale retail sector, large industrial groups and property holdings managed by real estate funds. We have reinforced our business structure and sales force assigned to such customers to be able to communicate our compelling service offering to private sector customers, in particular our unique ability to offer integrated facility management services throughout Italy on a scale that many of our competitors cannot match. In 2012, our sales force dedicated to private sector customers initiated a new strategy of approaching executives of current and potential customers with a view to establishing ourselves as multiservice and high value-added solutions provider, improving previous relationship management which was mostly limited to the purchase office level. We also intend to focus on "facility+spinoff" models

which enable the outsourced provider to hire the staff previously employed directly by the customer to provide such services, which enables us to achieve a seamless transition of the services to be provided and to benefit from greater flexibility in our cost structure. For example, from 2012 to 2013 we proposed, designed and have begun to implement an innovative hub-and-spoke facility management approach informed by international best practices for Auchan's Italian operations in which we hired Auchan's existing facility management personnel.

**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 will strive to exploit our unique 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 and healthcare customers 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 aggressively promote our services to the PSEs and healthcare customers in our assigned geographical areas, using our know-how to propose both routine and non-routine services to potential customers, thereby realizing the maximum revenue 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.** 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 and maintaining capital expenditures low. We intend to continue to focus on cost reduction and efficiency improvements in order to maintain our strong profitability. We also plan to continue to improve our working capital management by increasing our focus on customer interaction and strengthening billing and collection procedures. Our Facility Management Segment is characterized by low capital expenditures and even though our Laundering and Sterilization Segment has higher yearly capital expenditure requirements, the Group's capital expenditures represented 3.2%, 3.5%, 4.1% of total revenue for the years ended December 31, 2010, 2011 and 2012, respectively (in 2012, we opened two new sterilization centers which represented non-recurring investments in a particularly profitable business area).

**Expand European presence through strategic commercial alliances.** We intend to evaluate strategic opportunities to work together with local partners in other jurisdictions to create a network through which we can partner with several leading European players for the purpose of participating in pan-European integrated facility management tenders for large private sector customers as the exclusive partner for the Italian aspects of such tenders.

## **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 the same organization model as the Issuer and operates in the City of Rome and environs with a focus on PSEs. In 2007, we began expanding our services through acquiring industrial laundering and

cleaning companies and facility management and related technical services companies. In 2008, we undertook a series of transactions which broadened the range of services we offer and considerably enlarged our existing activities in our core business areas. We entered the public lighting services and elevator management/maintenance services areas.

In 2008, we successfully completed an equity capital raising from financial investors, and thereby financed the acquisition of Pirelli RE, 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 80% interest in Gruppo Sicura. In recent years, we have restructured our Group to dispose of non-core assets and 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.

## Our organizational structure

We are a provider of integrated facility management solutions for public sector entities, healthcare and private sector customers. Our three reporting segments are:

- **Facility Management Segment.** It provides technical maintenance services, cleaning and hygiene, energy and HVAC management, landscaping, logistics, lighting services, fire prevention and safety, installation and maintenance of elevators, auxiliary services, and document management. Our Facility Management Segment generated 86.3% of total revenue and 71.6% of EBITDA in the year ended December 31, 2012.
- **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 12.5% of total revenue and 28.9% of EBITDA in the year ended December 31, 2012.
- **Other Segment.** It includes non-core activities of our Group that are currently classified as assets held for sale, namely building construction and project management and photovoltaic energy businesses. Our Other Segment generated 1.4% of total revenue and a negative EBITDA of €0.5 million in the year ended December 31, 2012.

## Our services

We offer services in the Italian facility management and laundering and sterilization markets.

Facility management services offered by the Group encompass technical, infrastructural and entrepreneurial services according to the categories established by Interconnection Consulting, however our core strengths in terms of market positioning and key contributors to our results of operations are services provided under the technical and infrastructural categories. Technical services under our Facility Management Segment consist of our suite of Technical maintenance services and Energy and HVAC management, whereas infrastructural services consist of our Cleaning and hygiene, Landscaping and Auxiliary services under our Facility Management Segment. Entrepreneurial services consist of our Document management services.

We also offer laundering and sterilization services, including laundering and sterilization of linens and sterilization of surgical instruments.

### **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.**"

Our Facility Management Segment generated revenue of €963.6 million, €916.1 million, €925.3 million and EBITDA of €85.8 million, €94.1 million, €81.9 million for the years ended December 31, 2010, 2011 and 2012, respectively.

The following presents a brief description of each service area of our Facility Management Segment.

#### *Technical maintenance services*

Technical maintenance services refers to a defined set of interventions to advance the management, operating and maintenance for buildings. We estimate that about four tenths of the revenue generated by our Facility Management Segment for the year ended December 31, 2012 was related to technical maintenance services.

- *Building and plant operations maintenance:* We design and carry out redevelopment and modifications to bring facilities into compliance with safety regulations and design and install energy saving and emissions-reduction devices. We generally offer invoice customers according to set fees for ordinary maintenance and for unscheduled works we negotiate a separate price list which requires customer approval.
- *Lighting:* Through our subsidiary Smail, we provide management, maintenance and consulting services for public lighting and traffic signaling systems owned by municipalities. We also provide management and maintenance for indoor lighting in public and private buildings. In recent years, we have focused on installation and upgrade of energy efficient lighting systems.
- *Fire prevention and safety:* Our subsidiary Gruppo Sicura provides 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). This service focuses on SMEs.
- *Elevator systems:* Our subsidiary Mia installs, manages and maintains passenger and freight elevator systems for large office buildings, residential buildings and retailers. This service is offered to large customers, SMEs and private buildings.

#### *Cleaning and hygiene*

We provide cleaning and hygiene 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. We estimate that slightly less four tenths of the revenue generated by our Facility Management Segment for the year ended December 31, 2012 was related to cleaning and hygiene services.

#### *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. We estimate that about two tenths of the revenue generated by our Facility Management's Segment for the year ended December 31, 2012 was related to energy and HVAC management services.



### *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. We estimate that less than one tenth of the revenue generated by our Facility Management Segment for the year ended December 31, 2012 was related to other facility management services.

- *Auxiliary services:* Auxiliary services groups certain outsourced services we provide, including internal mail-room, doorman and reception services. These services are geared towards our private sector clients.
- *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.
- *Document management:* We provide archival services, including storage, forwarding and processing of documents as well as electronic storage for a variety of customers.

### ***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.

Our Laundering and Sterilization Segment generated revenue of €121.5 million, €128.0 million, €134.4 million and EBITDA of €30.2 million, €31.6 million, €33.0 million for the years ended December 31, 2010, 2011 and 2012, respectively.

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 sterilization facilities we manage within the premises of our healthcare customers and within five 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.

We estimate that approximately three fourths of our Laundering and Sterilization Segment's revenue for the year ended December 31, 2012 was generated from laundering activities, slightly less than one tenth from sterilization of surgical fabrics and linens activities and the remaining one fifth sterilization of surgical instruments and production and preparation of surgical kits activities.

### ***Other Segment***

Our Other Segment consists of non-core activities of our Group that are currently classified as assets held for sale. These activities include our project management and photovoltaic energy business operated by our subsidiary EnergyProject and building construction business operated by our subsidiary Maco.

## **Our business model**

We have structured our operations in a manner that achieves the integration of our departments and the coordination of our business operations thus creating a value chain system. It allows us to deliver integrated services and provide our customers with seamless assistance across our activities. In cases where we propose and implement customized solutions to our customers' facility management or laundering and sterilization needs through becoming a preferred multi-service provider, we utilize significant in-house expertise and resources compared to our competitors. 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.

### ***Facility Management Segment***

Our value chain system incorporates the following principal departments of the Group that manage the customer relationship: (i) business development (monitoring the market; identifying opportunities; selection of the tenders in which to participate) ("**Business Development**"), (ii) technical and sales activities (preliminary feasibility analysis; design of services and operations; technical and financial analysis; obtaining the job order) ("**Technical and Sales Activities**") and (iii) operations which includes planning, control and initial phases of our operations and our ongoing service delivery, quality control and operational management ("**Operations**").

Our value chain can be subdivided into two main phases: (1) identifying and analyzing the feasibility of a potential project and, assuming we successfully secure the relevant contract or tender, (2) organizing and delivering the service.

The first phase mainly involves the Business Development and the Technical and Sales Activities 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 second phase (subsequent to the awarding of a contract) consists of the service delivery and is performed by our Operations 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 startup subdepartment 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.

### ***Laundrying and Sterilization Segment***

Our Laundrying and Sterilization Segment value chain differs slightly from the value chain of our Facility Management Segment. Laundrying activities do not include a startup phase, and instead include a production cycle related to the laundrying phase. Sterilization activities include all of the phases discussed above for the Facility Management Segment (including a startup 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 pickup of items to be laundered and/or sterilized and the industrial laundrying and/or sterilization cycle followed by reconsignment (delivery/distribution and inventory management).

### **Our departments**

The following is a brief description of each of our departments and their role within our business.

#### ***Business Development***

We have created a Business Development department which concentrates, in a single department and by geographical area, activities regarding new clients and our existing order book. The focus of the Business Development 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 Business Development department carries out its activities predominantly in central and northern Italy, but it 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 (195 local healthcare authorities with more than 1,500 hospitals and nursing homes), homes for the elderly, the national, regional and provincial procurement centers (Consip, Intercenter, Aree Vaste, Unioni di Comuni and others), and medium-sized and large private businesses.

In line with our business model this department carries out planning and development activities which comprise the following two phases:

- *Market Monitoring.* We monitor the markets in which we operate by using a commercial data bank which our Business Development 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; and
- *Identification of Opportunities.* We 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.

#### ***Technical and Sales***

Based on reports from the Business Development department, the Technical and Sales 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 Technical and Sales 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 Business Development 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.

### **Operations**

The objectives of the Operations department which exercises operational control over our activities are:

- 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 startup phase.

The Operations departments is organized to provide the procedures and the systems necessary to support the creation of final accounting reports and economic objectives. It assigns duties and determines a time frame within which these duties are to be carried out, both before and after the delivery of service, to evaluate progress.

The Operations department also operates a project team to implement organizational and operational projects which resolve critical issues encountered in the startup or to intervene directly in specific operational areas whenever the order complexity requires this.

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.

- *Startup.* 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 startup, the following activities take place: (i) activation of the Contact Center (as defined 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. An Account Manager is assigned to each 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 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 31 facilities of the laundering and sterilization network. The production phase includes also ancillary activities to the laundering and sterilization, such as the pickup and reconsignment of the items to be laundered or sterilized, consisting in managing the pickup and reconsignment of the items at the various sites of our healthcare customers, transporting them to and from one of the 31 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 and private sector customers. We currently categorize our customers by public or private sector and by healthcare and non-healthcare (healthcare customers belong to the public sector). 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 22.9% of our total revenue for the year ended December 31, 2012. In addition, we estimate our retention rate was 91.1% in the year ended December 31, 2012. For the year ended December 31, 2012, PSEs, healthcare customers and private sector customers accounted for approximately 26.4%, 36.0% and 37.6% 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 50 specialists across our Facility Management Segment and Laundering and Sterilization Segment and in 2012 our Facility Management Segment bid on 190 tenders. In addition, our win rate among PSE and healthcare customer tenders, was 18%, 24%, 26% for the year ended December 31, 2010, 2011 and 2012, 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 maintenance 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.

<b>Selected PSE and Healthcare Customers</b>	<b>Type of service(s) provided</b>
ER.GO (Regional Organization for the Right to Higher Education)	Technical maintenance services, Cleaning and hygiene, Landscaping, Auxiliary services
Municipality of Bologna	Landscaping, Cleaning and hygiene and Energy and HVAC management
Infrastrutture Lombarde (PSE holding properties owned by Region of Lombardy)	Cleaning and hygiene, Auxiliary services
Legnano Community Hospital	Cleaning and hygiene and Technical maintenance services
Azienda Ospedaliera Senese	Laundry and sterilization of surgical instruments and preparation of surgical kits
La Scala Theatre (Milan)	Technical maintenance services
Municipality of Asti	Energy and HVAC management
University Hospital of Modena	Cleaning and hygiene
Municipality of Quartu Sant’Elena	Lighting

### ***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 year ended December 31, 2012, based on our internal records, we participated in 190 public tenders (new tenders and tendering processes initiated for contracts we already held) with an aggregate value of €1,577 million representing an increase of 15% over the value of tenders in which we participated in the year ended December 31, 2011, when we participated in 189 tenders with an aggregate value of €1,369 million (the amounts refer to the overall base auction price). Our strategy is to focus on complex and high value public tenders. In the year ended December 31, 2012, we participated in 190 public tender processes and won 40 for a win rate of 26%. Such public tenders generated €80 million in revenue for the year ended December 31, 2012, an increase of 11% from the €72 million in revenue

generated by the 48 public tenders we won for the year ended December 31, 2011. The public tenders we won in 2012 represented, according to our estimates, total future earnings of €432 million, an increase of 21% from our estimate of total future earnings of €358 million for the public tenders we won in 2011.

In the context of public tenders, contracts are awarded on one of the following bases:

- quality and price;
- lowest price within the range of the average price of all bidders with a 20% variance;
- lowest price within the range of the average price of all bidders with a 10% variance; 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.

For integrated facility management, contracts for PSEs and healthcare customers in particular are typically awarded pursuant to public tender processes. Such public tender processes are fragmented and decentralized, although increasingly Consip, a clearinghouse for public sector contracts, aggregates demand leading to fewer but larger public tenders. While we have historically competed for and since 2006, we have received certain public tenders managed by Consip, our strategy calls for increasing our involvement in such public tenders, especially those that aggregate demand on a multiservice or larger geographic area basis. All integrated facility management contracts have similar terms and reflect the conditions set forth by the PSE and healthcare customers in the tender specifications. Under Italian law, the contractor must provide a performance bond worth 10% of the contractual amount in order to guarantee the correct execution of the contract. In addition, an appropriate insurance policy is requested, to cover all damages that may arise from the execution of the contract. In our experience, the average term of these contracts is five years. PSEs and healthcare customers have the right to terminate the contract for public interest reasons provided they indemnify the contractor for any damages resulting from such termination. Under Italian law, the contractor is responsible for the proper performance of the service. However, in contracts that include the execution of works regarding real estate, contractors are responsible for such real estate works for 10 years starting from the date of the final inspection. In a TJA arrangement, under certain circumstances, TJA members may be jointly responsible. Integrated facility management contracts generally provide for a mechanism of penalties applicable to the contractor in the event of default or delayed performance of the service. These contracts can usually be terminated in the event of a material breach by the contractor. 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 the AVCP 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 S.p.A. in public procurement with regards to setting economic terms for our services or by ongoing initiatives to reform decentralization in Italy.”

For the year ended December 31, 2012, our contracts with PSEs had an average duration of 4.8 years, whereas for healthcare customers, the average duration was 7.1 years. However

when dealing with PSEs and healthcare customers, we experience delays in payments for the services provided. 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; 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 year ended December 31, 2012 we recorded a decrease in the private sector component of our customer portfolio with 37.6% of our Group’s total revenue deriving from private customers (€403.1 million) compared to 39.0% of our total revenue in the previous year. However, this was due to the non-recurring loss of Fiat S.p.A. as a customer upon its decision to create a captive facility management company to service its own assets. See *“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting the Comparability of Our Results of Operations—The loss of Fiat as a customer.”*

The table below sets forth certain examples of private sector customers along with the type of service(s) provided.

<b>Selected private sector customers</b>	<b>Type of service(s) provided</b>
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.	Cleaning and hygiene and Technical maintenance services

#### **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, 2010, 2011 and 2012, the average duration of our private sector contracts was 1.8 years, 2.5 years and 3.3 years, respectively. 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, MPSS, which is responsible for the service

delivery of our Telecom Italia S.p.A. account, 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—If major customers terminate their service contracts with us prior to the end of the relevant contractual term or select another provider following expiration of such contracts, 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, 2013, our backlog totaled approximately €3,001 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 Group, where the related revenue are not eliminated upon consolidation. 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) and our Other 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 are 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.

Backlog is not an audited measure. While our backlog has increased in recent years, it has fluctuated 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 Technical Sales department and in the Operations department. Depending on the phase of the value chain, the appraisal may form the basis of the preliminary evaluation conducted by the Technical and Sales department or it may be conducted by the Operations 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 Operations 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 the AVCP, 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 and hygiene activities);
- subcontract of third parties to provide certain services for our customers (for example pest control 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 Business Development and Technical and Sales departments and can be carried out in a timely manner due to the information provided and the actual experience recorded by the Operations 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 two facilities owned by Servizi Ospedalieri, 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 *"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 maintain 58 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.



### *Laundry and Sterilization Segment*

Our Laundry and Sterilization Segment is headquartered in Ferrara and maintains a network of 31 facilities, divided between 26 centers (among which we manage 20 laundering and/or sterilization centers on site, inside the confines of the premises of certain healthcare customers,

and 1 off site) and 5 standalone laundering plants (of which 4 also serve as sterilization centers for surgical fabrics). 14 of such facilities that provide laundering and/or sterilization were located in regions of Italy that according to Databank, recorded levels of public healthcare spending from 2008 to 2012 which surpassed national healthcare spending growth during the same period. 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 21 on site and off site laundering and/or sterilization centers and 5 standalone laundering plants.



The table below shows the location of our 5 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 . . . . .	✓	✓	
Porto Garibaldi (FE) . . . . .	✓	✓	
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 elevator systems repair or 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 Energy and Gas Authority (*Autorità per l'Energia Elettrica e il Gas*) 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 Issuer, Maco, Servizi Ospedalieri and Smail have all obtained ISO 14.001 certification for environmental management and the Issuer further obtained ISO 50.001 and ISO 11.352 for energy management in 2012.

## Employees and labor arrangements

As of December 31, 2012 and March 31, 2013, our Group employed 14,740 and 15,288 people, respectively. The following tables shows a breakdown of our Group companies' employees by function as of the periods indicated:

(numbers of employees)	As of December 31,			As of March 31,	
	2010	2011	2012	2012	2013
Managers . . . . .	70	61	65	63	61
Office employees . . . . .	1,543	1,652	1,648	1,604	1,627
Manual workers . . . . .	11,289	12,752	13,027	12,716	13,600
<b>Total . . . . .</b>	<b>12,902</b>	<b>14,465</b>	<b>14,740</b>	<b>14,382</b>	<b>15,288</b>

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, 2013, 11,800 individuals (approximately 80% of our total employees) were employed pursuant to CCNL Multiservizi, the collective bargaining agreement applicable to cleaning and facility management. In cases where one outsourced provider of cleaning and facility management is replaced by another and the terms, type or level of service of a new contract remain constant or are more intensive than that contemplated by the expiring or terminated contract (the **"parity principle"**), 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, 2010, 2011 and 2012 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 procedures to establish 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, 2012 and March 31, 2013, the Group leased 614 and 609 employees, respectively. Employee leasing arrangements are regulated by a framework agreement between MSC and the Issuer 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, 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.



## 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. See "*Industry.*"

### **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 4.1% in the year ended December 31, 2012, unchanged from 2011.

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.

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#### **Facility Management**

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- Siram S.p.A. (Veolia Environnement)
  - Cofely GDF Suez
  - Coopservice Soc. Coop.p.A.
  - Dussmann Service S.r.l.
- 

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 largest operator in the Cleaning and hygiene segment with a market share of 2.7% in the year ended December 31, 2012.

*Technical maintenance services.* According to Interconnection Consulting, we are the second largest operator in total technical services (as discussed under "*Industry—The Italian Facility Management Sector*"), with a market share of 5.7% in the year ended December 31, 2012 (essentially tied with our nearest competitor, Siram). In addition, we are the third largest operator in the sub-area of technical maintenance with a market share of 4.1% in the year ended December 31, 2012.

*Energy and HVAC management.* According to Interconnection Consulting, we are the largest operator both in the Energy management segment with 13.4% market share in the year ended December 31, 2012, unchanged from 2011, and in the energy and HVAC management segment with a market share of 11.6% in the year ended December 31, 2012, up from 2.6% from 2011.

*Auxiliary services.* According to Interconnection Consulting, we are the largest operator in the reception/porter services segment with a market share of 19.4% in the year ended December 31, 2012, up from 18.1% in 2011 (our nearest competitor, Sodexo, has a market share of 10.3%).

### ***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.

According to Databank, we are the second largest operator in Italy offering laundering and sterilization services for the healthcare sector with a market share of 17.0% of revenue for the year ended December 31, 2012.

The following table sets forth our main medium- to large-sized competitors

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#### **Laundering and Sterilization**

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- Servizi Italia S.p.A.
  - ALSCO Italia S.r.l.
  - Adapta S.p.A. (Gruppo Innova)
  - Bioster S.p.A.
  - So.Ge.Si. S.p.A.
  - American Laundry Ospedaliera S.p.A.
  - Steritalia S.p.A. (Dussmann Group)
- 

### ***Other Segment***

Our Other Segment comprises non-core activities of our Group that are currently classified as assets held for sale and therefore, we do not present any competition and market position thereof in this Offering Memorandum.

## **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. 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 MPSS 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

### **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 Issuer and Servizi Ospedalieri have implemented LD 231 compliance programs. However, MPSS 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 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 the Italian Public Tender Laws. The Italian Public Tender Laws include the provisions applying to all public works, services and supply contracts, both above and below the EC threshold, i.e. €5,000,000 for public works contracts, €130,000 for public supply and service contracts for central governmental authorities, €200,000 for public supply and service contracts for sub-central entities, and €400,000 for public supply and service contracts in the case of entities operating in the water, energy, transport and postal services industries.

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);
- (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. 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;
- (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); and
- (v) the project finance.

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.

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.

AVCP is entrusted to control the effective enforcements of the new regulatory provisions by the healthcare customers.

The spending review legal framework, among others cost-reduction measures, has also charged the contractor (i.e. the company who is awarded of the public tender) of the costs related to the publication of the tenders.

*See “Risk Factors—Risks Related to Our Business—”PSEs and healthcare customers may curtail their reliance on our services due to public spending cuts or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests.”*



### ***Cost overruns and adjustments***

According to the Italian Public Tender Laws, contracts to the supply PSEs and healthcare customers with services and goods must provide for a periodical price adjustments. 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. During the execution of contracts, PSEs and healthcare customers are entitled to request limited variations to the contract in accordance with various provisions of Italian Public Tender Laws 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;
- (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.

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 project which have damaging effects on the entire project.

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.

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***

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. 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. The spending review has also granted healthcare customers the ability to terminate contracts if the prices therein are higher than the AVCP reference prices as discussed under “*Risk Factors—Risks Related to Our Business—PSEs and healthcare customers may curtail their reliance on our services due to public spending cuts or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests.*”

### ***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.

### ***Consip, spending review and procurement policies***

Consip, a joint stock company fully owned by Italy’s Ministry of the Economy and Finance, provides functions as a centralized clearinghouse for public tenders on behalf of many PSEs/healthcare customers and manages such public tenders for certain services provided to them (including facility management). Upon signing a framework convention with Consip, the provider agrees to accept up to the maximum amount established by such agreement and at the prices and terms and conditions thereof, orders from PSEs/healthcare customers in a certain geographic area. To sign such framework conventions, Consip utilizes reference prices established by the AVCP 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 such customers are required to follow. Healthcare customers also utilize similar framework conventions entered into by regional procurement committees (e.g., Intercenter) which serve as alternatives to Consip with respect to healthcare service contracts. In connection with the spending review, 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 law grants 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 (i.e. article 1 of Law Decree July 6, 2012, n. 95, converted into Law on August 7, 2012, n. 135, “*Urgent rules for the review of public spending with unmodified services to citizens*” as modified by Law n.228 of December 24th, 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 (in its capacity as central purchasing body) 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 be lower of the one stated in the Consip’s convention.

Furthermore, under this new 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 convention, 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 to not withdraw from the public contract was taken in compliance to 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 AVCP, 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. See *"Risk Factors—Risks Related to Our Business—PSE and healthcare customers may curtail their reliance on our services due to public spending cuts or they may otherwise revise their outsourcing and/or procurement policy in a manner adverse to our interests."*

## Legal proceedings

We are party to various legal proceedings (including tax audits) involving routine claims that are incidental to our business. Although our legal and financial liabilities with respect to such proceedings cannot be estimated with certainty, 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. See *"Risk Factors—Risks Related to Our Business—We are subject to risks related to litigation and other legal proceedings in the normal course of our business and otherwise as well as risks related to public contracts litigation."*

We have briefly summarized below the most significant of these proceedings:

***Sistema Integrato Ospedali Regionali (Tuscany) Litigation.*** The local public health units (healthcare customers) of Massa Carrara, Lucca, Pistoia and Prato formed an association, *Sistema Integrato Ospedali Regionali ("SIOR")* for the construction of four hospitals utilizing a project financing structure. The Issuer and its predecessor and Servizi Ospedalieri held 5.773% and 4.5517%, respectively, of a TJA, *Consorzio Toscana Salute ("CTS")*, bidding for the SIOR contract that ultimately did not prevail in the public tender. CTS challenged the public tender process. On March 7, 2013, SIOR brought a lawsuit against CTS and its members for malicious prosecution and claimed damages of €61.5 million. According to applicable law, TJA members may, under certain circumstances, be joint and severally liable for obligations of the TJA. We believe these claims are without merit and we intend to defend vigorously. The first hearing is scheduled for October 23, 2013.

***Bribery investigation (Brindisi).*** On November 26, 2010, we were informed that a public prosecutor in Brindisi has commenced a criminal investigation against a manager of the Issuer alleging obstruction to a public tender and corruption of a public official for alleged acts committed on January 25, 2010. The manager under investigation does 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. However, convictions for bribery could be serious, including fines or disqualification from participating in public tenders under LD 231. We believe we have in place a robust compliance program that meets the requirements of the defense established by law to exclude or limit the administrative liability of the Issuer. The term of the preliminary investigation phase including any extension thereof has expired and, as of the date of this Offering Memorandum, no charges have been brought against this manager or

the Issuer. In the event that charges are brought against the Issuer, we intend to defend vigorously. See *"Risk Factors—Risks Related to Our Business—We may incur liabilities for the actions of our employees."*

**Università degli Studi di Roma "Tor Vergata" Litigation.** On June 7, 2012, the University of Rome "Tor Vergata" (*Università degli Studi di Roma "Tor Vergata"*) ("URTG") brought a lawsuit against the Issuer in the Court of Rome for non-performance of a contract and a supplementary agreement for maintenance of real estate properties and technology systems at various premises of URTG, seeking termination of such contracts and damages. The contract and its supplement were entered into in 2003 and 2005 between URTG and a TJA of which Teckal S.p.A. was a member. Teckal S.p.A. was acquired by the Group in 2007 and subsequently merged into the Issuer in 2010. URTG claimed damages of €8.4 million and we raised counterclaims for €2.3 million. Therefore, following the merger of Teckal S.p.A. into the Issuer, we could be held liable. We have activated indemnification claims under the share purchase agreement related to the purchase of Teckal S.p.A. against the sellers of Teckal S.p.A.; such indemnification provides for a maximum aggregate amount of approximately €8.0 million. As of the date of this Offering Memorandum, the litigation before the Court of Rome is pending; on July 15, 2013, the judge determined that the evidentiary phase of the proceedings could be adjourned and set a new hearing for October 1, 2014, upon which time the parties are to present their final legal arguments and demands for relief. The judge is expected to make a ruling thereafter. The indemnification claim procedure will be vigorously pursued if we are definitively adjudicated as liable. As of March 31, 2013, we have set aside a reserve of €1.5 million for this litigation.

**Workplace safety investigation (Rome).** On August 26, 2010, we were notified that a criminal investigation for workplace injury against one of our key executives and a related administrative investigation for alleged violations of Article 25-septies of LD 231 related to workplace safety against the Issuer, in each case was commenced by a public prosecutor in Rome following the workplace injury of a worker at one of our facilities we manage on behalf of a customer. The conviction of our key executive or the Issuer could be serious, including fines or disqualification from participating in public tenders under LD 231. We cooperated with the investigation, including by making a showing that we have in place a robust LD 231 compliance program which we believe meets the requirements of the defense established by law to exclude or limit the administrative liability of the Issuer. As of the date of this Offering Memorandum, we have been notified that the investigation has closed and the public prosecutor has made a motion to a magistrate judge for the case to be "archived" (*archiviazione*) and we are waiting for the judge to rule on the matter. See *"Risk Factors—Risks Related to Our Business—We may be subject to claims or penalties relating to the working conditions of our employees"* and *"Risk Factors—Risks Related to Our Business—We may incur liabilities 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 December 1, 2003, and is registered under number 02402671206 with the Companies Register of Bologna (*Registro delle Imprese di Bologna*). The Issuer's registered office is at Via Ubaldo Poli, 4, 40069 Zola Predosa (BO) and its telephone number is +39 051 351 5111.

We have adopted a "dualistic governance system" within the meaning of Article 2409-*octies* et seq. of the Italian Civil Code and LD 231. The dualistic governance system vests authority of the Issuer in two organs, the Supervisory Board and the Management Board, each of which are designated with specific duties and responsibilities related to our corporate governance, supervision and administration.

## Management Board

The Management Board is composed of eleven members, who need not be shareholders of the Company, to be appointed by the Supervisory Board. At least one member of the Management Board must meet the independence requirements set forth in Article 148, paragraph three, of Decree No. 58. The Management Board remains in office for three financial years. The business address of each member of the Management Board is Via Ubaldo Poli, 4, 40069 Zola Predosa, Italy.

The following table sets forth the members of the Management Board appointed by the Supervisory Board as of the date of this Offering Memorandum.

Name	Age	Position
Mr. Claudio Levorato . . . . .	63	Chairman and Managing Director
Mr. Benito Benati . . . . .	75	Independent Member
Mr. Leonardo Bruzzichesi . . . . .	42	Member
Mr. Marco Bulgarelli . . . . .	60	Member
Mr. Marco Canale . . . . .	53	Member
Mr. Giuliano di Bernardo . . . . .	52	Member
Mr. Massimo Ferlini . . . . .	57	Independent Member
Mr. Mauro Masi . . . . .	62	Member
Mr. Marco Monis . . . . .	41	Member
Mr. Stefano Caspani . . . . .	34	Member
Mr. Luca Stanzani . . . . .	35	Member

Set forth below is certain biographical information relating to the members of our Management Board.

*Claudio Levorato* joined MSC in 1984 as chairman of the Board of Directors, and he has acted as managing director of the Issuer since 2003. He began his professional career in 1972, undertaking various roles for local public bodies and in 1980, he became chairman of a provincial association. Mr. Levorato also currently holds the position of director in a number of other companies, including MSC, Unipol Gruppo Finanziario S.p.A., Finsoe S.p.A., Holmo S.p.A., Centro Europa Recherche S.r.l. and Archimede 1 S.p.A.

*Benito Benati* graduated from commercial school in 1957. He began his professional career as a trainee at a commercial and tax consulting firm in Imola. In 1958, Mr. Benati was appointed treasury manager for an engineering company and, from 1959 to 1962, he acted as head of tax and administration for various Italian cooperatives. In 1962, he became head of administration for a manufacturer of wooden shutters. In 1965, Mr. Benati became head of administration of



an Italian stock corporation and in 1995 he was appointed as controller of the Group. Mr. Benati currently acts as director and auditor for various companies and is enrolled on the register of auditors.

*Leonardo Bruzzichesi* graduated from the "La Sapienza" University in Rome, Italy in 1995. He began his career as financial analyst at JP Morgan in New York. From 1997 to 1998 he worked at the insurance company INA S.p.A. and from 1996 to 1997 he worked as a financial analyst for a stock broker. He is also head of the Shanghai office of Private Equity Partners S.p.A.

*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.

*Marco Canale* 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. He currently serves as deputy general manager of MP Venture SGR S.p.A. and holds director position in numerous companies.

*Giuliano di Bernardo* began his professional career as sales supervisor for a newspaper, where he was responsible for sales planning and coordination. Between 1990 and 1996, he undertook the same role for a publishing company and then later for another newspaper. In 1997, he became head of commercial activities for a services consortium and was responsible for commercial development and promotion in the regions of Veneto, Trentino-Alto Adige and Friuli Venezia Giulia. Mr. di Bernardo joined MSC in 1999 as head of commercial activities for the Veneto region and, in 2005, he became head of marketing for a casino. In 2006, Mr. di Bernardo took on the role of head of regional promotion and development for the Issuer, and since October 2006 he has served as assistant to the managing director.

*Massimo Ferlini* began his career as researcher in 1983 at the Institute for Economic Policy at Luigi Bocconi University in Milan and has served been an environmental consultant for numerous companies since 1995. In addition to serving as independent director on the board of the Company, he is also a Member of the City of Milan's Municipal Council and a counselor for public works and ecology, Director of the Board of Italia Lavoro and Chief Executive Officer of Co.An.An. S.C.A.R.L., Chairman of the Ministry for the Environment's National Waste Observatory, Director of the Board and Chairman of OL Coop and Director of Obiettivo Lavoro S.p.A., Chairman of Compagnia delle Opere di Milano and National Deputy Chairman, council member of the Milan Chamber of Commerce.

*Mauro Masi* obtained a diploma as a land surveyor and began his professional career as a technician for an engineering company. In 1972, he worked for a technical office as construction site specialist. Between 1973 and 1988, Mr. Masi worked for a building cooperative undertaking various roles, including assistant to the head of commercial activities and as head of service study, bids and tender processes. Mr. Masi joined MSC in 1989 as manager of MSC's building division and was appointed as manager of MSC's integrated services division in 2000. In 2005, he was appointed as manager of the building constructions division of the Group. He currently also serves as director of the Board of MSC, as well as Manutencoop Immobiliare S.p.A. and Nugareto Società Agricola Vinicola S.r.l.

*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 with responsibility for 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.

*Stefano Caspani* began his career in 2002 at L.E.K. Consulting where he conducted many due diligences for Italian and international private equity funds and worked on a variety of assignments as team manager for a number of clients, mostly in the pharmaceutical and transportation sector. In 2008, Mr. Caspani joined IdeA Capital Funds, the main Italian independent private equity operator, as an investment manager. In IdeA, he is involved in analyzing and assessing new investment opportunities across a wide range of business sectors and completed 9 transactions over the last 5 years. He currently also serves as director of Iacobucci HF Electronics S.p.A. Mr. Caspani graduated in 2001 from Luigi Bocconi University in Milan, *cum laude*.

*Luca Stanzani* began his career in 2003 as a consultant at DTN Consulenza, a strategic consulting firm that advises on social responsibility, stakeholder relations and internal audit matters for PSEs/healthcare customers, nonprofits and cooperatives. In 2008, Mr. Stanzani joined our Group as director of communication and social responsibility, a position he still holds. Mr. Stanzani holds a degree in sociology from the University of Urbino and a master's degree in public administration, communication and management from the University of Parma Center for Studies at La Cremeria in Cavriago (Reggio Emilia).

## Supervisory Board

The Supervisory Board is composed of 9 members, elected at the shareholders' meeting of April 29, 2011 and will remain in office for three financial years. The members of the Supervisory Board are elected based on lists of nominees presented by the shareholders. At least one member of the Supervisory Board must meet the independence requirements set forth in Article 148, paragraph two, of Decree No. 58. The business address of each member of the Supervisory Board is Via Ubaldo Poli, 4, 40069 Zola Predosa, Italy.

The following table sets forth the members of the Supervisory Board as of the date of this Offering Memorandum.

Name	Age	Position
Mr. Fabio Carpanelli . . . . .	74	Chairman
Mr. Antonio Rizzi . . . . .	47	Vice-Chairman
Mr. Stefano Caselli . . . . .	43	Member
Mr. Roberto Chiusoli . . . . .	48	Member
Mr. Guido Giuseppe Maria Corbetta .	54	Member
Mr. Massimiliano Marzo . . . . .	45	Member
Mr. Massimo Scarafuggi . . . . .	46	Member
Mr. Pierluigi Stefanini . . . . .	59	Member
Mr. Giovanni Toniolo . . . . .	71	Member

Set forth below is certain biographical information relating to the members of our Supervisory Board.

*Fabio Carpanelli* obtained a degree in accounting and business and is enrolled in the register of auditors. In 1964, he was appointed administrative director of the Terraioli Cooperative and from 1968 to 1971 he served as its chairman. From 1967 to 1972, Mr. Carpanelli was also a

director of AMNU (Azienda Municipalizzata Bologna), a company owned by the municipality of Bologna. From 1972 to 1995, he acted as chairman and director for various companies and cooperatives, including Unipol Banca (formerly known as Banec). Since 1995, Mr. Carpanelli has been a member of the chairman's office of ANCPL—Legacoop Bologna. He currently serves as chairman of the foundation "Storia e Civiltà della Cooperazione" and Autostazione di Bologna S.p.A. and is a director of IGD Immobiliare Grande Distribuzione S.p.A.

*Antonio Rizzi* is a professor of civil law at the University of Florence and is admitted to serve before the Italian Supreme Court. He has previously been a member of the Vietti Commission for the reform of Italian civil law. Mr. Rizzi specializes in Italian cooperatives and is the author of various articles on issues relating to civil and commercial law. Mr. Rizzi has acted as a consultant to major public entities and private companies and as an external commissioner of companies subject to extraordinary administration procedures.

*Stefano Caselli* is a professor of economics of financial intermediaries at Luigi Bocconi University of Milan. He is the author of various international publications and the academic director of MIM, Master in International Management at CEMS and of the Executive Master in Corporate finance and banking at SDA Bocconi. He is a member of the scientific committee of EVCA—European Venture Capital Association and an independent director of the board of MP Venture SGR S.p.A.

*Roberto Chiusoli* graduated in business and economics from the University of Bologna in 1989. He is a certified accountant and has been a registered accountant since 1992 and a registered auditor since 1995. From 1989 to 1991, he acted as tax consultant at a consulting firm. From 1991 to 1996, he acted as auditor of a company and earned the title of tax audit manager. Since 1996, he has been head of the tax department of an Italian cooperative.

*Guido Giuseppe Maria Corbetta* is a professor of strategy and business policy at Luigi Bocconi University of Milan and a member of the Bocconi University Rectorate Committee and serves as dean of the Bocconi Graduate School. He is also the holder of the AldAF—Alberto Falck chair in Strategic Management in family businesses and Chairman of the International Committee of the Entrepreneurship Division, Academy of Management. He is co-director of the Ernst & Young Italia Scientific committee, and a director on the board for numerous companies.

*Massimiliano Marzo* graduated in business and economics from the University of Bologna in 1992. In 1996, he earned a master of arts in economics from Yale University and, in the same year, a PhD in political economy at the University of Bologna. In 1997, Mr. Marzo earned a master of philosophy in economics and, in 2002, a PhD in economics at Yale University. He is currently associate professor of political economy at the Faculty of Economy at the University of Bologna and at the University of Forlì.

*Massimo Scarafuggi* obtained a degree in business and economics from the University of Florence in 1991. He began his professional experience as an auditor at "Reconta Ernst & Young". Since 1993, he has acted as tax consultant for various companies. He is currently an auditor for a number of listed companies in a variety of industries, including banks and other financial institutions. He is chairman of listed company Montefibre S.p.A., of the bank Cassa di Risparmio di Lucca Pisa Livorno, and of Bipitalia Ducato S.p.A., a consumer credit company. He serves as statutory auditor of MPS Venture SGR S.p.A. He also serves as statutory auditor of Angelantoni Industrie S.p.A. and MPSS. From February 2005 to January 2007, during the extraordinary administration of the Parmalat Group by an external commissioner, Mr. Scarafuggi acted as statutory auditor of Parma Football Club S.p.A.

*Pierluigi Stefanini* was Chairman of Bologna Legacoop from 1990 to 1998. From 1995 to 1998, he was Deputy Chairman of the Emilia-Romagna Regional Legacoop and from 1996 to 1999, Deputy Chairman of Banca di Bologna (Banca di Credito Cooperativo) and from 1998 to 2006 he was Chairman of Coop Adriatica. He serves on the management board of Banca Monte dei Paschi di Siena and of Banca Nazionale del Lavoro S.p.A. (since 2006), the Cassa di Risparmio di

Bologna Foundation (since 2005) and the Company Aeroporto G. Marconi di Bologna (since 2004). He currently serves as the Chairman of Unipol Gruppo Finanziario S.p.A.

*Giovanni Toniolo* graduated in business and economics from Ca' Foscari University in Venice and attended a post-graduate course at Harvard University. From 1996 to 2007, he was professor of history of economics at the University of Rome. From 1996 to 1999, he was dean of Venice International University and is currently a director of the university. From 1994 to 2006, he was vice-chairman of Fondazione di Venezia (formerly known as Fondazione Cassa di Risparmio di Venezia). Mr. Toniolo was a visiting fellow at Oxford University from 1977 to 1994 and has also been a visiting professor at other educational establishments: in 1971, the University of Connecticut; in 1983, Hitotsubashi of Tokyo; and, in 1991, Berkeley University. Mr. Toniolo is currently research professor of economics at Duke University. He is also a professor at LUISS (Libera Università di Scienze Sociali) in Rome. He is a research fellow at the Centre for Economic Policy Research in London, a member of the European Academy and co-director of the History of Economy journal. He is author of various articles and he regularly contributes to the Italian financial newspaper *Il Sole 24 Ore* and *LaVoce.com*. He is currently a member of the board of directors of Fondazione Venezia.

## Corporate Governance

The duties and responsibilities of our Supervisory Board and Management Board are briefly set out below.

### *The Supervisory Board*

The shareholders appoint the members of the Supervisory Board for a period of three years. According to our articles of association, the Supervisory Board consists of nine members, of which one member must be a certified public accountant and . The Supervisory Board is in charge of, *inter alia*:

- approving the annual financial statements and the annual consolidated financial statements of the Group;
- according to recommendations of the Nominating Committee, appointing and revoking the members of the Management Board;
- according to the recommendations of the Remuneration Committee, setting executive and director compensation;
- exercising internal control and monitoring the performance thereof and the efficacy of the Issuer's internal systems; and
- reporting to shareholders at the relevant meetings regarding various corporate matters.

The Supervisory Board has three committees: Internal Audit, Nominating and Remuneration.

### *Internal Audit Committee*

The Internal Audit Committee is comprised of three members of the Supervisory Board, of which one member must be a certified public accountant enrolled with the relevant professional body. The functions of the Internal Audit Committee are to provide proposals and recommendations to the Supervisory Board with respect to the Issuer's internal audit, risk management and accounting systems. The current members are Massimo Scarafuggi, Massimiliano Marzo and Roberto Chiusoli.

### *Nominating Committee*

The Nominating Committee is comprised of five members of the Supervisory Board. The functions of the Nominating Committee are to, *inter alia*, provide proposals to the Supervisory Board regarding the number and composition of the Management Board as well as to evaluate

the competence, knowhow and experience of members of the Management Board and periodically evaluate the structure, size and composition of the Management Board in light of the performance of management. The current members are Antonio Rizzi, Pierluigi Stefanini, Giovanni Toniolo, Stefano Caselli and Guido Giuseppe Maria Corbetta.

#### *Remuneration Committee*

The Remuneration Committee is comprised of five members. The functions of the Remuneration Committee are to provide proposals to the Supervisory Board regarding the executive compensation of the members of the Management Board as well as monitoring the Supervisory Board's decision in such respects and to periodically evaluate criteria for the setting of compensation of managers with strategic responsibilities. The current members are Fabio Carpanelli, Antonio Rizzi, Pierluigi Stefanini, Stefano Caselli and Guido Giuseppe Maria Corbetta.

#### ***The Management Board***

The Supervisory Board appoints the members of our Management Board for a period no longer than three years, though members can be reelected. According to our articles of association, the Management Board is appointed by the Supervisory Board and consists of eleven members, of which one member must be an independent director within the meaning of Italian law.

The Management Board is in charge of, *inter alia*, the management of the Issuer and the performance of all operations necessary for implementing the business purpose thereof in compliance with the general strategies and plans established by the Management Board itself.

#### *Related Party Transactions Committee*

The Related Party Transactions Committee is comprised of five members of the Management Board. The functions of the Related Party Transactions Committee are to establish the means by which related party transactions will be approved through setting specific regulations, identify related parties and the applicable transactions, establish the information and documentation which should be provided to the relevant board of directors or other decision-making body of the relevant Group company in order to consider the related party transaction, establish the timetable and content of the information to be provided thereunder and monitor that the procedures have been consistently applied throughout the Group. The current members are Massimo Ferlini, Marco Canale, Marco Monis, Stefano Caspani and Leonardo Bruzzichesi.

#### ***Organizational Model***

We have also adopted for our Facility Management Segment and our Laundering and Sterilization Segment the organizational and management model prescribed by LD 231 which introduced a system with respect to internal management controls, risk management and internal reporting informed by best practices and guidelines prepared by industry groups in consultation with the Italian Ministry of Justice. See "*Business—Regulation—General Overview.*"



## Principal shareholders

### The Issuer

As of March 31, 2013, our share capital amounted to €109,149,600 divided into 109,149,600 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 our share capital since March 31, 2013.

MSC owns 71.89% of our ordinary shares. Our remaining ordinary shares are held by several financial investors. The following table sets forth certain information regarding the ownership of our shares as of the date of this Offering Memorandum and as of the date that the sale of 7.03% of the Issuer's share capital by the financial investors to MSC will be legally effective (expected in 2016):

	Amount of shares (actual)	Percentage of share capital (actual)	Amount of shares (expected in 2016)	Percentage of share capital (expected in 2016)
Manutencoop Società Cooperativa <sup>(1)</sup> .	78,466,434	71.89%	86,137,226	78.92%
Financial investors <sup>(2)</sup> . . . . .	30,683,166	28.11%	23,012,375	21.08%
<i>of which</i>				
MPVenture SGR S.p.A. . . . .	6,063,867	5.56%	4,547,900	4.17%
Private Equity Partners SGR S.p.A. . .	5,529,033	5.07%	4,146,775	3.80%
Idea Capital Funds SGR S.p.A. . . . .	4,365,984	4.00%	3,274,448	3.00%
21 Investimenti SGR S.p.A. . . . .	3,465,067	3.17%	2,598,800	2.38%
Cooperare S.p.A. . . . .	3,465,067	3.17%	2,598,800	2.38%
Unipol Banca S.p.A. . . . .	2,598,800	2.38%	1,949,100	1.79%
Other financial investors <sup>(3)</sup> . . . . .	5,195,348	4.76%	3,896,512	3.57%
<b>Total</b> . . . . .	<b>109,149,600</b>	<b>100.00%</b>	<b>109,149,600</b>	<b>100.00%</b>

(1) MSC is a cooperative formed in 1938 and our controlling shareholder. Its main business activity is employee leasing to the companies it owns as well as providing a range of employment, social and professional opportunities to its over 600 members. Pursuant to an agreement between MSC and the various financial investors MSC has purchased 7.03% of the Issuer's share capital from such financial investors pursuant to a deferred compensation arrangement, though voting and economic rights were transferred as of July 1, 2013, legal title will be transferred when MSC makes full payment (expected in 2016) (see "*Shareholders' Agreement and other arrangements between our shareholders*").

(2) The relations between MSC and the certain financial investors that have become non-controlling shareholders is governed by the MFM Shareholders' Agreement as discussed under "*Shareholders' Agreement*."

(3) Includes various financial investors each with a shareholding of less than 2%, including Mediobanca—Banca di Credito Finanziario S.p.A.

### Our controlling shareholder

Our controlling shareholder is the Italian *società cooperativa* MSC, a "predominately mutualistic" cooperative pursuant to Italian law, whose primary purpose is to grant its shareholders with employment stability on more favorable terms than would be available in the market. The following is a brief description of certain characteristics of our controlling shareholder 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.

## **Shareholders' Agreement and other arrangements between our shareholders**

We were party to a Shareholders' agreement governed by Italian law and dated December 23, 2008 (the **"MFM Shareholders' Agreement"**) by and between MSC, the management companies of certain investment funds (the **"Funds"**), Cooperare S.p.A. (**"Cooperare"**), Unipol Banca S.p.A. (**"Unipol"**) and Mediobanca—Banca di Credito Finanziario S.p.A. (**"Mediobanca"**) and together with MSC, the Funds, Cooperare Sviluppo and Unipol, the **"Parties"**).

The MFM Shareholders' Agreement was terminated by mutual consent by the Parties on July 1, 2013 and on the same day, the Parties executed a new shareholders' agreement the (**"2013 MFM Shareholders' Agreement"**) and a new put and call agreement (the **"2013 Put and Call Agreement"**) and collectively with the 2013 MFM Shareholders' Agreement, the **"2013 Agreements"**). The 2013 Agreements are valid until July 2018.

In connection with the 2013 Agreements, the Parties other than MSC (the **"Investor Parties"**) each agreed to sell a quarter of their respective holdings (equal to 7,670,792 total shares or 7.03%) in the Issuer's share capital to MSC for €44.3 million. The transfer of such shares will be effective as follows. The transfer of the economic and voting rights related to the shares became effective as of July 1, 2013, while the transfer of the ownership of the shares will become effective upon the full payment of such shares by MSC which will be made pursuant to a deferred compensation mechanism as described below. The relevant purchase price must be paid by MSC (principal and interest in the measure of 7.5% per year) on July 1, 2016, or, (x) on such earlier date if the Issuer completes a listing of its ordinary shares prior to July 1, 2016, or (y) on July 1, 2017 or such earlier date that the Issuer's ordinary shares become listed, provided that the Issuer's general meeting of shareholders has agreed to proceed with the listing process as of July 1, 2016 but such process is not complete as of July 1, 2016. Following the sale of Investor Parties' interests, MSC's interest in the share capital of the issuer will be increased to 78.92% following the full payment of the price according to the 2013 MFM Shareholders' Agreement.

### **Supervisory and Management Board composition**

The MFM Shareholders' Agreement governs, among other things, the corporate governance of the Issuer. The Parties have agreed to cause that the Issuer's Supervisory Board consists of nine members, seven of which will be designated by MSC and two by the minority list submitted by the Funds.

The Management Board consists of eleven members, seven of which, including the chairman and the vice chairman, will be designated by the majority list as provided by Article 49 of the Issuer's by-laws (i.e. designated by MSC), and four of which are designated from the list submitted by the two members of the Nominating Committee elected by the minority list.

The parties agreed that the qualified majority rule, requiring nine affirmative votes, including at least three of the four members designated by the Funds, applies, *inter alia*, for the following matters:

- (i) purchase of shares or quotas, companies or business units, for an enterprise value exceeding €30 million;
- (ii) sale of shares or quotas, companies or business units, for an enterprise value exceeding €30 million;
- (iii) request of financing, when the aggregate amount of such financing exceeds €40 million.

In the event that Mr. Claudio Levorato ceases to hold office as Chairman and CEO, the number of the members of the Management Board would increase to thirteen members in order to have eight members designated by the majority and five designated by the minority.

### **Corporate governance provision**

Resolutions of ordinary shareholders' meetings in respect of the following matters require the affirmative vote of at least 93.0% of the outstanding share capital of the Issuer: (i) profit distribution not complying with the approved business plan; (ii) extraordinary dividend distribution; (iii) the purchase of MSC's own shares; and (iv) the pledge or other encumbrance of the shares of MSC.

All resolutions of extraordinary shareholders' meetings require the affirmative vote of at least 93.0% of the outstanding share capital of the Issuer except that all resolutions strictly connected with an IPO which will be adopted with the majority prescribed by law even if an extraordinary meeting resolution shall be necessary.

By means of the termination of the MFM Shareholders' Agreement, the financial investors no longer have any ability to veto an IPO. According to the 2013 MFM Shareholders' Agreement, the affirmative vote of MSC's appointees to the Issuer's competent bodies is sufficient to cause the Issuer to proceed with an IPO without the affirmative vote of such financial investors' appointees. Should the Issuer's competent bodies ever resolve to proceed with a public listing of the Issuer's shares (an "IPO"), then MSC will grant to the Investor Parties a certain return ("Target Value") from the listing of their shares. If the Investor Parties do not receive the Target Value, then MSC will be obligated to pay to the Investor Parties the amounts necessary to reach the Target Value (with an aggregate cap of €40.0 million).

### **Lock-up provision and transfer restrictions**

Each shareholder agreed not to transfer its shares to third parties, except with the consent of all the other shareholders, with the exception of the following cases:

- in case of transfer from MSC to other companies belonging to the Group, with the prior consent of the Investor Parties, which will not be unreasonably withheld;
- in case of transfer from a Fund to the management companies funds signatories to the MFM Shareholders' Agreement or other Funds directly or indirectly managed by such management companies, with the prior consent of MSC, Cooperare, Unipol and Mediobanca and the other Funds, which will not be unreasonably withheld;
- in case of transfer from Cooperare to other companies belonging to its group, with the prior consent of the Funds, MSC, Unipol and Mediobanca, which will not be unreasonably withheld;
- in case of transfer from Unipol to other companies belonging to its group, with the prior consent of the Funds, MSC, Cooperare and Mediobanca, which will not be unreasonably withheld; and
- in case of transfer from Mediobanca to other companies belonging to its group, with the prior consent of the Funds, MSC, Cooperare and Unipol, which will not be unreasonably withheld.

The transferring party remains jointly liable with the new shareholder for the obligation arising out of the 2013 MFM Shareholders' Agreement. Furthermore the transferring party will be obliged to cause the new shareholder to accede to the 2013 MFM Shareholders' Agreement.

The Parties agreed not to pledge or create any encumbrances on their shares.

### **Pre-emption rights**

Notwithstanding the above mentioned lock-up provision, in case any of the shareholders has the intention to sell all or a portion of its shares, the other Parties have a *pro rata* pre-emption right on such shares and in cases where one shareholder does not exercise such right, the *pro rata* pre-emption rights of the other Parties will be increased correspondingly, *provided however, that* if the shareholder seeking to transfer its shares is a Fund, the other Funds have pre-emption rights to purchase such shares (exercisable before the other parties), which if unexercised, is opened to the other Parties.

***Tag-along rights***

Notwithstanding the foregoing lock-up provision and in case the pre-emption rights are not exercised, the transfer of all or a portion of the entire participation held by MSC (except for the transfer to a company belonging to the MFM group), is subject to the right of co-sale in favor of each Fund, Cooperare, Unipol and Mediobanca.

***Put and call option***

The 2013 Put & Call Agreement grants the Investor Parties the right to oblige MSC to purchase the entirety of each Investor Parties' respective participations in the Issuer's share capital during a specified period as described below and, additionally, MSC is granted the right to oblige the Investor Parties to sell the entirety of their respective participations in the Issuer's share capital during a specified period as described below. The put option granted by MSC to each of the Investor Parties can be exercised, in full but not in part, from the date that is three years from the date of the 2013 Put & Call Agreement for a period of 30 business days. If the Issuer has resolved to proceed with an IPO, the put option right will be suspended for up to one year and the put option will be cancelled upon completion of an IPO of the Issuer's shares. The purchase price for the put in the 2013 Put & Call Agreement will be equal to €5.772 per share subject to the payment of interest in case of suspension for the IPO.

If the put option granted by the 2013 Put & Call Agreement is not exercised by a Party, MSC will have a call option to purchase the Issuer's shares from such Parties. MSC will be able to exercise this call option for a period of 3 months starting from the date that is 20 business days following the expiration of the put options.

The purchase price for the call in the 2013 Put & Call Agreement will be equal to €6.518 per share.

***Distribution of dividends***

The 2013 MFM Shareholders' Agreement includes a provision in which the Parties agreed not to cause the Issuer to distribute any dividends for so long as the 2013 Shareholders' Agreement is in force.

## Certain relationships and related party transactions

*The following sets forth information relating to transactions between us and members of the Board of Directors and other related parties with reference to Article 2428 of the Italian Civil Code. For a description of certain other related party transactions, see footnote 35 to our Audited Consolidated Financial Statements as of and for the year ended December 31, 2012 and footnote 13 to our Unaudited Interim Condensed Consolidated Financial Statements as of and for the three months ended March 31, 2013.*

*We believe that the transactions detailed below and in the footnotes 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 the Issuer's financial statements. MSC not only provides technical-production services relating to the Issuer's 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.*

We maintain a number of contractual arrangements with our controlling shareholder, MSC. The most prominent such dealings for the years ended December 31, 2010, 2011 and 2012 related to costs we paid to MSC for employee leasing, such costs amounted to €36 million, €34 million and €37 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 entered into on January 1, 2010, which is set to expire on December 31, 2015. We also lease from MSC certain warehouses and other offices in Zola Predosa (Bologna) and Modena.

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 parties may agree from time to time that part or all of such advances and the debt generated therefrom will be repaid in installments. The same mechanism is provided for under the tax consolidation agreements with the other participating entities which are party to the domestic tax consolidation currently in force among MSC and certain of its direct and indirect subsidiaries.

We also use the name "Manutencoop" pursuant to licenses of national and EU trademark from MSC. See *"Business—Intellectual Property."*

We have 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, 2013, we valued our total exposure under IFRS 3 to such arrangements at €33.0 million. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Arrangements with Non-controlling Interests 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, 2013
Gruppo Sicura . . . . .	20%	Earn-out	€8.0 million
		Put and call	€12.1 million
Lenzi S.p.A. . . . .	40%	Put and call	€8.0 million <sup>(1)</sup>
Cofam S.r.l. . . . .	40%	Put and call	€3.5 million
Unilift S.r.l. . . . .	21.46%	Earn-out	€0.2 million
		Put and call	€0.9 million
Nettuno Ascensori S.r.l. . . . .	25%	Put and call	€1.0 million (put) <sup>(2)</sup> €0.2 million (call) <sup>(2)</sup>
E.P. Servizi S.r.l. . . . .	30%	Put and call	€0.6 million <sup>(2)</sup>
S.I.E. S.r.l. . . . .	—	Earn-out	€37 thousand
Mind S.r.l. . . . .	—	Earn-out	€0.3 million

(1) On July 24, 2013, Mia purchased the 40% non-controlling interest in Lenzi S.p.A. See "Summary—Recent Developments."

(2) Since the exercise of the put option is within the discretion of Mia, IFRS 3 does not require a valuation of the put option; however, Mia's management made fair value estimates for both Nettuno and EP Servizi put and call options as of March 31, 2013.

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 and back-office support (including tax and payroll management). 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, 2010 . . .	25,287	73,065	500	141	23,960	31,331	15,431	4,609
Year ended December 31, 2011 . . .	32,140	74,449	348	153	27,373	39,791	17,043	4,368
Year ended December 31, 2012 . . .	16,325	70,844	259	172	29,646	27,333	27,868	13,379
Three months ended March 31, 2012 .	4,416	19,263	81	46	30,266	33,251	16,512	15,349
Three months ended March 31, 2013 .	4,049	18,792	50	47	33,654	29,496	27,932	6,766

Mediobanca—Banca di Credito Finanziario S.p.A., one of the Initial Purchasers, is a financial investor of the Issuer, with a shareholding of 1.6%. See "Plan of Distribution" for more information.

## 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

The following is a summary of the provisions of the Revolving Credit Facility to be provided under a super senior revolving credit facility agreement (the **"Revolving Credit Facility Agreement"**) to be entered into with, among others, the Issuer as original borrower, UniCredit Bank AG, Milan Branch as agent (the **"RCF Agent"**) and UniCredit Bank AG, Milan Branch as security agent, on or about the Issue Date, in connection with the Refinancing Transactions. The Issuer, MPSS and Servizi Ospedalieri are guarantors under the Revolving Facilities Agreement, each guaranteeing, subject to certain limitations, the obligations of the Issuer as borrower and the other guarantor(s).

#### Overview

The Revolving Credit Facility Agreement will provide for committed financing in the form of a €30.0 million Revolving Credit Facility.

The Revolving Credit Facility will be used to finance the general corporate purposes of the Issuer and its Restricted Subsidiaries (the **"Restricted Group"**) and/or the working capital needs of the Restricted Group including, without limitation, for making acquisitions and for capital expenditure purposes (provided that the maximum amount available for acquisition purposes will not exceed at any time €5,000,000) but excluding for payment of any dividend, redemption or other distribution in respect of share capital.

#### Utilization

The Revolving Credit Facility may initially be utilized by the Issuer. Any member of the Restricted Group organized under the laws of the Republic of Italy (and approved by the lenders under the Revolving Credit Facility (the **"RCF Lenders"**) representing 66⅔% of the commitments under the Revolving Credit Facility) or another jurisdiction (and approved by all the RCF Lenders), may become an additional borrower of the Revolving Credit Facility.

The Revolving Credit Facility Agreement contains various conditions that must be satisfied in order for the RCF Lenders to make a loan under the Revolving Credit Facility. One such condition requires the Issuer to comply with the Financial Covenant in certifying that, on the quarter-end date most recently preceding the utilization date for which quarterly financial statements of the Group are available, the ratio of total net debt to consolidated EBITDA of the Restricted Group (calculated on a *pro forma* basis using the consolidated EBITDA for the 12-month period ending on such quarter-end date and the total net debt as at the utilization date) is not higher than 5.5:1 if in relation to a 12-month period ending on or before September 30, 2014, 4.9:1 if in relation to a 12-month period ending after September 30, 2014 but on or before September 30, 2015 or 4.2:1 if in relation to a 12-month period ending after September 30, 2015.

#### Availability Period

The Revolving Credit Facility may be utilized from and including the Issue Date to June 30, 2016.

#### Interest and Fees

Loans under the Revolving Credit Facility will initially bear interest at rates per annum equal to EURIBOR plus a margin of 4.00% per annum. Provided that if a period of at least 12 months has expired since the original date of the Revolving Credit Facility Agreement, and no event of

default has occurred and is continuing, the margin on loans under the Revolving Credit Facility will be subject to reduction if certain leverage ratios are met.

If at any time the rate of interest payable by an borrower organized under the laws of the Republic of Italy (an **"Italian Borrower"**) in respect of a loan under the Revolving Credit Facility exceeds the maximum rate of interest permitted by Italian Law No. 108 of March 7, 1996 (the **"Italian Usury Legislation"**) at that time and that would constitute a breach of Italian Usury Legislation, then the rate of interest payable by that Italian Borrower in respect of the relevant loan will be capped, for the shortest possible period, at the maximum rate permitted under the Italian Usury Legislation.

A commitment fee will be payable on the aggregate undrawn and uncanceled amount of the Revolving Credit Facility from the Issue Date to the end of the availability period for the Revolving Credit Facility at a rate of 35% of the applicable margin for the Revolving Credit Facility. The accrued commitment fee will be payable quarterly in arrears, on the last day of the availability period of the Revolving Credit Facility and on the date the Revolving Credit Facility is cancelled in full or on the date on which an RCF Lender cancels its commitment. No commitment fee shall be payable prior to the Issue Date or if the Issue Date does not occur.

Default interest will be calculated as an additional 1% on the overdue amount.

The Issuer is also required to pay customary agency fees to the RCF Agent and the Security Agent in connection with the Revolving Credit Facility Agreement.

### **Repayments**

Loans under the Revolving Credit Facility must be repaid in full on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the Revolving Credit Facility will be repaid on the termination date which is June 30, 2016.

### **Prepayments**

The Revolving Credit Facility Agreement will allow for voluntary prepayment (subject to *de minimis* amounts) of the Revolving Credit Facility.

The Revolving Credit Facility Agreement will also require mandatory prepayment of the Revolving Credit Facility with certain net cash proceeds received by the Restricted Group from certain disposals of assets, to the extent that such net cash proceeds have not been applied for other permitted purposes.

The Revolving Credit Facility Agreement will require the mandatory prepayment and cancellation of all amounts due to the RCF Lenders under the Revolving Credit Facility upon a "change of control" or the sale of all or substantially all of the assets of the Group. The term, "change of control" will be defined in the Revolving Credit Facility Agreement to comprise, generally, the scenarios (1)(x) as set out under the definition of "Change of Control" under the caption "Description of the Notes—Certain definitions", (y) where MSC ceases to control and beneficially own more than 50% of the issued share capital and/or voting rights of the Issuer legally or beneficially own more than 50% of the total equity-related economic interest in the Issuer or (2) where MSC ceases to have the ability to determine the composition of the majority of the board of directors (or equivalent body) of the Issuer.

The Revolving Credit Facility Agreement will also require mandatory prepayment of the Revolving Credit Facility in the manner described in *"—Notes Purchase Condition"* below.

### **Guarantees**

Each of the Issuer, MPSS and Servizi Ospedalieri provide a guarantee of all amounts payable to the RCF Agent (each, an **"RCF Guarantee"** and together, the **"RCF Guarantees"**), the Security

Agent, the mandated lead arranger and the lenders under the Revolving Credit Facility as well as the counterparties to certain hedging agreements.

Subject to the Agreed Security Principles, within 45 days after the date of delivery of each annual and semi-annual audited consolidated accounts of the Restricted Group or within 45 days of its acquisition (as applicable), the Revolving Credit Facility Agreement requires that:

1. each member of the Restricted Group that has earnings before interest, tax, depreciation and amortization representing 5% or more of consolidated EBITDA of the Restricted Group or gross assets representing 5% or more of the gross assets of the Restricted Group (such member, a **"Material Company"**) become a guarantor under the Revolving Credit Facility Agreement (an **"RCF Guarantor"**);
2. any member of the Restricted Group that is a holding company of any Material Company (other than the Issuer) become an RCF Guarantor;
3. any member of the Restricted Group that is a Guarantor under the Notes become a RCF Guarantor; and
4. any member of the Restricted Group necessary to ensure that the RCF Guarantors represent not less than 80% of each of the consolidated EBITDA and the gross assets of the Restricted Group (subject to certain agreed security principles) (the **"Guarantor Coverage Test"**), respectively, become an RCF Guarantor until the Guarantor Coverage Test is satisfied.

### **Security**

On or about the Issue Date, the Revolving Credit Facility will be initially secured by first-ranking pledges over (i) all of the shares of each of the Guarantors, (ii) the Issuer's interest in the receivables in respect of the Proceeds Loans, (iii) the Issuer's interest in the receivables in respect of any Intercompany Loans, (iv) the Issuer's and MPSS' respective interests in respect of the Private Sector Contract Receivables, (v) the Issuer's and MPSS' respective interests in the Designated Bank Accounts and (vi) a special lien (*privilegio speciale*) over the movable assets of the Issuer.

The Revolving Credit Facility requires that, on each utilization date (other than with respect to a rollover loan) and on March 31, June 30, September 30 and December 31 of each year after the first utilization, the value of Private Sector Contract Receivables securing the Revolving Credit Facility, depending on the quality of receivables subject to security (such quality to be determined on the basis of agreed criteria set out in the Revolving Credit Facility) must be equal to or greater than a percentage ranging between 150% and 200% (or any other higher percentage agreed between the parties in case none of the agreed thresholds can be met with the Private Sector Contract Receivables available at the time to secure the Revolving Credit Facility) of the total commitments under the Revolving Credit Facility.

### **Representations and Warranties**

The Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status, binding obligations, non-conflict with constitutional documents, applicable laws or regulations or other obligations, power and authority, validity and admissibility into evidence, legal and beneficial ownership, governing law and enforcement of "finance documents" (as such term is defined in the Revolving Credit Facility Agreement), no insolvency, no proceedings pending or threatened, accuracy of most recent financial statements delivered, no misleading information, pensions, tax, environmental law, no sanctions and centre of main interests and establishments.

## **Covenants**

The Revolving Credit Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments) that are set forth in the section entitled "*Description of the Notes—Certain covenants.*"

The Revolving Credit Facility Agreement requires certain members of the Restricted Group to observe certain affirmative covenants, including covenants relating to:

- maintenance of *pari passu* ranking of the Revolving Credit Facility;
- maintenance of authorisations, intellectual property and insurance;
- compliance with laws, tax, environmental law, anti-corruption laws, sanctions, pensions schemes;
- compliance with the "Guarantor Coverage Test" (see "*—Guarantees*" above); and
- further assurance with respect to security interests granted in favor of the transaction documents.

The Revolving Credit Facility Agreement also requires certain members of the Restricted Group to observe certain negative covenants, including covenants relating to:

- restrictions on making certain acquisitions, intra-group transfers, payment on the Notes and other indebtedness not in compliance with Note Purchase Condition, factoring and receivables securitisation;
- changing the centre of main interests of certain obligors party to the Revolving Credit Facility in such capacity; and
- preservation of assets, change of business.

The Revolving Credit Facility Agreement also contains an information covenant under which, among other things, the Issuer is required to deliver to the RCF Agent annual financial statements, quarterly financial statements, compliance certificates and an annual budget.

## **Notes Purchase Condition**

The Revolving Credit Facility Agreement contains a "notes purchases" covenant, which provides, subject to certain exceptions set out in the Revolving Credit Facility Agreement, that the Issuer may not, and shall procure that no other member of the Restricted Group will, repay, prepay, purchase, redeem, defease or otherwise acquire any Notes (or any replacement or refinancing indebtedness thereof as permitted under the Revolving Credit Facility Agreement from time to time) prior to the scheduled repayment date. Any exception to such notes purchases covenant is permitted if all the following conditions are met:

- Notes purchases do not exceed 50% of the original aggregate principal amount of the Notes on the Issue Date or if Notes purchases exceed 50% of the original aggregate principal amount of the Notes on the Issue Date *provided* that the Revolving Credit Facility is reduced and cancelled on a *pro rata* basis with the amount of Notes purchased;
- the Financial Covenant for the relevant period ending on the most recent test date has been complied with and no breach of the Financial Covenant (as calculated on a pro-forma basis immediately before the proposed Notes purchase) would result from the proposed Notes purchase; and
- no default is continuing or would result from such Notes purchase under the Revolving Credit Facility Agreement.



### *Financial covenant*

The Revolving Credit Facility Agreement contains a "Financial Covenant, requiring that on the quarter-end date most recently preceding the utilization date for which quarterly financial statements of the Group are available, the ratio of total net debt to consolidated EBITDA of the Restricted Group (calculated on a *pro forma* basis using the consolidated EBITDA for the 12-month period ending on such quarter-end date and the total net debt as at the utilization date) was not higher than 5.5:1 if in relation to a 12-month period ending on or before September 30, 2014, 4.9:1 if in relation to a 12-month period ending after September 30, 2014 but on or before September 30, 2015 or 4.2:1 if in relation to a 12-month period ending after September 30, 2015, however, non-compliance with such condition will only give rise to a default under the Revolving Credit Facility Agreement if any utilizations are outstanding thereunder on the last 10 days prior to the relevant quarter-end date.

There are no other financial maintenance covenants under the Revolving Credit Facility Agreement.

### **Events of Default**

The Revolving Credit Facility Agreement contains events of default, with certain adjustments, as those applicable to the Notes as set forth in the section entitled "*Description of the Notes—Events of Default.*" In addition, the Revolving Credit Facility Agreement contains the following events of default:

- non-payment, breach of the financial covenant under the Revolving Credit Facility, subject to a 20 business day equity cure period;
- breach of the requirement to deliver financial statements and compliance certificates;
- representations or warranties found to be untrue or misleading, subject to a 20 day grace period;
- cross-default to certain third party financial indebtedness in excess of €20.0 million;
- insolvency, insolvency proceedings, creditors' process, expropriation of assets;
- cessation of business;
- audit qualification;
- invalidity, unlawfulness or repudiation of the "finance documents" (under and as defined in the Revolving Credit Facility Agreement);
- breach of a material term of the Intercreditor Agreement; and
- a material adverse change.

### **Governing Law**

The Revolving Credit Facility Agreement and any non-contractual obligations arising under or in connection with it are expressed to be governed by English law.

The following is a summary of certain provisions of the Intercreditor Agreement to be entered into between, among others, the Issuer, the RCF Agent, the Security Agent and the Trustee, on or about the Issue Date, in connection with the Refinancing Transactions.

## Intercreditor Agreement

### 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 Notes (iii) the Pari Passu Liabilities (as defined below), (iv) certain interest rate hedging agreements (each a **"Hedging Agreement"**) entered into in connection with each of clauses (ii) and (iii) above (together, the **"Hedging Liabilities"**), (v) certain intra-group indebtedness other than the Proceeds Loans (together, the **"Intra-Group Liabilities"**) and (vi) certain liabilities owed by any member of the Restricted Group (each a **"Shareholder Liabilities"**) to certain direct and indirect shareholders of the Issuer (together, the **"Shareholder Creditors"**);
- when payments can be made in respect of certain indebtedness of the ICA Group, including the Revolving Credit Facility, the Notes, the Intra-Group Liabilities and the Shareholder Liabilities;
- when 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 creditors of the Pari Passu Liabilities (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; and
- when the Transaction Security, the Guarantees, the RCF Guarantees and other Guarantee Liabilities will be released to permit an enforcement sale.

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, which may also be secured by the Transaction Security. Such indebtedness may, with respect to enforcement of Transaction Security (and the proceeds thereof) 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"**).

By accepting a Senior Secured Note, the relevant 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 Senior Secured Noteholders. 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 discussion that follows, defines certain rights of the Senior Secured Noteholders.

### 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 Notes Liabilities with respect to the proceeds of any enforcement of Transaction Security (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 **“Notes Liabilities”**) owed by the Issuer and the debtors under the Intercreditor Agreement (other than the Issuer) to the Senior Secured Noteholders and the Trustee (together, the **“Notes Creditors”**) under each of the Indenture, the Notes, the Intercreditor Agreement, the Guarantees and the Transaction Security Documents (together, the **“Notes Documents”**), (iv) the Senior Secured Hedging Liabilities, (v) the Pari Passu Liabilities (if any) (together, with the Notes Liabilities and the Senior Secured Hedging Liabilities, the **“Senior Secured Liabilities”**), (vi) the Intra-Group Liabilities and (vii) the Shareholder 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 Intra-Group Liabilities *pari passu* between themselves and without any preference between them; and
- *third*, the Shareholder Liabilities *pari passu* between themselves and without any preference between them.

### **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 and the creditors of any Pari Passu Liabilities may take, accept or receive the benefit of security interests over certain assets and property of any members of the Group (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 Super Senior Liabilities and the Senior Secured 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.

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 Hedge Counterparties, the creditors of any Pari Passu Liabilities and the Senior Secured Noteholders.

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**

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 such indebtedness, respectively, subject, in the case of the Notes, to compliance with the “notes purchase condition” covenant (see **“—Revolving Credit Facility—Covenants—Notes Purchase Condition”** above).

After the occurrence of an Acceleration Event (as defined below) no member of the Group may make (and no Senior Secured Notes Creditor may receive) a payment in respect of Senior Secured Notes Liabilities except from recoveries distributed in accordance with the payment waterfall described in **“—Waterfall”** below.

### *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 and any Pari Passu Liabilities has not been accelerated (if accelerated, each, an "**Acceleration Event**"); or
- (b) if an Acceleration Event has occurred:
  - (i) prior to the Super Senior Discharge Date, the relevant Instructing Group (as defined below) has consented to the payment being made; or
  - (ii) on or after the Super Senior Discharge Date but prior to the Senior Secured Discharge Date, the Majority Senior Secured Creditors (as defined below) consent to the payment being made; or
  - (iii) to the extent such payment is made to facilitate payment of the Super Senior Liabilities and/or the Senior Secured Liabilities.

### *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, the Notes Documents and the Pari Passu Debt Documents;
- (b) prior to the Super Senior Discharge Date, the relevant Instructing Group consent to such payment being made; or
- (c) on or after the Super Senior Discharge Date but prior to the Senior Secured Discharge Date, the Majority Senior Secured Creditors consent to such payment being made.

### ***Enforcement of Transaction Security***

The Security Agent may refrain from enforcing the Transaction Security or taking any other enforcement action unless otherwise instructed by the relevant Instructing Group (as further described in "*—Super Senior Creditors and Senior Secured Creditors*" and "*—Super Senior Creditors and Senior Secured Creditors—Consultation*" below).

### *Super Senior Creditors and Senior Secured Creditors*

On or prior to the date on which the Credit Facility Liabilities have been discharged in full (the "**Credit Facility Discharge Date**"), 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 (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 66⅔% of the aggregate of all unpaid and undrawn commitments under the Credit Facility Documents and the termination value or assumed termination value of all Super Senior Hedging Liabilities (the "**Majority Super Senior Creditors**"); and/or
- (b) the holders of the Notes, the creditors of any Pari Passu Liabilities and the Hedge Counterparties, the aggregate of whose Senior Secured Hedging Liabilities, together, represent in the aggregate more than 50% of the outstanding principal amount of the Notes and Pari Passu Liabilities and the termination value or assumed termination value of all Senior Secured Hedging Liabilities (the "**Majority Senior Secured Creditors**" and, with the Majority Super Senior Creditors, each an "**Instructing Group**"),

in each case, acting in accordance with the terms of the Intercreditor Agreement.

After the Credit Facility Discharge Date, the Security Agent will only act on the instructions of the holders of the Notes, the creditors of any Pari Passu Liabilities and the Hedge Counterparties, the aggregate of whose Hedging Liabilities, together, represent more than 50% of the outstanding principal amount of the Notes, Pari Passu Liabilities and the termination value or assumed termination value of such Hedging Liabilities.

#### *Consultation*

If either of the Majority Super Senior Creditors or the Majority Senior Secured Creditors wish to instruct the Security Agent to commence enforcement of any Transaction Security, the creditor representative(s) thereof shall deliver a copy of the instructions (or proposed instructions) as to such enforcement (the "**Enforcement Proposal**") to the Security Agent and each of the other creditor representative(s) for the Super Senior Creditors and the Senior Secured Creditors (as applicable).

The Security Agent shall commence implementation of the Enforcement Proposal provided that (for the period on or prior to the Credit Facility Discharge Date) it has not received any "conflicting enforcement instructions" (which includes a failure to deliver an instruction) in respect of such Enforcement Proposal from the creditor representative of either the Majority Super Senior Creditors or the Majority Senior Secured Creditors (as applicable) prior to the date which is 5 business days (or such shorter period as each relevant creditor representative shall agree) after the date of receipt of such Enforcement Proposal by the Security Agent (such date, the "**Proposed Enforcement Instruction Date**").

If the Security Agent has received conflicting enforcement instructions as set out above, it shall promptly notify the creditor representative for each of the Super Senior Creditors and the Senior Secured Creditors, following which, such creditor representatives must consult with each other and the Security Agent in good faith during the 30 day period (or such shorter period as each relevant creditor representative shall agree) (such period, the "**Initial Consultation Period**") following the earlier of (i) the date of the latest such conflicting enforcement instruction and (ii) the date falling 5 business days after the date on which the first Enforcement Proposal was received by the Security Agent, with a view to formulating joint enforcement instructions.

Notwithstanding the foregoing, no such Initial Consultation Period is required if:

- (a) any of the Transaction Security has become enforceable as a result of an insolvency event occurring with respect to any of the Issuer and certain other members of the ICA Group (each a "**Relevant Company**");
- (b) the Majority Super Senior Creditors or the Majority Senior Secured Creditors determine in good faith that to do so and thereby delay commencement of enforcement could reasonably be expected to have a material adverse effect on (i) the Security Agent's ability to enforce any of the Transaction Security or (ii) the realization proceeds of any enforcement of the Transaction Security in any material respect;
- (c) a period of not less than six months has elapsed since the Proposed Enforcement Instruction Date and no enforcement is being effected by the Security Agent; or
- (d) each creditor representative for the Super Senior Creditors and the Senior Secured Creditors agree that no Initial Consultation Period is required.

If the relevant creditor representatives are able to agree on the terms of joint enforcement instructions following the Initial Consultation Period, then the terms of any previous enforcement instructions shall be deemed revoked and the Security agent shall enforce the Transaction Security in accordance with the terms of the joint enforcement instructions, provided that such enforcement instructions were consented to by the Majority Super Senior Creditors and the Majority Senior Secured Creditors.



If following the Initial Consultation Period, both the Majority Super Senior Creditors and the Majority Senior Secured Creditors are not able to agree on joint enforcement instructions, or if consultation was not required to occur as described above, then the Security Agent shall enforce the Transaction Security in accordance with the terms of the enforcement instructions (if any) given by the Majority Senior Secured Creditors, provided that such instructions comply with the Security Enforcement Principles (as defined below), and the terms of all enforcement instructions given by the Majority Super Senior Creditors shall be deemed revoked.

Notwithstanding the foregoing, if, for the period on or prior to the Credit Facility Discharge Date, the Security Agent is obliged to follow instructions provided by the Majority Senior Secured Creditors (in accordance with the immediately foregoing paragraph) and either:

- (a) the liabilities of the ICA Group in respect of the Super Senior Liabilities have not been repaid or prepaid in full within six months of the end of the Initial Consultation Period;
- (b) the Security Agent has not commenced any enforcement of the Transaction Security within three months of the end of the Initial Consultation Period; or
- (c) an insolvency event has occurred with respect to a Relevant Company and the Security Agent has not commenced any enforcement of the Transaction Security or taken any other enforcement action at that time,

then the Security Agent shall, provided that such instructions comply with the Security Enforcement Principles, thereafter follow the enforcement instructions that are subsequently given by the Majority Super Senior Creditors (and the terms of all enforcement instructions previously given by the Majority Senior Secured Creditors which conflict with the instructions provided by the Majority Super Senior Creditors shall be excluded).

#### *Security Enforcement Principles*

A creditor representative of the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors (as the case may be) 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 (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 any one of BDO, Deloitte & Touche, Ernst & Young, Grant Thornton, KPMG or PricewaterhouseCoopers (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:

1. *first*, in payment of the following amounts in the following order:
  - (i) *pro rata* and *pari passu* any sums owing to the Security Agent, each *Pari Passu* Debt Representative in respect of any *Pari Passu* Liabilities issued in the form of notes and the Trustee in respect of its fees, costs and expenses (the "**Notes Trustee Amounts**"); and then
  - (ii) *pro rata* and *pari passu* to each creditor representative of the Super Senior Liabilities and the Senior Secured Liabilities (to the extent not included in sub-paragraph (i) above and excluding any Hedge Counterparty as its own creditor representative) of the unpaid fees, costs and expenses and liabilities (and all interest thereon) of each such creditor representative and any receiver, attorney or agent appointed by such creditor representative under any Transaction Security Document or the Intercreditor Agreement;
2. *second*, *pari passu* and *pro rata* in or towards payment of all costs and expenses incurred by the Super Senior Creditors in connection with any realization or enforcement of the Transaction Security;
3. *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;
4. *fourth*, *pari passu* and *pro rata* 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 any unpaid costs and expenses incurred by or on behalf of any Senior Secured Noteholders, any creditors of the *Pari Passu* Liabilities (the "**Pari Passu Creditors**") and the Senior Secured Hedge Counterparties in connection with any realization or enforcement of the Transaction Security;
5. *fifth*, in or towards payment to the Trustee, each *Pari Passu* Debt Representative and the Senior Secured Hedge Counterparties for application towards the discharge of the Notes Liabilities, the *Pari Passu* Liabilities and the Senior Secured Hedging Liabilities, respectively, on a *pari passu* and *pro rata* basis; and

6. lastly, after the latest to occur of the date on which all amounts outstanding in respect of the Super Senior Discharge Date and the Senior Secured Discharge Date, 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 or any other amounts which should otherwise be received, recovered or realized by the Security Agent for application in accordance with “—*Enforcement of Transaction Security—Waterfall*” above, then, subject to certain exceptions (including certain prior actual knowledge qualifications in respect of the Trustee), 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 and the Notes**

### *Distressed Disposals*

Where an enforcement sale of an asset of a member of the ICA Group or of a holding company 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 Guarantee Liabilities, its liabilities as a principal debtor under the liabilities governed by the Intercreditor Agreement (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**”), the Proceeds Loan 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, the Proceeds Loan Lender or another Debtor over the assets of that holding company and any subsidiary of that holding company.

### *Non-Distressed Disposals*

The Intercreditor Agreement will also provide for the release of the Transaction Security, the Guarantees, the RCF Guarantees and other Guarantee Liabilities 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).

## **Proceeds Loans**

On or about the Issue Date, the Issuer will make proceeds loans to (i) Servizi Ospedalieri in the amount of €32.2 million (the “**SO Proceeds Loan**”) and (ii) MPSS in the amount of €16.9 million (the “**MPSS Proceeds Loan**,” and collectively with the SO Proceeds Loan, the “**Proceeds Loans**”), in each case using a portion of the net proceeds from the Offering of the Notes.

The SO Proceeds Loan will be used to repay existing indebtedness and for working capital requirements of Servizi Ospedalieri.

The MPSS Proceeds Loan will be used to repay existing indebtedness and for working capital requirements of MPSS.

Interest on the Proceeds Loans 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 Loans 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 borrowers may not prepay the amounts due under the Proceeds Loans. The SO Proceeds Loan and the MPSS Proceeds Loan will be senior obligations of Servizi Ospedalieri and MPSS, respectively. We expect that the Proceeds Loans will permit Servizi Ospedalieri and MPSS, as applicable, to capitalize interest. The Issuer’s interest in the receivables under the Proceeds Loans will be pledged on a first-ranking basis to secure the Notes. The Proceeds Loans will also be pledged to secure the liabilities of Issuer under the Revolving Credit Facility and certain future hedging obligations, if any, and may also secure certain future indebtedness. 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 pledges of the Proceeds Loans in priority to the holders of the Notes. See “—*Intercreditor Agreement.*”

The Proceeds Loans will be governed by Italian law.

See also “*Risk Factors—Risks Related to the Notes in General—The rights of the Issuer to receive payments under the Proceeds Loans may be subordinated by law to the obligations of other creditors.*”

## **Banca Popolare di Vicenza Facility**

The Issuer entered into the Banca Popolare di Vicenza Facility on January 24, 2011 with Banca Popolare di Vicenza (“**BPV**”), as lender, to provide for €50.0 million to be repaid in eight different installments. The outstanding amount as of March 31, 2013 was €37.9 million.

The final maturity date of the Banca Popolare di Vicenza Facility is December 31, 2015.

The Banca Popolare di Vicenza Facility is governed by Italian law.

*Interest.* Six month EURIBOR plus a margin set at 1.40%.

*Guarantees.* The Banca Popolare di Vicenza Facility is unguaranteed.

*Security.* The Banca Popolare di Vicenza Facility is unsecured.

*Undertakings.* The Banca Popolare di Vicenza Facility contains, *inter alia*, the following undertakings in which the Issuer pledges to undertake the following actions: (i) open a bank account with BPV for purposes of receiving disbursement under the facility and to facility making repayments thereunder; (ii) inform BPV of any changes in its financial situation which

might prejudice its ability to repay the loan; and (iii) provide any documents concerning the Issuer requested by BPV; (iv) inform BPV of any credit lines opened with other banks.

*Events of default.* The Banca Popolare di Vicenza Facility contains customary events of default which permit BPV to accelerate and demand prepayment under the Banca Popolare di Vicenza Facility as well as the following: (i) liens or mortgages greater than €1.5 million are granted over the assets of the Issuer as a consequence of a judicial pronouncement or enforcement procedures are commenced in relation to a default greater than €1.5 million.

Moreover, the agreement may be automatically terminated by BPV in the event that the Issuer: (i) does not pay any of the installments of the loan granted under the Banca Popolare di Vicenza Facility or other ancillary payments, with the exception of the case such delay of payment is due to technical or administrative errors and the relevant payment is made within three working days from the payment date or (ii) does not fulfill any of the undertakings under the Banca Popolare di Vicenza Facility.

## **MPS Capital Services Facility**

The Issuer entered into the MPS Capital Services Facility on December 29, 2010 (as amended and restated on June 27, 2013) with MPS Capital Services Banca per le Imprese S.p.A. (“MPS”), as lender, to provide for €25 million to be used for the acquisition of the shares in other companies by the Issuer or its subsidiaries for a cost equal to €37.5 million. The outstanding amount as of March 31, 2013 to be repaid under MPS Capital Services Facility was €25.0 million.

The final maturity date of the MPS Capital Services Facility is December 22, 2017.

The MPS Capital Services Facility is governed by Italian law.

*Interest.* Six month EURIBOR plus a margin set at 4.25%.

*Guarantees.* The MPS Capital Services Facility is unguaranteed.

*Security.* The MPS Capital Services Facility is unsecured.

*Undertakings and financial covenants.* The MPS Capital Services Facility contains the following undertakings and financial covenants: (i) *pari passu* provision pursuant to which the obligations arising from MPS Capital Services Facility shall not be subordinated with respect to the obligations undertaken towards other unsecured and non-preferred creditors lenders; (ii) a right of first refusal is granted to MPS with respect to potential hedging transactions with a right to match in the event other banks make offers with regard to the transactions contemplated by the MPS Capital Services Facility; (iii) maintenance of the following ratio: PFN/ EBITDA  $\leq$  5.50, to be calculated at the end of each fiscal year on the consolidated financial statements of the Group, whereas “PFN” refers to net financial position; (iv) the Issuer undertakes to repay the MPS Capital Services Facility in the event of negative judgment of its financial statements by the external auditing firm certifying its financial statements; (v) the Issuer undertakes to repay the loan in the event of material adverse changes, such as involvement of the Issuer in a bankruptcy procedures, seizures, enforcement procedures, which might prejudice its ability to fulfill its obligations under the MPS Capital Services Facility.

*Events of Default.* The MPS Capital Services Facility contains customary events of default which permit MPS to accelerate and demand prepayment under the MPS Capital Services Facility.

## **CCFS Facility**

The Issuer entered into the CCFS Facility on January 24, 2013 (as amended and restated on June 12, 2013 with such amendments being conditional on the issuance of the Notes and the



signing of the Revolving Credit Facility) with Consorzio Cooperativo Finanziario per lo Sviluppo Soc. Coop. ("CCFS"), as lender, to provide for €18.0 million on guaranteed basis for the refinancing of the loan equal to €30.0 million previously granted by CCFS. The outstanding amount as of March 31, 2013 to be repaid under the CCFS Facility was €18.0 million.

The final maturity date of the CCFS Facility is January 29, 2016.

The CCFS Facility is governed by Italian law.

*Interest.* EURIBOR (at the beginning of each month) plus a margin set at 4.50% to be increased to 5.00% as of July 1, 2013 in connection with the amendment of the CCFS Facility.

*Keepwell.* The CCFS Facility is supported by a keepwell letter issued by MSC, the Issuer's controlling shareholder.

*Security.* The CCFS Facility is unsecured.

*Undertakings.* The CCFS Facility contains the following negative undertakings in which the Issuer pledges: (i) not to substantially modify its current business; (ii) not to carry out intragroup transactions other than those on arms' length basis; (iii) not to carry out certain financial transactions such as derivatives or foreign exchange derivatives, with the exception of those for legitimate hedging purposes. Moreover, the Issuer pledges to not undertake the following actions without the prior written consent of CCFS: (i) constitute a dedicated asset under the Italian Civil Code ("*patrimonio destinato*") for use for a specific purpose (e.g., acquisition) or to request loans dedicated to a specific transaction; (i) initiate a voluntary winding up proceeding; (iii) commence insolvency proceedings. In addition, the CCFS Facility contains certain affirmative covenants, in which the Issuer pledges, *inter alia*, to: (i) pay all taxes; (ii) maintain the keepwell provided by MSC under the CCFS Facility; (iii) subordinate the CCFS Facility to any shareholders' loans.

*Financial Covenant.* The amendment to the CCFS Facility provides that the Issuer will maintain a total net debt to EBITDA lower than 5.50.

*Events of Default.* The CCFS Facility contains customary events of default as well as the following, which permit CCFS to accelerate and demand prepayment under the CCFS Facility: (i) the keepwell under the CCFS Facility is invalid or its value is reduced; and (ii) the amendment to the CCFS Facility provides for a cross default according to which an event of default occurs in relation to other financing agreements entered into by the Issuer accordingly to which the Issuer shall repay in advance the loan for an amount greater than €20.0 million.

## **Liabilities due from associates and subsidiaries**

The following presents brief summaries of the liabilities due from associates and subsidiaries that will remain outstanding following the Refinancing Transactions.

Associates of the Issuer have entered into other financing agreements with (i) Banca Intesa Sanpaolo S.p.A., as lender with the outstanding amount of €353.0 thousand attributable to us in proportion to our participation in such associate as of March 31, 2013 and (ii) Banca di Bologna S.p.A. with an outstanding amount of €443.0 thousand attributable to us in proportion to our participation in such associate as of March 31, 2013.

In addition, a subsidiary of Mia has entered into other minor financing agreements with an outstanding amount of €276.0 thousand as of March 31, 2013.

## **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. As of March 31, 2013, the amount of future rental fees deriving from such financial leases was €2.2 million.

## **Non-Recourse (*pro soluto*) Factoring Facilities**

We have historically relied on sales of trade receivables pursuant to the non-recourse factoring programs described below to manage in part the working capital requirements of our trade receivables. We expect that following the Refinancing Transactions, the Intesa Sanpaolo Factoring Facility will remain outstanding but we do not intend to make sales of trade receivables thereunder in the near term as we intend to utilize a portion of the net proceeds of the Notes offered hereby to finance working capital requirements previously satisfied in part through the sale of trade receivables. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.*”

### ***Intesa Sanpaolo Factoring Facility***

On September 27, 2011 the Issuer and MPSS (each an “**ISP Assignor**” collectively, the “**ISP Assignor**”) entered into a factoring facility agreement with Banca IMI S.p.A. (until June 2012) and Intesa Sanpaolo S.p.A. (which replaced Banca IMI S.p.A. subsequent to June 2012) (each an “**ISP Factor**” and collectively, the “**ISP Factors**”) and Accounting Partners S.r.l., as program administrator, in relation to the sale of certain trade receivables by the ISP Assignors to the ISP Factors (the “**Intesa Sanpaolo Factoring Facility**”). On or about the Issue Date, the Intesa Sanpaolo Factoring Facility will be amended to reduce the maximum amount available thereunder to €93.0 million; such amendment being conditional on the issuance of the Notes and the signing of the Revolving Credit Facility.

In addition, on September 27, 2011, the ISP Assignors, the ISP Factors and Accounting Partners S.r.l. entered into a servicing agreement, pursuant to which the Issuer was appointed as servicer to manage and recover the trade receivables assigned to the Factors. The proceeds from the sale of the trade receivables, minus the relevant discount, are credited to specific bank accounts in name of the ISP Assignors (the “**ISP Factoring Accounts**”) and the ISP Factoring Accounts are pledged by the ISP Assignors in favor of the ISP Factors in accordance with the Intesa Sanpaolo Factoring Facility as discussed in the paragraph “*Factoring Accounts*” below.

**Duration.** The Intesa Sanpaolo Factoring Facility operates on a rolling quarterly basis during which time the ISP Factor is committed to purchasing up to the maximum amount of trade receivables that meet certain credit criteria and subject to a minimum level of sales by the ISP Assignors. The Intesa Sanpaolo Factoring Facility definitively expires in September 2017.

**Commercial Terms of Payment.** The ISP Assignors receive a cash payment from the servicer (which, as provided by the servicing agreement is the Issuer itself), 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 Intesa Sanpaolo Factoring Facility.

**Recourse.** The Intesa Sanpaolo Factoring Facility is non-recourse to the ISP Assignors.

**Factoring Accounts.** The ISP Assignors can utilize the funds in the ISP Factoring Accounts only for the payments due to the ISP Factors under the Intesa Sanpaolo Factoring Facility. The ISP Factoring Accounts are classified in the Issuer’s financial statements as a “current financial receivable” (see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Net financial indebtedness*”). Certain bank accounts of the ISP Assignors held at the ISP Factors into which payments on trade receivables which have previously been sold or transferred under the Intesa Sanpaolo Factoring Facility are subject to a lien in favor of the ISP Factors.

*Termination.* The Intesa Sanpaolo Factoring Facility contains customary termination clauses, pursuant to which the ISP Factors are entitled, at the occurrence of certain events, to terminate the Intesa Sanpaolo Factoring Facility upon giving notice.

***Crédit Agricole Factoring Facility***

On March 19, 2007, the Issuer and Servizi Ospedalieri (each a “**CA Assignor**” and collectively, the “**CA Assignors**”) entered into a factoring facility agreement with Calyon-Corporate and Investment Bank (now called Crédit Agricole Corporate and Investment Bank)(the “**CA Factor**”) and Eurofactor S.A., as program administrator, in relation to the sale of certain trade receivables by the CA Assignors to the CA Factor for €40.0 million under the terms and conditions of the agreement (the “**Crédit Agricole Factoring Facility**”). The terms of the Crédit Agricole Factoring Facility are otherwise broadly in line with the terms of the Intesa Sanpaolo Factoring Facility. We do not intend to make further sales of trade receivables under the Crédit Agricole Factoring Facility and, following the issuance of the Notes, the Crédit Agricole Factoring Facility will be wound down.

## Description of the Notes

Manutencoop Facility Management S.p.A., a joint stock company organized under the laws of Italy (the "*Issuer*"), will issue €425 million in aggregate principal amount of euro-denominated 8.5% senior secured notes due 2020 (the "*Notes*") under an indenture (the "*Indenture*") between, among others, itself, the Guarantors, The Law Debenture Trust Corporation p.l.c., as the trustee (in such capacity, the "*Trustee*"), and UniCredit Bank AG, Milan Branch, as the security agent (in such capacity, the "*Security Agent*"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the "*U.S. Securities Act*"). Unless the context requires otherwise, references in this Description of the Notes to the Notes include the Notes and any Additional Notes (as defined below) that are issued pursuant to the Indenture. The terms of the Notes include those set forth in the Indenture. The Indenture will not incorporate or include any of, or be subject to, the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Indenture, the Notes and the Security Documents and refers to the Intercreditor Agreement. This summary does not restate those agreements in their entirety. We urge you to read the Indenture, the Notes, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the form of Notes, the Security Documents and the Intercreditor Agreement are available as set forth below under "—Additional Information."

You can find the definitions of certain terms used in this description under the subheading "—Certain Definitions." In this description, the term "*Issuer*" refers only to Manutencoop Facility Management S.p.A., and not to any of its subsidiaries. The words "*we*," "*us*," "*our*" and "*group*" each refer to the Issuer and its consolidated subsidiaries.

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.

### Brief Description of the Notes and the Notes Guarantees

The Notes will:

- be senior secured obligations of the Issuer;
- 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. As of March 31, 2013, on a *pro forma* basis after giving effect to the Transactions, the Issuer would have had approximately €84.2 million of *pari passu* indebtedness outstanding (other than the Notes, but including €3.3 million related to financial leasing and liabilities due from associates and subsidiaries);
- rank senior in right of payment to any and all 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 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 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 permitted under the Indenture; and
- be structurally subordinated to all existing and future indebtedness of the Issuer's subsidiaries that are not Guarantors. As of March 31, 2013, on a *pro forma* basis after giving effect to the Transactions, the Issuer's Subsidiaries that are not Guarantors would have had

approximately €18.4 million of indebtedness outstanding and would have had significant trade payables and other liabilities outstanding; and

- be fully and unconditionally guaranteed by the Guarantors, as described under “—The Notes Guarantees.”

### ***The Notes Guarantees***

On the Issue Date the Notes will be fully and unconditionally guaranteed on a senior basis by Servizi Ospedalieri S.p.A. and Manutencoop Private Sector Solutions S.p.A. (the “*Initial Guarantors*”). In addition, if required by the covenant described under “—Certain Covenants—Limitation on Guarantees by Restricted Subsidiaries,” certain other Restricted Subsidiaries may provide a Notes Guarantee in the future (together with the Initial Guarantors, the “*Guarantors*”). The Notes Guarantees will be joint and several obligations of the Guarantors.

The Notes Guarantee of each Guarantor will:

- be a senior obligation of that Guarantor and secured as set forth under “—Security;”
- rank *pari passu* in right of payment with all existing and future indebtedness of that Guarantor that is not subordinated to that Guarantor’s Notes Guarantee;
- rank senior in right of payment to any and all existing and future indebtedness of that Guarantor that is subordinated in right of payment to that Guarantor’s Notes Guarantee;
- be effectively subordinated to that 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 Guarantees on an equal and ratable or priority basis; and
- be structurally subordinated to all existing and future indebtedness of any of that Guarantor’s subsidiaries that do not guarantee the Notes.

The obligations of the Guarantors will be contractually limited under the applicable Notes Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. In particular, the Notes Guarantees of Servizi Ospedalieri S.p.A. and Manutencoop Private Sector Solutions S.p.A., as a consequence of applicable Italian corporate law limitations, will not exceed at any time, an amount equal to the aggregate of: (a) the aggregate amount made available to such Guarantor (or any of its direct or indirect Subsidiaries) under the Revolving Credit Facility Agreement (whether or not outstanding at that time); and (b) (i) as to Servizi Ospedalieri S.p.A., 150%, and (ii) as to Manutencoop Private Sector Solutions S.p.A., 100%, of in each case the aggregate maximum principal amount of any intercompany loans (or other financial support in any form), including, for the avoidance of doubt, the Proceeds Loans, made available to such Guarantor (or any of its direct or indirect Subsidiary) by the Issuer, or any other member of the Issuer’s group, on or after the Issue Date (whether or not outstanding at that time), 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, if and to the extent applicable, the maximum amount that a Guarantor may be required to pay in respect of its obligations as guarantor under or in connection with the Notes and the other Notes Documents shall not exceed €500,000,000.

For a description of such limitations, see the Indenture and “Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests and Certain Insolvency Law Considerations” and “Risk Factors—Risks Related to the Notes, Notes Guarantees and Collateral—The Notes Guarantees are significantly limited by applicable laws and are subject to certain limitations and defenses.” By virtue of this limitation, a Guarantor’s obligation under its



Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See also “Risk Factors—Risks Related to the Notes, Notes Guarantees and Collateral—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes Guarantees and the Collateral.”

Not all of the Issuer’s Restricted Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Restricted Subsidiaries, the non-guarantor Restricted Subsidiaries will pay the holders of their debt and their trade or other creditors before they will be able to distribute any of their assets to the Issuer or any Guarantor, as their direct or indirect shareholders. For the twelve months ended March 31, 2013, the Issuer and the Initial Guarantors represented 89.0% of our total revenues and 88.0% of our Consolidated EBITDA and, as of March 31, 2013, the Issuer and the Initial Guarantors represented 83.5% of our Total Assets.

A portion of the operations of the Issuer are conducted through its Subsidiaries. As a result, the Issuer depends in part on the cash flow of those Subsidiaries to meet its obligations, including their obligations under the Notes.

## **Principal, Maturity and Interest**

The Issuer will issue €425 million in aggregate principal amount of Notes in this Offering. The Issuer may issue additional Notes (the “*Additional Notes*”) under the Indenture from time to time after this Offering; *provided that*, if the Additional Notes are not fungible with the original Notes for U.S. federal income tax purposes, such Additional Notes will be issued with a separate identification number. The Notes may be issued in one or more series under the Indenture. Any issuance of Additional Notes will be subject to all of the covenants in the Indenture, including the covenant described below under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock.” The Notes and any Additional Notes subsequently issued under the Indenture, will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture. The Issuer will issue Notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will mature on August 1, 2020.

Interest on the Notes will accrue at the rate of 8.5% per annum. Interest on the Notes will be payable semi-annually in arrears on August 1 and February 1, commencing on February 1, 2014. The Issuer will make each interest payment to the holders of record on the Business Day immediately preceding such interest payment date.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

## **Release of Notes Guarantees**

The Notes Guarantee of a Guarantor will be released:

- (1) in connection with any sale or other disposition of all or substantially all of the assets of that 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 any Restricted Subsidiary, if the sale or other disposition does not violate the “Asset Sale” provisions of the Indenture;
- (2) in connection with any sale or other disposition of Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Restricted Subsidiary, if the sale or other disposition does not violate the “Asset Sale”

provisions of the Indenture and that Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

- (3) if the Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;
- (4) as described under “—Amendment, Supplement and Waiver;”
- (5) upon repayment in full of all obligations of the Issuer and the Guarantors under the Indenture and the Notes;
- (6) in the case of an Additional Notes Guarantee, upon the release or discharge of the Guarantee by such Guarantor of the Indebtedness that resulted in the creation of such Additional Notes Guarantee pursuant to the covenant described under “—Certain Covenants—Limitation on Guarantees by Restricted Subsidiaries” (but not the release of any Notes Guarantee in effect on the Issue Date);
- (7) as a result of a transaction permitted by “—Merger, Consolidation or Sale of Assets;”
- (8) in accordance with an enforcement action pursuant to the Intercreditor Agreement, as described below under “—Intercreditor Agreement”; or
- (9) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions “—Legal Defeasance and Covenant Defeasance” and “—Satisfaction and Discharge.”

## Security

### General

The obligations of the Issuer under the Notes and the Indenture and the obligations of the Guarantors under the Notes Guarantees will, subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, be secured by:

- (i) a first-ranking share pledge over all of the shares of each of the Initial Guarantors;
- (ii) a first-ranking pledge over the receivables in respect of a loan (the “*Proceeds Loans*”) by the Issuer to (a) Servizi Ospedalieri S.p.A. in an amount equal to €32.2 million and (b) Manutencoop Private Sector Solutions S.p.A. in an amount equal to €16.9 million, utilizing in each case part of the net proceeds from the issuance of the Notes;
- (iii) a first-ranking pledge over the receivables in respect of any future intercompany loans granted by the Issuer to any of its Restricted Subsidiaries in accordance with the terms of the Indenture other than the Proceeds Loans (the “*Intercompany Loans*”);
- (iv) a first-ranking pledge over certain trade receivables (the “*Private Sector Contract Receivables*”) originated from time to time by the Issuer and Manutencoop Private Sector Solutions S.p.A. in respect of private sector customers; and
- (v) a first-ranking pledge over certain bank accounts associated with the Private Sector Contract Receivables (the “*Designated Bank Accounts*”)

(collectively, the “*Collateral*”).

The Indenture will provide that the Collateral (other than as described below) will be granted on or about the Issue Date. The first ranking pledges in respect of (i) all of the shares of each of the Guarantors will be granted no later than the date that is 2 Business Days after the Issue Date, and (ii) the receivables in respect of Intercompany Loans entered into after the Issuer Date shall be granted on or about the date of the applicable Intercompany Loan. The Private Sector Contract Receivables shall be granted as described below. Any other additional security

interest that in the future may be granted to secure obligations under the Notes will also constitute Collateral.

Subject to the Agreed Security Principles, the relevant Security Documents in respect of the Private Sector Contract Receivables to be entered into on or before the Issue Date shall provide for (i) the assignment by way of security by the Issuer and Manutencoop Private Sector Solutions S.p.A. of all Private Sector Contract Receivables existing as of 5 Business Days prior to the Issue Date which are freely assignable without the need for the consent of, or notice to, the relevant assigned debtor or any other person or, where such consent or notice is required to assign the Private Sector Contract Receivables, such consent is obtained or notice served, (ii) the undertaking to enter into supplemental Security Documents within 5 Business Days after the end of each fiscal quarter in order to assign by way of security all Private Sector Contract Receivables existing at the end of each fiscal quarter (to the extent not already the subject of any other Security Document) which do not contain any restriction on the right of the Issuer or Manutencoop Private Sector Solutions S.p.A. to assign and/or pledge in favor of third parties their respective rights arising under the relevant Private Sector Contract Receivables and (iii) the undertaking to use its reasonable efforts to procure that any contract or agreement for the delivery of goods or performance of services to private sector customers entered into by the Issuer or Manutencoop Private Sector Solutions S.p.A. after the Issue Date does not require the consent of, or notice to, the relevant customer (or any other person) in order to assign the receivables arising thereunder or, when a consent or notice is so required in order to assign the receivables, to obtain such consent or to serve such notice so that the relevant receivables may be assigned. In addition the Issuer and Manutencoop Private Sector Solutions S.p.A. will agree in the applicable Security Documents to transfer all proceeds received in respect of the Private Sector Contract Receivables in Designated Bank Accounts, *provided* that such amounts may be subsequently freely transferred out of the Designated Bank Accounts until such time as there is an Event of Default under the Indenture or the Revolving Credit Facility.

Under the relevant Security Document, the Issuer and Manutencoop Private Sector Solutions S.p.A. will have the right to obtain the release of security and the assignment back to the original assignor of the Private Sector Contract Receivables in connection with factoring transactions permitted under such agreements (other than Recourse Factoring or Securitization) or as otherwise permitted by the Indenture and the Intercreditor Agreement, and the Security Agent will do all things reasonably requested to release security in respect of the Private Sector Contract Receivables that are the subject of such disposal. See “—Release of Security Interests.”

Notwithstanding the foregoing and the provisions of the covenant described below under “—Certain Covenants—Limitation on Guarantees by Restricted Subsidiaries,” 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 statutory limitations, regulatory requirements or restrictions, financial assistance, corporate benefit, fraudulent preference, “earnings stripping”, “controlled foreign corporation” and “thin capitalisation” rules, tax restrictions, retention of title claims, employee consultation or approval requirements, capital maintenance rules and similar principles, as well as the fiduciary duties of management; the applicable cost which shall not be disproportionate to the benefit to the lenders of obtaining such guarantee or security; stamp duty, notarisation, 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 fees, taxes and duties; where there is material incremental cost involved disproportionate to the benefit of creating security over those assets owned in a particular category; where giving a guarantee or security would be either impossible or impractical; or where assets are subject to contracts, leases, licences, or other third party arrangements which are permitted or not prohibited which may prevent those assets from being charged; 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.

In addition, the first ranking pledge over the Private Sector Contract Receivables will be established by means of assignment in security. Any such assignment will become effective vis-à-vis the assigned debtor upon notification of assignment of the trade receivables. In accordance with the applicable Security Documents, the assignment will not be notified until an Event of Default (as defined under the Indenture, the Revolving Credit Facility and the Intercreditor Agreement) occurs. As a result, until an Event of Default occurs and notification is delivered to the assigned debtor, the security in respect of the Private Sector Contract Receivables will not be perfected vis-à-vis the assigned debtor. See “Risk Factors—Risks related to the Notes, Note Guarantees and Collateral—Your rights in the Collateral securing the Notes may be adversely affected by the failure to perfect security interests in the Collateral; in particular, the security interests in respect of the Private Sector Contract Receivables will not be perfected until an Event of Default (as defined under the Indenture, the Revolving Credit Facility or the Intercreditor Agreement) has occurred.” Moreover, amounts held in the Designated Bank Accounts may be freely transferred out of the Designated Bank Accounts so long as there is no Event of Default under the Indenture or the Revolving Credit Facility.

Subject to certain conditions, including compliance with the covenant described under “—Certain Covenants—Liens,” the Issuer is permitted to pledge or cause its Subsidiaries to pledge the Collateral in connection with future incurrence of Indebtedness, including issuances of Additional Notes, permitted under the Indenture on a *pari passu* basis with the then outstanding Notes. The Collateral can also be released from the Liens of the Security Documents under certain circumstances. See “—Release of the Security Interests” below. The obligations under the Notes and the Revolving Credit Facility and certain future indebtedness permitted under the Indenture (subject to the Intercreditor Agreement and any Additional Intercreditor Agreement), if any, will be secured equally and ratably by first-ranking Liens over the Collateral, however, any proceeds received upon any enforcement over any of the Collateral will only be applied in repayment of the Notes, and all other debt ranking *pari passu* with the Notes, after all liabilities in respect of the obligations under the Revolving Credit Facility, certain future Hedging Obligations, if any, and certain future indebtedness permitted by the Indenture (subject to the Intercreditor Agreement or any Additional Intercreditor Agreement), if any, have been paid from such recoveries. The Revolving Credit Facility will be also secured by a special lien (*privilegio speciale*) to be granted by each borrower over all its movable assets. In addition, the Revolving Credit Facility requires that, on each utilization date (other than with respect to a rollover loan) and on March 31, June 30, September 30 and December 31 of each year after the first utilization, the value of Private Sector Contract Receivables securing the Revolving Credit Facility, depending on the quality of receivables subject to security (such quality to be determined on the basis of agreed criteria set out in the Revolving Credit Facility) must be equal to or greater than a percentage ranging between 150% and 200% (or any other higher percentage agreed between the parties in case none of the agreed thresholds can be met with the Private Sector Contract Receivables available at the time to secure the Revolving Credit Facility) of the total commitments under the Revolving Credit Facility.

#### ***Intercreditor Agreement; Priority***

On the Issue Date, the Trustee will enter into an Intercreditor Agreement with, among others, the agent under the Revolving Credit Facility and the Security Agent as described under “Description of Certain Financing Arrangements—Intercreditor Agreement.” Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility, certain future Hedging Obligations, if any, and certain future indebtedness permitted under the Indenture (subject to the Intercreditor Agreement and any Additional Intercreditor Agreement), if any, and permitted to be secured on the Collateral (see

“Certain Definitions—Permitted Collateral Liens”) will receive priority with respect to any proceeds received upon any enforcement over any Collateral. Any proceeds received upon any enforcement over any Collateral, after all obligations under the Revolving Credit Facility have been repaid and certain future indebtedness permitted by the Indenture (subject to the Intercreditor Agreement and any Additional Intercreditor Agreement) (as described in “Description of Certain Financing Arrangements—Intercreditor Agreement”) have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Indenture and the Notes (as described in “Description of Certain Financing Arrangements—Intercreditor Agreement”) and any other Indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement.

### **Security Documents**

Under the Security Documents, the Collateral will be pledged by the Issuer and Manutencoop Private Sector Solutions S.p.A. to secure the payment when due of the Issuer’s payment obligations under the Notes and the Indenture and the obligations of the Guarantors under the Notes Guarantees. The Security Documents will be entered into by, *inter alios*, the relevant security provider, the Security Agent, (which will act for itself and in its capacity as common representative (*mandatario con rappresentanza*) in the name and on behalf of all secured parties) and the Trustee acting for itself and in its capacity as Trustee, legal representative (*mandatario con rappresentanza*) under the Indenture and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code.

Each holder of any Notes, by accepting a Note, shall be deemed (i) to have agreed to and accepted the terms and conditions of the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, (ii) to have authorized the Trustee and/or the Security Agent to enter into the Security Documents, the Intercreditor Agreement (as described under “—Intercreditor Agreement” below) or any Additional Intercreditor Agreement, in each case in compliance with the Indenture and (iii) to be bound thereby. Each holder of any Notes, by accepting a Note, appoints the Trustee or the Security Agent, as the case may be, as its agent under the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement and authorizes it to act as such.

The Indenture, the Intercreditor Agreement and the Security Documents will provide that the rights of the holders of the Notes with respect to the Collateral must be exercised by the Security Agent upon written direction by the Trustee. Holders of the Notes may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The holders may only act through the Trustee or the Security Agent (upon the Trustee’s direction), as applicable. The Security Agent, upon written instructions from the Trustee and in accordance with the Intercreditor Agreement, will agree to any release of the security interest created by the Security Documents that is in accordance with the Indenture without requiring any consent of the holders. Subject to the Intercreditor Agreement, the Trustee will have the ability to direct the Security Agent to participate in the enforcement action under the Security Documents, and the Trustee has, and by accepting a Note each holder will be deemed to have, appointed and authorized the Security Agent pursuant to the terms of the Indenture to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Security Documents and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf. The Security Agent will have no discretion to take any enforcement action and instead it will only be obliged to do so to the extent permitted under applicable laws and in accordance with the Intercreditor Agreement and if: (i) so directed by the Trustee; and (ii) it is indemnified, and/or secured, and/or prefunded to its satisfaction against all liabilities to which it may thereby become liable, or which it may incur by so doing.



Subject to the terms of the Security Documents, the Issuer will be entitled to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or reclassifications, rights issue, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of the shares that are part of the Collateral.

The value of the Collateral securing the Notes may not be sufficient to satisfy the Issuer's and the Guarantor's obligations under the Notes and the Notes Guarantees, and the Collateral securing the Notes may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. Please see "Risk Factors—Risks Related to the Notes, Notes Guarantees and Collateral."

No appraisals of the Collateral have been prepared by or on behalf of the Issuer or the Guarantors in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Notes Guarantees. By its nature, all of the Collateral is likely to be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

The Security Documents, respectively, will be governed by Italian law and provide that the rights with respect to the Notes and the Indenture must be exercised by the Security Agent and in respect of the entire outstanding amount of the Notes. The term "*Security Interests*" refers to the Liens in 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," "Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests and Certain Insolvency Law Considerations" and "Risk Factors—Risks Related to the Notes, Notes Guarantees and Collateral—The Notes Guarantees are significantly limited by applicable laws and are subject to certain limitations and defenses." 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 the Notes and the Trustee have, and by accepting a Senior Secured Note, each holder will be deemed to have, appointed, also for the purposes of Article 1704 (*Mandato con rappresentanza*) of the Italian Civil Code 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 the Notes, and the Trustee have, and by accepting a Senior Secured 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.

#### ***Release of the Security Interests***

All of the Liens granted under the Security Documents will be automatically and unconditionally released in accordance with the terms and conditions in the Indenture upon

Legal Defeasance or Covenant Defeasance as described under “—Legal Defeasance and Covenant Defeasance,” if all obligations under the Indenture are discharged in accordance with the terms of the Indenture or as otherwise permitted in accordance with the Indenture, including but not limited to the covenants under “—Certain Covenants—Impairment of Security Interest,” the Security Documents or the Intercreditor Agreement (or any Additional Intercreditor Agreement).

The Liens granted under the Security Documents will also be automatically and unconditionally released:

- (1) in connection with any sale or other disposition of Collateral, directly or indirectly, to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary (but excluding any transaction subject to the covenant described under “—Certain Covenants—Merger, Consolidation or Sale of Assets”), if the sale or other disposition does not violate the Indenture;
- (2) to the extent such Collateral is sold or otherwise disposed of pursuant to an enforcement of the security over such Collateral under the applicable Security Document(s) in accordance with the terms of the Intercreditor Agreement;
- (3) 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 of such Restricted Subsidiary;
- (4) as described under “—Certain Covenants—Liens;”
- (5) as described under “—Amendment, Supplement and Waiver;” or
- (6) in connection with a transaction permitted by the covenant described under “—Certain Covenants—Merger, Consolidation or Sale of Assets.”

In addition, Liens on property or assets constituting Collateral may also be released to the extent necessary to enable the Issuer or a Restricted Subsidiary to consummate the sale, transfer or other disposition of such property or assets, including (but not limited to) in connection with factoring transactions undertaken on a non-recourse (*pro soluto*) basis; *provided* that such sale, transfer or other disposition does not violate the covenant described in “—Repurchase at the Option of Holders—Asset Sales.” To the extent that the underlying Private Sector Contract Receivables or intragroup receivables constituting Collateral have been repaid or otherwise satisfied or discharged, subject to the terms of the Proceeds Loans, the Liens in respect thereof will be released immediately.

To the extent the Notes Guarantee of the Guarantor that is an obligor in connection with the Proceeds Loan is released as described in “—Release of Notes Guarantees” above, Liens constituting a first priority pledge of the receivables in respect of such Proceeds Loan shall also be released.

The Security Agent and the Trustee (if required) will take all reasonably necessary action required to effectuate any release of Collateral securing the Notes and the Guarantees (if applicable), in accordance with the provisions of the Indenture or the 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).

## **Paying Agent and Registrar for the Notes**

The Issuer will maintain one or more paying agents (each, a “*Paying Agent*”) for the Notes in the City of London. The Issuer will ensure that it maintains a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the

European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Paying Agent will be The Bank of New York Mellon, London Branch.

The Issuer will also maintain one or more registrars (each, a "*Registrar*") and will also maintain one or more transfer agents. The initial Registrar will be The Bank of New York Mellon (Luxembourg) S.A. The initial transfer agent will be The Bank of New York Mellon, London Branch. The Registrar will maintain a register reflecting ownership of Definitive Registered Notes (as defined herein) outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on the behalf of the Issuer.

The Issuer may change the Paying Agents, the Registrars or the transfer agents without prior notice to the holders. 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 of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu), or by any other means considered equivalent by the Luxembourg Stock Exchange.

## Transfer and Exchange

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global Notes in registered form without interest coupons attached (the "*144A Global Notes*"), and Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global Notes in registered form without interest coupons attached (the "*Reg S Global Notes*" and together with the 144A Global Notes, the "*Global Notes*").

Ownership of interests in the Global Notes (the "*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear or Clearstream, as applicable, 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 Clearstream, as applicable, will be effected by Euroclear or 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 Note, or the "*Restricted Book-Entry Interest*," may be transferred (i) to a person who takes delivery in the form of Book-Entry Interests in the 144A Global Note, or (ii) to a person who takes delivery in the form of Book-Entry Interests in the Reg S Global Note (the "*Reg S Book-Entry Interests*") only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

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 in certificated form ("*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 applicable Registrar of instructions

relating thereto and any certificates 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 to persons who take delivery thereof in the form of Definitive Registered Notes. 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, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions and 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 or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Notes:

- (1) for a period of one Business Day prior to any date fixed for the redemption of the Notes;
- (2) for a period of one Business Day immediately prior to the date fixed for selection of Notes to be redeemed in part;
- (3) for a period of one Business Day 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 Sale Offer.

### **Additional Amounts**

All payments made by or on behalf of the Issuer under or with respect to the Notes or any of the Guarantors under or with respect to any Notes Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a "*Tax Jurisdiction*") will at any time be required to be made from any payments made by or on behalf of the Issuer under or with respect to the Notes or any of the Guarantors under or with respect to any Notes Guarantee, including payments of principal, redemption price, purchase price, interest or premium, if any, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts ("*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each holder after such deduction or withholding (including any such deduction or withholding in respect of such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

- (1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the relevant holder or beneficial owner of the

Notes (or between a shareholder of the relevant holder or beneficial owner, if the relevant holder or beneficial owner is a corporation) and the relevant Tax Jurisdiction (including being a resident, citizen or national of, or incorporated or carrying on a business in, such jurisdiction for Tax purposes), other than any connection arising merely from the acquisition, ownership, holding or disposition of such Note, the enforcement of rights under such Note or under a Notes Guarantee or the receipt of any payments in respect of such Note or a Notes Guarantee;

- (2) any Taxes, to the extent such Taxes were imposed or withheld as a result of the presentation of a Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);
- (3) any estate, inheritance, gift, sales, transfer or similar Taxes;
- (4) any Taxes that are required to be withheld, deducted or imposed pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;
- (5) any Taxes imposed with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another available Paying Agent in a member state of the European Union;
- (6) any Taxes payable other than by deduction or withholding from payments to a holder or beneficial owner under, or with respect to, the Notes or any Notes Guarantee;
- (7) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure by the holder or beneficial owner of Notes to comply with the Issuer's written request addressed to the holder or beneficial owner (and made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request, and in all events, at least 45 days before any such withholding or deduction would be required on payments to the holder or beneficial owner), to provide any certification, identification, information or other reporting requirements concerning the nationality, residence or identity of the holder or beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally eligible to provide such certification or documentation;
- (8) any Taxes imposed pursuant to Sections 1471 to 1474 of the Code as of the Issue Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future Treasury regulations or official administrative interpretations thereof, or any law implementing an intergovernmental approach to such Sections ("*FATCA*"), except to the extent that such Taxes result from a failure of any Paying Agent to comply with *FATCA*;
- (9) 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 ("*Legislative Decree No. 239*") and any related implementing regulations, and pursuant to Italian Legislative Decree No. 461 of November 21, 1997; *provided that*:

- (i) Additional Amounts shall be payable in circumstances in which the procedures required under Legislative Decree No. 239 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due to the actions or omissions of the Issuer or the Guarantors or their agents (including, without limitation, any failure by the Issuer to list the Notes by the Issue Date on a recognized market for purposes of Italian tax laws and regulations); and
- (ii) for the avoidance of doubt, (A) no Additional Amounts shall be payable with respect to any Taxes to the extent such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which are subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy (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 the ministerial Decree to be issued under art. 168-bis of the Italian Presidential Decree No. 917 of 22nd December 1986 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

(10) any combination of items (1) through (9) above.

In addition to the foregoing, the Issuer and the Guarantors will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including any related interest, penalties and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, registration or enforcement of the Notes, the Indenture, any Notes Guarantee or any other document referred to therein (other than a transfer of the Notes after this Offering), or the receipt of any payments with respect thereto (limited solely, in the case of taxes attributable to payments with respect to the Notes or any Notes Guarantee, to any such taxes imposed in a Tax Jurisdiction that are not excluded under clauses (1) through (5) or (7) through (9) above or any combination thereof).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Notes Guarantee, the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificates must also set forth any other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor (if it is the applicable withholding agent) will make all withholdings and deductions required by law to be made by them and will remit the full amount deducted or withheld to the relevant tax authorities in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain tax receipts from each tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a holder upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of tax receipts evidencing payment by the Issuer or the relevant Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not

available, other evidence of payments (reasonably satisfactory to the Trustee or the holder) by such entity.

Whenever in the Indenture or in this “Description of the Notes” there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Notes Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any jurisdiction from or through which any payment under or with respect to the Notes (or any Notes Guarantee) is made by or on behalf of such Person and, in each case, any political subdivision thereof or therein.

### Optional Redemption

At any time prior to August 1, 2016, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture, upon not less than 30 nor more than 60 days’ notice, at a redemption price equal to 108.500% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to 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), with the net cash proceeds of an Equity Offering; *provided that*:

- (1) at least 65% 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.

At any time prior to August 1, 2016, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days’ notice, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding two paragraphs and except pursuant to “—Redemption for Changes in Taxes,” the Notes will not be redeemable at the Issuer’s option prior to August 1, 2016.

On or after August 1, 2016, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days’ notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on August 1 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Note Redemption Price
2016 . . . . .	104.250%
2017 . . . . .	102.125%
2018 and thereafter . . . . .	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

## Redemption for Changes in Taxes

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "—Selection and Notice"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes or any Notes Guarantee, the Issuer or the relevant Guarantor is or would be required to pay Additional Amounts (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 without the obligation to pay Additional Amounts), the Issuer or the relevant Guarantor cannot avoid any such payment obligation by taking reasonable measures available to it, and the requirement arises as a result of:

- (1) any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction which change or amendment is publicly announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or
- (2) any amendment to, or change in, an official written interpretation or application of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice), which change or amendment is publicly announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*").

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or relevant Guarantor would be obligated to pay Additional Amounts if a payment in respect of the Notes or any Notes Guarantee was then due, and the law imposing the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel of recognized expertise in the laws of the relevant jurisdiction and satisfactory to the Trustee to the effect that the Issuer or Guarantor, as the case may be, has been or will become obligated to pay Additional Amounts as a result of such Change in Tax Law. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that the Issuer or Guarantor, as applicable, cannot avoid its obligation to pay Additional Amounts by the Issuer or relevant Guarantor taking reasonable measures available to it, and in the case of a Guarantor, that the payment giving rise to such requirement to pay Additional Amounts cannot be made by the Issuer or another Guarantor without the obligation to pay Additional Amounts.

The Trustee will accept and shall be entitled to conclusively rely on such Officer's Certificate and Opinion of Counsel as sufficient evidence of the existence and satisfaction of the

conditions precedent as described above, in which event it will be conclusive and binding on the holders.

## **Mandatory Redemption**

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

## **Repurchase at the Option of Holders**

### ***Change of Control***

If a Change of Control occurs, each holder of Notes will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of that holder's Notes pursuant to an offer (the "*Change of Control Offer*") on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of purchase (the "*Change of Control Payment*"), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer will mail a notice to each holder of the Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under "—Selection and Notice," stating that a Change of Control Offer is being made and offering to repurchase Notes on the date (the "*Change of Control Payment Date*") specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice and give notice to the Trustee of the Change of Control Offer. The Issuer will comply with the requirements of applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control 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 Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly 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 Notes being purchased by the Issuer; and
- (4) deliver or cause to be delivered to the Paying Agent the Global Notes in order to reflect thereon the Notes or portion thereof that have been tendered to any purchased by the Issuer.

The Paying Agent will promptly mail (or cause to be delivered in accordance with the customary procedures of Euroclear and Clearstream, as applicable) to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) 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 properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Indenture as described above under the caption “—Optional Redemption,” unless and until there is a default in payment of the applicable redemption price.

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 for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of “all or substantially all” of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under 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 consent of the holders of a majority in principal amount of the Notes prior to the occurrence of a Change of Control.

If and 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 of the Luxembourg Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu), or by any other means considered equivalent by the Luxembourg Stock Exchange.

### **Asset Sales**

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

- (1) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and
- (2) at least 75% of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:
  - (a) any liabilities, as recorded on the most recent balance sheet of the Issuer or any Restricted Subsidiary prior to such Asset Sale (other than contingent liabilities and liabilities that are by their terms subordinated in right of payment to the Notes or any Notes Guarantee), that are assumed by the transferee of any such assets and as a result



of which the Issuer and the Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;

- (b) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;
- (c) any assets or Capital Stock of the kind referred to in clauses (3) and (4) of the next paragraph of this covenant;
- (d) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Sale;
- (e) consideration consisting of Indebtedness of the Issuer or any Guarantor (other than Indebtedness that is by its terms subordinated in right of payment to the Notes or any Notes Guarantee) received from Persons who are not the Issuer or any Restricted Subsidiary; and
- (f) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €10 million and 9% of Consolidated EBITDA (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer or the applicable Restricted Subsidiary, as the case may be, shall apply such Net Proceeds as follows:

- (1) to purchase the Notes pursuant to an offer to all holders of Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to (but not including) the date of purchase (a “Notes Offer”);
- (2) to repurchase, prepay, redeem or repay (a) Indebtedness and other obligations (i) incurred under clause (1) of the second paragraph under “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock” in respect of the Revolving Credit Facility, or (ii) which are *pari passu* in right of payment with the Notes or any Notes Guarantee to the extent such Indebtedness is secured by a Lien on any Collateral, plus in each case accrued and unpaid interest to the date of such prepayment, repayment or purchase, (b) Indebtedness of any Restricted Subsidiaries of the Issuer that are not Guarantors (other than Indebtedness owed to the Issuer or a Restricted Subsidiary), (c) Indebtedness that is secured by assets which do not constitute Collateral or (d) unless included in (a), to prepay, repay, purchase or redeem Indebtedness that is *pari passu* with the Notes or any Notes Guarantee at a price of no more than 100% of the principal amount of such Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that in the case of this clause 2(a)(ii) and (d), so long as the Issuer or such Restricted Subsidiary makes an Asset Sale Offer (as defined below) on a *pro rata* basis to all holders of the Notes at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase; *provided, further*, that the Issuer or such Restricted Subsidiary will permanently retire such Indebtedness and, in the case of revolving credit Indebtedness, will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so repurchased, prepaid, redeemed or repaid;

- (3) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition, the Permitted Business is or becomes a Restricted Subsidiary;
- (4) to acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used or useful in a Permitted Business;
- (5) to enter into a binding commitment to apply the Net Proceeds pursuant to clause (3), (4) or (6) of this paragraph; *provided* that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365-day period;
- (6) to make capital expenditures in assets that are used or useful in a Permitted Business; or
- (7) any combination of the foregoing.

Pending the final application of any Net Proceeds, the Issuer (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds €20.0 million, within 20 Business Days thereof, the Issuer will make an offer (an "*Asset Sale Offer*") to all holders of Notes and may make an offer to all holders of other Indebtedness that is *pari passu* with the Notes or any Notes Guarantees (*provided* that such other Indebtedness contains provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem such Indebtedness with the proceeds of sales of assets) to purchase, prepay or redeem with the proceeds of sales of assets the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered pursuant to (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate amount of Notes tendered pursuant to a Notes Offer exceeds the amount of the Net Proceeds so applied, the Registrar or Paying Agent will select the Notes to be purchased, prepaid or redeemed on a *pro rata* basis or by use of a pool factor (or in the manner described under "*—Selection and Notice*"), based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Issuer will comply with the requirements of applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer or a Notes Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will be deemed not to have breached its obligations under Asset Sale provisions of the Indenture by virtue of such compliance.

## Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Registrar or Paying Agent will select Notes for redemption on a *pro rata* basis, by use of a pool factor or on a method that the Registrar or Paying Agent deems fair and appropriate (or, in the case of Notes issued in global form as discussed under "Book-Entry, Delivery and Form," based on the applicable procedures of Euroclear and Clearstream, as applicable), unless otherwise required by law or applicable stock exchange or depository requirements, neither the Registrar, nor the Paying Agent shall be liable for selections made by it in accordance with this paragraph.

No Notes of €100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. 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.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu), or by any other means considered equivalent by the Luxembourg Stock Exchange and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

## Certain Covenants

### ***Restricted Payments***

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any Restricted Subsidiary's Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as holders (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer or any of its Restricted Subsidiaries or Subordinated Shareholder Debt and other than dividends or distributions payable to the Issuer or a Restricted Subsidiary);
- (2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any direct or indirect parent entity of the Issuer;
- (3) make any principal payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is expressly contractually subordinated in right of payment to the Notes or to any Notes

Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries), except (i) a payment of principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition;

- (4) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt; *provided* that this clause (4) shall not prohibit the accretion of principal or the capitalization of interest in respect of Subordinated Shareholder Debt; or
- (5) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (1) through (5) above being collectively referred to as "*Restricted Payments*"), unless, at the time of any such Restricted Payment:

- (a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
- (b) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock;*" and
- (c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and the Restricted Subsidiaries since the Issue Date (including Restricted Payments permitted by clauses (1) (without duplication of amounts paid pursuant to any other clause of the next paragraph), (5), (8), (10), (12), (13) and (14) of the next paragraph, but excluding all other Restricted Payments permitted by the next paragraph) is less than the sum, without duplication, of:
  - (i) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from April 1, 2013 to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*
  - (ii) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Issuer since the Issue Date as a contribution to its common equity capital or from the issue or sale of Subordinated Shareholder Debt or Equity Interests of the Issuer (other than Disqualified Stock), but excluding, in each case, (v) Subordinated Shareholder Debt or Equity Interests sold to a Subsidiary of the Issuer, (w) Subordinated Shareholder Debt or Equity Interests sold to 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, (x) to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (2) or (5) of the next paragraph of this covenant, (y) Excluded Contributions and (z) net cash proceeds received by the Issuer from an Equity Offering and used to redeem Notes in accordance with the first paragraph under "*—Optional Redemption*" above; *plus*
  - (iii) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Issuer since the Issue Date from the issue or sale of convertible or exchangeable Disqualified Stock of the Issuer or convertible or

exchangeable Indebtedness of the Issuer that has been converted into or exchanged for Equity Interests (other than Disqualified Stock) of the Issuer or Subordinated Shareholder Debt, but excluding, in each case, (v) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (w) Disqualified Stock or Indebtedness issued or sold to 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, (x) to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (2) or (5) of the next paragraph of this covenant, (y) Excluded Contributions and (z) the amount of any cash and the Fair Market Value of marketable securities distributed by the Issuer to the holders of such Disqualified Stock or Indebtedness of the Issuer in connection with, and as part of, such conversion or exchange; *plus*

- (iv) to the extent that any Restricted Investment (a) is sold, disposed of or otherwise cancelled, liquidated, repurchased or repaid to or by a Person other than the Issuer or a Restricted Subsidiary, 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities received by the Issuer or any Restricted Subsidiary as a result thereof, or (b) was made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of such Restricted Investment as of the date such entity becomes a Restricted Subsidiary; *plus*
- (v) to the extent that any Unrestricted Subsidiary of the Issuer designated as such on or after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary, or all of the net assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, the Fair Market Value of the assets received by the Issuer or a Restricted Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets; *plus*
- (vi) the amount of the cash and the Fair Market Value of marketable securities received by the Issuer or any Restricted Subsidiary in connection with (A) the sale or other disposition (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) of Capital Stock of an Unrestricted Subsidiary of the Issuer and (B) any dividend or distribution made by an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary after the Issue Date; *provided* that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent it is included in this clause (vi).

The preceding provisions will not prohibit the following:

- (1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;
- (2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock or Excluded Contributions), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Issuer (other than through the issuance of Disqualified Stock or through an Excluded Contribution); *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clauses (c)(ii) and (iii) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the Indenture;



- (3) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Restricted Subsidiary that is contractually subordinated to the Notes or to any Notes Guarantee (other than Subordinated Shareholder Debt):
- (i) with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;
  - (ii) (A) from Net Proceeds from Asset Sales to the extent permitted under “—Repurchase at the Option of Holders—Asset Sales” above, but only if the Issuer shall have first complied with the terms described under “—Repurchase at the Option of Holders—Asset Sales” and purchased all Notes tendered pursuant to any Asset Sale Offer required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Indebtedness and (B) at a purchase price not greater than 100% of the principal amount of such subordinated Indebtedness plus accrued and unpaid interest;
  - (iii) to the extent required by the agreement governing such Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a “change of control”), but only (A) if the Issuer shall have first complied with the terms described under “—Repurchase at the Option of Holders—Change of Control” and purchased all Notes tendered pursuant to any Change of Control offer required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such subordinated Indebtedness and (B) at a purchase price not greater than 101% of the principal amount of such subordinated Indebtedness plus accrued and unpaid interest; or
  - (iv) consisting of Acquired Debt (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); *provided* that any such repurchase, redemption, defeasance or other acquisition or retirement pursuant to this clause is at a purchase price not greater than 100% of the principal amount of such Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Indebtedness;
- (4) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;
- (5) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer held by any current or former officer, director, employee or consultant of the Issuer pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders’ agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €2.5 million in any calendar year (with unused amounts in any calendar year being carried over to the next succeeding calendar year); and *provided, further*, that such amount in any calendar year may be increased by an amount not to exceed (i) the cash proceeds from the sale of Equity Interests of the Issuer received by the Issuer during such calendar year, in each case to members of management, directors or consultants of the Issuer or any of its direct or indirect parent entities to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) or (iii) of the preceding paragraph or clause (2) of this paragraph *plus* (ii) the cash proceeds from key man life insurance policies received by the Issuer in such calendar year (including proceeds from the sale of such policies to the person insured thereby);



- (6) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described below under the caption “—Incurrence of Indebtedness and Issuance of Preferred Stock;”
- (7) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any Restricted Subsidiary to holders of its Equity Interests to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person; *provided*, that any such payment, dividend, distribution, advance or other Restricted Payment shall not be for the purpose of evading any limitation of this covenant or otherwise facilitate any dividend or other return of capital to holders of such Equity Interests (as determined in good faith by the Board of Directors of the Issuer);
- (8) so long as no Default or Event of Default has occurred and is continuing, advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement, or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this clause (8) does not exceed, when taken together with the outstanding amount of Management Advances, €2.5 million in the aggregate outstanding at any time;
- (9) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests on a *pro rata* basis;
- (10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), other Restricted Payments in an aggregate amount from the Issue Date not to exceed €25 million;
- (11) Restricted Payments (including loans or advances) 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 to the extent made in exchange for or using as consideration Investments previously made under this clause (11);
- (12) dividends or other distributions of Capital Stock of Unrestricted Subsidiaries;
- (13) so long as no Default or Event of Default has occurred and is continuing, following an Initial Public Offering after the Issue Date, the payment by the Issuer of, or loans, advances, dividends or distributions on, or repurchases, redemptions, acquisitions or retirements of, the common stock or common equity interests of the Issuer or any parent entity not to exceed in any fiscal year the greater of (i) 6% of the net cash proceeds of such Initial Public Offering and any subsequent Equity Offering received by the Issuer or contributed to the equity of the Issuer or contributed to the Issuer as Subordinated Shareholder Debt, except to the extent that such proceeds are designated as constituting an Excluded Contribution and (ii) 5% of the Market Capitalization, *provided* that if the IPO Entity is a parent entity, the net cash proceeds of any such dividend, loan advance or distribution is used to fund a corresponding dividend in equal or greater amount on the Capital Stock of such IPO Entity;

- (14) so long as no Default or Event of Default has occurred and is continuing (or would result from), any dividend, distribution, loan or other payment to any parent entity of the Issuer; provided that the Consolidated Leverage Ratio does not exceed 1.5 to 1.0 on a *pro forma* basis after giving effect to any such dividend, distribution, loan or other payment; and
- (15) payments or other transactions pursuant to any Tax Sharing Agreement; *provided, however,* that such payments, and the value of such transactions, shall not exceed the amount of tax that the Issuer or such Restricted Subsidiaries would owe, without taking into account such Tax Sharing Agreement and the relevant tax liabilities of the Issuer and such Restricted Subsidiaries are relieved thereby.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. Unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness, and no Indebtedness shall be deemed to be subordinate or junior to any other Indebtedness solely by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis.

#### ***Incurrence of Indebtedness and Issuance of Preferred Stock***

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and the Issuer will not, and will not permit any of its Restricted Subsidiaries to, issue any Disqualified Stock and the Issuer will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided, however,* that:

- (1) the Issuer may incur Indebtedness (including Acquired Debt), or issue Disqualified Stock, and the Issuer and the Guarantors may incur Indebtedness (including Acquired Debt), issue Disqualified Stock or issue preferred stock, in each case, if the Fixed Charge Coverage Ratio for the Issuer's most recently ended four full fiscal quarters for which financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.00 to 1.00, in each case, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period; and
- (2) if the Indebtedness to be incurred is Senior Secured Indebtedness, the Issuer and the Guarantors may incur such Senior Secured Indebtedness if the Consolidated Senior Secured Leverage Ratio for the Issuer's most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred would have been no greater than 3.50 to 1.00, as determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as if the Indebtedness had been incurred at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

- (1) the incurrence by the Issuer and any Restricted Subsidiary of Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed €90 million, *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, *less* the aggregate amount of all Net Proceeds from Asset Sales since the Issue Date applied to repay Indebtedness incurred pursuant to this

clause (1) (and to permanently reduce the related commitments (if any)) pursuant to the covenant described under “—Repurchase at the Option of Holders—Asset Sales”;

- (2) Indebtedness of the Issuer or any Restricted Subsidiary outstanding on the Issue Date after giving effect to the use of proceeds of the Notes;
- (3) Indebtedness of the Issuer and the Guarantors represented by the Notes issued on the Issue Date and the related Notes Guarantees;
- (4) Indebtedness of the Issuer or any Restricted Subsidiary, in each case, representing (A) Capital Lease Obligations, mortgage financings or Purchase Money Obligations incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used in the business of the Issuer or any of its Restricted Subsidiaries 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 Permitted 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 principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of €10 million and 9% of Consolidated EBITDA of the Issuer for the most recently completed four consecutive fiscal quarters for which internal consolidated financial statements are available;
- (5) Permitted Refinancing Indebtedness or Disqualified Stock of the Issuer or any Restricted Subsidiary or preferred stock of any Restricted Subsidiary, in each case issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness, Disqualified Stock and preferred stock (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (5), (11) or (18) of this paragraph;
- (6) the incurrence by the Issuer or any Restricted Subsidiary of intercompany Indebtedness between or among the Issuer or any Restricted Subsidiary; *provided that*:
  - (a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and ((i) except in respect of the intercompany current liabilities incurred in the ordinary course of business in connection with the tax, cash or working capital management operations of the Issuer and the Restricted Subsidiaries and (ii) only to the extent legally permitted (the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Issuer, or the Notes Guarantee, in the case of a Guarantor; and
  - (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

- (7) the issuance by any Restricted Subsidiary to the Issuer or to any Guarantor of preferred stock; *provided* that:
- (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or a Guarantor; and
  - (b) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Guarantor,
- will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);
- (8) the incurrence by the Issuer or any Guarantor of Hedging Obligations not for speculative purposes (as determined in good faith by a responsible accounting or financial officer of the Issuer);
- (9) the Guarantee by any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being Guaranteed is subordinated to or *pari passu* with the Notes or a Notes Guarantee, then the Guarantee must be expressly subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness being Guaranteed;
- (10) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 20 Business Days;
- (11) Indebtedness of any Person 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; *provided, however*, with respect to this clause (11), 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 clause (i) of the Fixed Charge Coverage Ratio test of the first paragraph of this covenant after giving effect to the incurrence of such Indebtedness pursuant to this clause (11), or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction including the incurrence of such Indebtedness pursuant to this clause (11);
- (12) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts 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 Equity Interests of a Subsidiary; *provided* that, in the case of a disposition, the maximum liability of the Issuer and the Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and the Restricted Subsidiaries in connection with such disposition;
- (13) Indebtedness of the Issuer and the Restricted Subsidiaries in respect of (A) letters of credit, surety, performance or appeal bonds, bid bonds, completion guarantees, judgment, advance payment, bankers' acceptances, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers' compensation obligations; *provided, however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed

within 30 days following such drawing; and (B) any customary cash management, cash pooling or netting or setting off arrangements;

- (14) Indebtedness represented by guarantees of pension fund obligations of the Issuer or any Restricted Subsidiary required by law or regulation;
- (15) Indebtedness or Disqualified Stock of the Issuer and Indebtedness, Disqualified Stock or preferred stock of any Restricted Subsidiary in an aggregate principal amount at any time outstanding, including all Indebtedness, Disqualified Stock and preferred stock incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness, Disqualified Stock and preferred stock incurred pursuant to this clause (15), at any time outstanding not to exceed the greater of €50 million and 44% of Consolidated EBITDA of the Issuer for the most recently completed four consecutive fiscal quarters for which internal consolidated financial statements are available;
- (16) 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;
- (17) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, captive insurance companies, bankers' acceptances, performance and surety bonds in the ordinary course of business; and
- (18) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness incurred pursuant to this clause (18) and then outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, decrease or discharge any Indebtedness incurred pursuant to this clause (18), 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 Capital Stock or its Subordinated Shareholder Debt (other than Disqualified Stock or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock 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 second paragraph clauses c(ii) and (iii) and third paragraph clause (2) of the covenant described above under "—Restricted Payments" to the extent the Issuer and its Restricted Subsidiaries incur 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 (18) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the second paragraph clauses c(ii) and (iii) and third paragraph clause (2) of the covenant described above under "—Restricted Payments" in reliance thereon.

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 such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Notes Guarantee 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, by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis.

For purposes of determining compliance with this "Incurrence of Indebtedness and Issuance of Preferred Stock" covenant:

- (1) in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (18) above, and/or is entitled



to be incurred pursuant to the first paragraph of this covenant, the Issuer, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and will only be required to include the amount and type of such Indebtedness in one of such clauses and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, and will be permitted from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant; *provided* that Indebtedness under the Revolving Credit Facility will be deemed to have been incurred under clause (1) of the definition of Permitted Debt and may not be reclassified;

- (2) 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 for purposes of determining compliance with, and outstanding principal amount of any particular Indebtedness incurred pursuant to and in compliance with this covenant;
- (3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are incurred pursuant to any Credit Facility and are being treated as incurred pursuant to the first paragraph or (1), (4) or (15) of the second paragraph or of this covenant, and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (4) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or preferred stock of any 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; and
- (5) 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.

The accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of commitments or obligations (including preferred stock) due to a change in accounting principles, and the payment of dividends in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant. 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 of the Issuer as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under this covenant, 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 principal amount of Indebtedness denominated in a different currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred; *provided, however*, that (i) if such Indebtedness denominated in non-euro currency is subject to a Currency Exchange Protection Agreement with respect to the euro, the amount of such Indebtedness expressed in euro will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency



exchange rate in effect on the Issue Date. The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the Euro Equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:

- (1) such Euro Equivalent was determined based on a Currency Exchange Protection Agreement, in which case the refinancing Indebtedness will be determined in accordance with the preceding sentence; and
- (2) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the Euro Equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred.

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 Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

- (1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;
- (2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and
- (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
  - (i) the Fair Market Value of such assets at the date of determination; and
  - (ii) the amount of the Indebtedness of the other Person.

### ***Liens***

The Issuer will not and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness upon any of their property or assets constituting Collateral, whether now owned or hereafter acquired, except Permitted Collateral Liens.

The Issuer will not and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness (an "*Initial Lien*") upon any of their property or assets, whether now owned or hereafter acquired, except Permitted Liens, unless all payments due under the Indenture and the Notes and any Notes Guarantee are secured on an equal and ratable basis with (or prior to, in the case of Liens with respect to Indebtedness which is contractually subordinated in right of payment to the Notes or any Notes Guarantee) the obligations so secured until such time as such obligations are no longer secured by a Lien.

Any such Lien created in favor of the Notes or any Notes Guarantee 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 the Security Interests.*"

### ***Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any Restricted Subsidiary;
- (2) make loans or advances to the Issuer or any Restricted Subsidiary; or
- (3) sell, lease or transfer any of its properties 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 period 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.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (1) agreements governing Indebtedness and Credit Facilities (including the Revolving Credit Facility) as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by a responsible accounting or financial officer of the Issuer);
- (2) the Indenture, the Notes, the Notes Guarantees, the Revolving Credit Facility, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents and any Recourse Factoring or Securitization;
- (3) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption “—Incurrence of Indebtedness and Issuance of Preferred Stock” and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein are not materially less favorable to the holders of the Notes than is customary in comparable financings (as determined in good faith by a responsible accounting or financial officer of the Issuer);
- (4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;
- (5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any Restricted Subsidiary as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;
- (6) customary non-assignment and similar provisions in contracts, leases and licenses entered into in the ordinary course of business;

- (7) Purchase Money Obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;
- (8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition; *provided* that such sale or disposition is made in accordance with the covenant described under the caption "Repurchase at the Option of Holders—Asset Sales;"
- (9) agreements governing Permitted Refinancing Indebtedness; *provided* that such restrictions contained in such agreements are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced (as determined in good faith by a responsible accounting or financial officer of the Issuer);
- (10) Liens permitted to be incurred under the provisions of the covenant described above under the caption "—Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;
- (11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;
- (12) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;
- (13) contracts entered into in the ordinary course of business, not relating to Indebtedness, and that do not, individually or in the aggregate, (i) detract from the value of property or assets of the Issuer or any Restricted Subsidiary in any manner material to the Issuer or such Restricted Subsidiary or (ii) materially interfere with the Issuer's ability to make payments of principal or interest in respect to the Notes; and
- (14) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (13), or in this clause (14); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced (as determined in good faith by a responsible accounting or financial officer of the Issuer).

***Merger, Consolidation or Sale of Assets***

The Issuer will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving entity), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

- (1) either: (a) the Issuer is the surviving entity; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of any member state of the European Union, Switzerland, Canada, any state of the United States or the District of Columbia;
- (2) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other

disposition has been made assumes all the obligations of the Issuer under the Notes, the Indenture, the applicable Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement;

- (3) immediately after such transaction, no Default or Event of Default exists;
- (4) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving pro forma effect thereto and to any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, (i) be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption “—Incurrence of Indebtedness and Issuance of Preferred Stock” or (ii) have a Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect to such transaction; and
- (5) the Issuer delivers to the Trustee an Officer’s Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant and the Indenture, and, if the Issuer is not the surviving entity, that the accession agreement executed in connection therewith is the legally valid and binding obligation of the successor Person enforceable (subject to customary exceptions and exclusions) in accordance with their terms; *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact.

A Guarantor (other than a Guarantor whose Notes Guarantee is to be released in accordance with the terms of the Notes Guarantee and the Indenture as described under “—The Notes Guarantees”) will not, directly or indirectly: (x) consolidate or merge with or into another Person (whether or not such Guarantor is the surviving entity), or (y) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

- (1) either:
  - (a) such Guarantor is the surviving entity; or
  - (b) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of such Guarantor under the Indenture, its Notes Guarantee, the applicable Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement;
- (2) immediately after such transaction, no Default or Event of Default exists; and
- (3) the Issuer delivers to the Trustee an Officer’s Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant and the Indenture, and, if the Guarantor is not the surviving entity, that the accession agreement executed in connection therewith is the legally valid and binding obligation of the successor Person enforceable (subject to customary exceptions and exclusions) in accordance with their terms; *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact.

This “Merger, Consolidation or Sale of Assets” covenant will not apply to (a) any consolidation or merger of any Restricted Subsidiary that is not a Guarantor into the Issuer or a Guarantor; (b) any consolidation or merger among Guarantors or among Restricted Subsidiaries that are not Guarantors; (c) any consolidation or merger among the Issuer and any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor is an entity organized or existing under the laws of any member state of the European Union, Switzerland, Canada, any state of the United States or the District of Columbia and will assume the obligations of the Issuer under the Indenture, the Notes, the

applicable Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement; (d) any consolidation or merger by a Guarantor into any other Person or sale by a Guarantor where the provision of a Notes Guarantee by the surviving entity could reasonably be expected to (as determined in good faith by a responsible accounting or financial officer of the Issuer) give rise to or result in (i) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (ii) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available (as determined in good faith by a responsible accounting or financial officer of the Issuer) to the Issuer or such Restricted Subsidiary, including, for the avoidance of doubt, “white-wash” or similar procedures or (iii) any significant cost, expense, liability or obligation (including with respect of any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (ii) undertaken in connection with, such Notes Guarantee, which cannot be avoided through measures reasonably available to (as determined in good faith by a responsible accounting or financial officer of the Issuer) the Issuer or the Restricted Subsidiary; *provided* that immediately after giving pro forma effect to such consolidation, merger or sale (and treating any Indebtedness which becomes an obligation of the surviving entity as a result of such consolidation, merger or sale as having been incurred by the surviving entity at the time of such consolidation, merger or sale), no Default or Event of Default exists; or (e) any sale, assignment, transfer, conveyance, lease or other disposition of assets among the Restricted Subsidiaries that are not Guarantors. Clauses (3) and (4) of the first paragraph and clause (2) of the second paragraph of this covenant will not apply to any merger or consolidation of the Issuer or any Guarantor with or into an Affiliate solely for the purpose of reincorporating the Issuer or such Guarantor in another jurisdiction; *provided* that the Person formed by or surviving such merger or consolidation (if other than the Issuer or such Guarantor) assumes all the obligations of the Issuer or such Guarantor under the Indenture, the Notes, the Notes Guarantees and the Security Documents, as applicable. The foregoing provisions (other than the requirements of clause (3) of the first paragraph and clause (2) of the second paragraph of this covenant) shall not apply to any transactions which constitute an Asset Sale if the Issuer and its Restricted Subsidiaries have complied with the covenant described under “—Asset Sales.”

#### ***Successor Corporation Substituted***

Upon any consolidation or merger or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Issuer or any Guarantor or their respective Restricted Subsidiaries, in a transaction that is subject to, and that complies with the provisions of the covenant described above under “—Merger, Consolidation or Sale of Assets,” the successor Person formed by such consolidation or into or with which the Issuer, the Issuer or any Guarantor, as applicable, is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this “Description of the Notes” referring to the “Issuer,” or the “Guarantor,” as applicable, shall refer instead to the successor Person and not to the Issuer or such Guarantor, as applicable), and may exercise every right and power of the predecessor Issuer or Guarantor, as applicable, under the Indenture with the same effect as if such successor Person had been named as the Issuer or a Guarantor, as applicable, therein and the predecessor Issuer or Guarantor, as applicable, shall be discharged from all obligations under the Indenture, any Notes Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement and any Security Document, as applicable; *provided, however*, that the predecessor Issuer shall not be relieved from the obligation to pay the principal of and interest on the Notes except in the case of a sale, conveyance, transfer or lease of all of the assets of or a consolidation or merger of the Issuer in a transaction that is subject to, and that complies with the provisions of, the covenant described above under “—Merger, Consolidation or Sale of Assets.”

### ***Transactions with Affiliates***

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each, an "*Affiliate Transaction*") involving aggregate consideration in excess of €2.0 million, unless:

- (1) the Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person (as determined in good faith by a responsible accounting or financial officer of the Issuer); and
- (2) the Issuer delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €5.0 million, a resolution of the Board of Directors of the Issuer set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Issuer; and, in addition,
  - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €20.0 million, an opinion of an accounting, appraisal or investment banking firm of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that (i) the transaction or series of related transactions is fair to the Issuer or such Restricted Subsidiary from a financial point of view taking into account all relevant circumstances, or (ii) the terms are not materially less favorable to the Issuer and its Restricted Subsidiaries than those that could reasonably have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

- (1) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of the Issuer or any Restricted Subsidiary or any parent entity of the Issuer (to the extent that such parent entity renders services to the businesses of the Issuer and its Restricted Subsidiaries), including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business (as determined in good faith by a responsible accounting or financial officer of the Issuer) as well as employee leasing arrangements of the Issuer and its Restricted Subsidiaries entered into in the ordinary course of business with any parent entity;
- (2) transactions between or among the Issuer and/or its Restricted Subsidiaries;
- (3) transactions between or among the Issuer or any Restricted Subsidiary and a Person (other than an Unrestricted Subsidiary of the Issuer) that is an Affiliate or Associate or similar entity of the Issuer solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;
- (4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of Officers, directors, employees or consultants of the Issuer or any Restricted Subsidiary or any parent entity of the Issuer (to the extent that



such parent entity renders services to the businesses of the Issuer and its Restricted Subsidiaries);

- (5) any issuance of Equity Interests (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer;
- (6) any Restricted Payment (other than a Permitted Investment) that does not violate the provisions of the Indenture described above under the caption “—Restricted Payments;”
- (7) transactions pursuant to, or contemplated by, any agreement in effect on the Issue Date which are disclosed in this Offering Memorandum under the heading “Certain Relationships and Related Party Transactions” and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not materially more disadvantageous to the holders of the Notes (as determined by the Board of Directors of the Issuer in their reasonable and good faith judgment) than the original agreement as in effect on the Issue Date;
- (8) the issuance of any Subordinated Shareholder Debt;
- (9) any Permitted Investment described in clause (5), (6), (9), (10) or (11) of the definition thereof;
- (10) Management Advances and Parent Entity Expenses;
- (11) payments or other transactions pursuant to any Tax Sharing Agreement; *provided, however,* that such payments, and the value of such transactions, shall not exceed the amount of tax that the Issuer or such Restricted Subsidiaries would owe, without taking into account such Tax Sharing Agreement, and the related tax liabilities of the Issuer and such Restricted Subsidiaries are relieved thereby;
- (12) any transaction effected in connection with Recourse Factoring or Securitization;
- (13) 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
- (14) 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.

***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors of the Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and the Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption “—Restricted Payments” or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee an Officer’s Certificate certifying that such designation

complied with the preceding conditions and was permitted by the covenant described above under the caption “—Restricted Payments.” The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption “—Incurrence of Indebtedness and Issuance of Preferred Stock,” calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

### ***Maintenance of Listing***

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Euro MTF Market of the Luxembourg Stock Exchange for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Euro MTF Market of the Luxembourg Stock Exchange, and thereafter use its commercially reasonable efforts to maintain, a listing of such Notes on another recognized stock exchange or exchange regulated market in western Europe meeting the requirements set out under applicable Italian tax laws and regulations.

### ***Reports***

So long as any Notes are outstanding, the Issuer will post on its website and furnish to the Trustee:

- (1) within 120 days after the end of the Issuer’s fiscal year beginning with the fiscal year ending December 31, 2013, annual reports containing the following information with a level of detail that is similar in scope to this Offering Memorandum: (a) audited consolidated balance sheet of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the three most recent fiscal years, including footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any acquisitions or dispositions (but only to the extent that such *pro forma* financial information can be made available without unreasonable expense, in which case the Issuer will provide, in the case of an acquisition, acquired company financials) that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause 2 or 3 below) if such acquisition or disposition, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of the Issuer on a *pro forma* basis or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, in each case unless *pro forma* information has been provided in a previous report pursuant to clause (2) below (*provided* that an acquisition, disposition or recapitalization that has occurred fewer than 30 days prior to the last day of the completed fiscal year as to which such annual report relates shall be reported in the next interim report provided pursuant to this covenant); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Issuer, material affiliate transactions and material debt instruments; and (e) risk factors and material recent developments;
- (2) within 60 days (or in the case of the fiscal quarter ending June 30, 2013, 75 days) following the end of each of the first three fiscal quarters in each fiscal year of the Issuer beginning

with the fiscal quarter ending June 30, 2013, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Issuer, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any acquisitions or dispositions (but only to the extent that such *pro forma* financial information can be made available without unreasonable expense, in which case the Issuer will provide, in the case of an acquisition, acquired company financials) if such acquisition or disposition, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of the Issuer on a *pro forma* basis or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, in each case unless *pro forma* information has been provided in a previous report pursuant to clause (1) or (2) of this covenant (*provided* that an acquisition, disposition or recapitalization that has occurred fewer than 30 days prior to the last day of the completed fiscal quarter as to which such quarterly report relates shall be reported in the next annual or interim report provided pursuant to this covenant) (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment), including a discussion of the consolidated financial condition and results of operations of the Issuer and any material change between the current quarterly period and the corresponding period of the prior year; and (d) material recent developments; and

- (3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and its Restricted Subsidiaries, taken as a whole, or any executive member of the board of directors or senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer announces publicly, a report containing a description of such event,

*provided, however*, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii) include separate financial statements for the Issuer, any Guarantors or non-guarantor Subsidiaries of the Issuer; *provided, further, however*, that any reports set out in this paragraph delivered to the Trustee via email or other electronic means shall be deemed to have been “furnished” to the Trustee in accordance with the terms of this paragraph.

In addition, if the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

All financial statements shall be prepared in accordance with IFRS. Except as provided for above, no report need include separate financial statements for the Issuer or 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, for so long as any Notes remain outstanding, the Issuer has agreed that it will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Delivery of such reports, information and documents to the Trustee shall be for informational purposes only and the Trustee's receipt of such shall not constitute actual or constructive notice

of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants under the Indenture or the Notes (as to which the Trustee shall be entitled to rely exclusively on Officer's Certificates).

***Limitation on Guarantees by Restricted Subsidiaries***

The Issuer will not and will not cause or permit any of its Restricted Subsidiaries that is not a Guarantor, directly or indirectly, to guarantee any Indebtedness of the Issuer or any Guarantor, unless such Restricted Subsidiary simultaneously executes and delivers a Notes Guarantee which Notes Guarantee will be on the same terms and conditions as those set forth in the Indenture and either *pari passu* with or senior to such Restricted Subsidiary's guarantee of such other Indebtedness (each such additional guarantee, an "*Additional Notes Guarantee*").

Notwithstanding the foregoing:

- (1) no Additional Notes Guarantee shall be required as a result of any guarantee of Indebtedness that existed at the time such Person became a Restricted Subsidiary if the guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;
- (2) such Notes Guarantee need not be secured unless required pursuant to the "—Liens" covenant;
- (3) if such Indebtedness is by its terms expressly subordinated to the Notes or any Notes Guarantee, any such assumption, guarantee or other liability of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated to such Restricted Subsidiary's Additional Notes Guarantee of the Notes at least to the same extent as such Indebtedness is subordinated to the Notes or any other senior guarantee;
- (4) no Notes Guarantee shall be required as a result of any guarantee given to a bank or trust company incorporated in any member state of the European Union as of the Issue Date or any commercial banking institution that is a member of the U.S. Federal Reserve System (or any branch, Subsidiary or Affiliate thereof), in each case having combined capital and surplus and undivided profits of not less than €500.0 million, whose debt has a rating, at the time such guarantee was given, of at least A- or the equivalent thereof by S&P and at least A3 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established for the Issuer's benefit or that of any Restricted Subsidiary;
- (5) no Notes Guarantee shall be required (i) to the extent and for so long as the incurrence of such Guarantee is contrary to the Agreed Security Principles or (ii) if such Notes Guarantee could reasonably be expected to give rise to or result in (as determined in good faith by a responsible accounting or financial officer of the Issuer) (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available (as determined in good faith by a responsible accounting or financial officer of the Issuer) to the Issuer or such Restricted Subsidiary, including, for the avoidance of doubt, "white-wash" or similar procedures or (C) any significant cost, expense, liability or obligation (including with respect of any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with, such Notes Guarantee, which cannot be avoided through measures reasonably available (as determined in good faith by a responsible accounting or financial officer of the Issuer) to the Issuer or the Restricted Subsidiary; and

- (6) each Additional Notes Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

#### ***Impairment of Security Interest***

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the provisos below, that the incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral); 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/or the other beneficiaries described in the Security Documents and the Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents and the Intercreditor Agreement; *provided, however*, that, except with respect to any discharge or release in accordance with the Indenture, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement (but excluding any provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement to the extent such provisions conflict with the terms of the corresponding provisions of the Indenture) the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an accounting, appraisal or investment banking firm of international standing 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, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, 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, modification or replacement.

In the event that the Issuer complies with the requirements of this covenant, (a) the Trustee shall (subject to customary protections and indemnifications in the Indenture) consent to such amendments and (b) the Trustee shall (subject to customary protections and indemnifications in the Indenture) instruct the Security Agent to enter into any such amendments, in each case without the need for instructions from the holders. For the avoidance of doubt, the Security Agent will have no discretion to consent to any such amendments and, instead, it will only be obliged to execute the relevant amendment if so directed by the Trustee and shall also have the benefit of customary protections and indemnifications in the Indenture.

#### ***Additional or Amended Intercreditor Agreement***

The Indenture will provide that, at the request of the Issuer, at or prior to any time that the Issuer or a Guarantor incurs or guarantees any Indebtedness permitted to be secured by a Lien on the Collateral pursuant to the definition of Permitted Collateral Liens, the Issuer, the



Guarantors, the Security Agent and the Trustee shall either amend and/or restate the Intercreditor Agreement or enter into with the creditors and/or agents of creditors with respect to such Indebtedness an additional intercreditor agreement (each, an "*Additional Intercreditor Agreement*") on substantially the same terms as the Intercreditor Agreement (or an amendment or restatement of the Intercreditor Agreement in lieu thereof), in either such case, to permit such Indebtedness to be subject to (and benefit from) substantially similar terms with respect to the release of the Collateral and Notes Guarantees, enforcement of security interests, turnover and limitations on enforcement and other rights as contained in the Intercreditor Agreement in effect as of the Issue Date (or, in the case of any such terms, terms more favorable to the holders of the Notes); provided that such Intercreditor Agreement or Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or in the opinion of the Trustee adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture, any Additional Intercreditor Agreement or the Intercreditor Agreement. Only one such intercreditor agreement shall be outstanding at any one time or, if more than one such intercreditor agreement is outstanding at any one time, the collective terms of such intercreditor agreements must not conflict and must be no more disadvantageous to the holders of the Notes than if all such Indebtedness was a party to one such agreement.

The Indenture will also provide that, at the direction of the Issuer and without the consent of the holders of the Notes, the Trustee and the Security Agent shall upon the direction of the Issuer from time to time enter into one or more amendments and/or restatements of the Intercreditor Agreement or any such Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency therein; (2) increase the amount of Indebtedness permitted to be incurred or issued under the Indenture of the types covered thereby that may be incurred by the Issuer or any Guarantors that is subject thereto (including the addition of provisions relating to new Indebtedness, including but not limited to Indebtedness ranking junior in right of payment to the Notes); (3) add Guarantors thereto; (4) further secure the Notes (including any Additional Notes); (5) provide for the discharge of any Additional Intercreditor Agreement to the extent that Indebtedness thereunder has been discharged or is to be refinanced; (6) implement Permitted Collateral Liens; or (7) make any other such change thereto that does not adversely affect the rights of holders of the Notes in any material respect. The Issuer will not otherwise direct the Trustee or the Security Agent to enter into any amendment and/or restatements of the Intercreditor Agreement or, if applicable, any Additional Intercreditor Agreement, without the consent of the holders of a majority in principal amount of the outstanding Notes except as otherwise permitted under "*—Amendment, Supplement and Waiver,*" and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment and/or restatements of the Intercreditor Agreement or, if applicable, any Additional Intercreditor Agreement to the extent such amendment and/or restatement will not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee, adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture, any Additional Intercreditor Agreement or the Intercreditor Agreement.

The Indenture will provide that each holder of a Note, by accepting such Note, will be deemed to have agreed to and accepted the terms and conditions of each Intercreditor Agreement and Additional Intercreditor Agreement, to have authorized the Trustee and the Security Agent to become a party to any such Intercreditor Agreement and Additional Intercreditor Agreement, and any amendment referred to in the preceding paragraphs and the Trustee or the Security Agent will not be required to seek the consent of any holders of Notes to perform its obligations under and in accordance with this covenant.

#### ***Limitation on Permitted Activities***

The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Permitted Business.



### ***Suspension of Covenants When Notes Rated Investment Grade***

If on any date following the Issue Date:

- (1) the Notes have achieved Investment Grade Status; and
- (2) no Default or Event of Default shall have occurred and be continuing on such date

(together, 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 (such period, the “*Suspension Period*”), the covenants specifically listed under the following captions in this Offering Memorandum will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Issuer and the Restricted Subsidiaries:

- (1) “—Restricted Payments;”
- (2) “—Incurrence of Indebtedness and Issuance of Preferred Stock;”
- (3) “—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”
- (4) “—Transactions with Affiliates;”
- (5) “—Designation of Restricted and Unrestricted Subsidiaries;”
- (6) “—Limitation on Guarantees by Restricted Subsidiaries;”
- (7) “—Impairment of Security Interest;” and
- (8) “—Repurchase at the Option of Holders—Asset Sales”
- (9) clause (4) of the first paragraph of the covenant described under “—Merger, Consolidation or Sale of Assets.”

The Issuer shall notify the Trustee that the two conditions set forth in the first paragraph under this heading have been satisfied; *provided* that such notification shall not be a condition for the suspension of the covenants set forth above to be effective.

Such covenants will not, however, be of any effect with regard to actions of the Issuer and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period, and the “—Restricted Payments” covenant will be interpreted as if it has been in effect since the Issue Date except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

All Indebtedness (including under the Revolving Credit Facility) incurred during the continuance of the Suspension Period will be deemed to have been incurred, at the Issuer’s option, pursuant to the first paragraph of the covenant described under “—Incurrence of Indebtedness and Issuance of Preferred Stock” or one of the clauses of the second paragraph of the covenant described under “—Incurrence of Indebtedness and Issuance of Preferred Stock” (other than clause (15)), to the extent such Indebtedness would be permitted to be incurred thereunder as of the date on which the Suspension Period ends and after giving effect to Indebtedness incurred prior to the Suspension Event and outstanding on such date. To the extent such Indebtedness would not be so permitted to be incurred under the first or second paragraph (other than clause (15) of the second paragraph) of such covenant, such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (2) of the second paragraph of the caption “—Incurrence of Indebtedness and Issuance of Preferred Stock.” The amount of Indebtedness deemed incurred under clause (15) of the second paragraph of the covenant described under “—Incurrence of Indebtedness and Issuance of Preferred Stock” as of the date on which the Suspension Period ends shall be equal to the principal amount of any Indebtedness that was incurred and outstanding under such

clause (15) on the date on which the Suspension Event occurred and that is still outstanding as of the date on which the Suspension Period ends.

Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero. In addition, within 20 Business Days of the end of a Suspension Period, the Issuer will cause any of its Restricted Subsidiaries that is not a Guarantor and that guaranteed any Indebtedness of the Issuer or any Guarantor during such Suspension Period to execute and deliver an Additional Notes Guarantee, subject to the second paragraph of the covenant described under “—Limitation on Guarantees by Restricted Subsidiaries.”

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

## Events of Default and Remedies

Each of the following is an “*Event of Default*”:

- (1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes;
- (2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;
- (3) failure by the Issuer or relevant Guarantor to comply with the provisions described under the caption “—Certain Covenants—Merger, Consolidation or Sale of Assets;”
- (4) failure by the Issuer or any of its Restricted Subsidiaries for 30 days (after receiving written notice) to comply with any of the provisions described above under the caption “—Repurchase at the Option of Holders—Change of Control;”
- (5) failure by the Issuer or a Restricted Subsidiary for 60 days (after written notice to the Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class) to comply with any of the agreements in the Indenture (other than a default in performance, or breach, of a covenant or agreement which is specifically dealt with in clauses (1), (2), (3) or (4) above) or the Security Documents;
- (6) 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), whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:
  - (a) is caused by a failure to pay principal of such Indebtedness, at its stated final maturity (after giving effect to any applicable grace periods) provided in such Indebtedness (a “*Payment Default*”); or
  - (b) results in the acceleration of such Indebtedness prior to its final stated maturity,and, in each case, 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 €20 million or more;
- (7) failure by the Issuer or any Restricted Subsidiary of the Issuer that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together (determined as of the most recent consolidated financial statements of the Issuer for a fiscal period end provided as required under “—Certain Covenants—Reports”), would constitute a Significant Subsidiary, to pay final judgments entered by a court or courts of competent jurisdiction aggregating €20 million or more, other than any judgments covered by indemnities provided by, or

insurance policies issued by, reputable and creditworthy companies under, which final judgments shall not have been paid, discharged or stayed for a period of more than 60 consecutive days after such judgment becomes final, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed;

- (8) except as permitted by the Indenture (including with respect to any limitations), any Notes Guarantee of the Issuer or a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together (determined as of the most recent consolidated financial statements of the Issuer for a fiscal period end provided as required under “—Certain Covenants—Reports”), would constitute a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or the Issuer or any Guarantor which is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together (determined as of the most recent consolidated financial statements of the Issuer for a fiscal period end provided as required under “—Certain Covenants—Reports”), would constitute a Significant Subsidiary, or any Person acting on behalf of any such Guarantor, denies or disaffirms its obligations under its Notes Guarantee;
- (9) certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its 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; and
- (10) the Security Interests purported to be created under any Security Document (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement and the Indenture) with respect to Collateral having a Fair Market Value in excess of €2.5 million will, at any time, cease to be in full force and effect and constitute a valid and perfected Lien with the priority required by the applicable Security Document and/or the Intercreditor Agreement for any reason other than the satisfaction in full of all Obligations under the Indenture and discharge of the Indenture or in accordance with the terms of the Intercreditor Agreement or the Security Documents or any such Security Interest purported to be created under any Security Document is declared invalid or unenforceable or the Issuer or any Guarantor granting Collateral the subject of any such Security Interest denies or disaffirms its obligations that any such Security Interest is valid or enforceable and such failure to be in full force and effect or such denial or disaffirmation has continued uncured for a period of 15 days.

In the case of an Event of Default arising under clause (9) above, all outstanding Notes will become due and payable immediately without further action or notice. A default arising under clauses (4), (5), (6), or (7) above will not constitute an Event of Default until the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes notify the Issuer of the default and, with respect to clauses (4), (5), (6) and (7) above the Issuer does not cure such default within the time specified in clauses (4), (5), (6) or (7), as applicable, above after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (9) above) occurs and is continuing, the Trustee by notice to the Issuer or the holders of at least 25% in aggregate principal amount of the then outstanding Notes by notice to the Issuer and the Trustee, may, and the Trustee at the request of such holders of Notes shall, declare all the Notes to be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (6) under “Events of Default and Remedies” has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if (i) the event of default or Payment Default triggering such Event of Default pursuant to clause (6) 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, in each case, within 30 days after the declaration of acceleration with respect thereto, (ii) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (iii) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any, in respect of the Notes.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case 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 holders of Notes unless such holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except (subject to the provisions described under “—Amendment, Supplement and Waiver”) to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Note 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 aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such holders have offered the Trustee security and/or indemnity against any loss, liability or expense satisfactory to the Trustee;
- (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) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

After a declaration of acceleration, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of Notes outstanding by written notice to the Issuer and the Trustee may rescind an acceleration and annul such declaration and its consequences under the Indenture if:

- (1) the Issuer has paid or deposited with the Trustee, or such entity designated or appointed (as agent) for this purpose by the Trustee, a sum sufficient to pay: (a) all sums paid or advanced by the Trustee under the Indenture and the properly incurred compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, (b) all overdue interest and Additional Amounts on all Notes then outstanding, (c) the principal of and premium, if any, on any Notes then outstanding which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes and (d) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Notes;
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and
- (3) all Events of Default, other than the non-payment of principal of, premium, if any, and any Additional Amounts and interest on the Notes, which have become due solely by such

declaration of acceleration, have been cured or waived as provided in the Indenture. No such rescission shall affect any subsequent default or impair any right consequent thereon.

The holders of not less than a majority in aggregate principal amount of the Notes outstanding may, on behalf of the holders of all outstanding Notes, waive any past or existing Default or Event of Default (other than a continuing Default in the payment of the principal of, premium, if any, any Additional Amounts or interest on any Note under the Indenture and its consequences, which may only be waived with the consent of holders of the Notes holding at least 90% of the aggregate principal amount of the Notes outstanding), and may rescind any acceleration with respect to the Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year starting with the fiscal year ending December 31, 2013 (and within 14 days upon request by the Trustee at any time after the 120 days), an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. Upon any Officer of the Issuer or Guarantors acquiring actual knowledge of any Default or Event of Default, the Issuer or Guarantors are required to deliver to the Trustee a statement specifying such Default or Event of Default and the action that is being taken in respect of such Default or Event of Default. Both the Trustee and the Security Agent may assume without inquiry, in the absence of actual knowledge, that the Issuer and Guarantors are duly complying with their obligations contained in the Indenture required to be observed and performed by each of them, and that no Default or Event of Default or other event that would require repayment of the Notes has occurred.

### **No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture, the Notes Guarantees, the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

### **Legal Defeasance and Covenant Defeasance**

The Issuer may at any time, at the option of the Issuer's Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Notes Guarantees ("*Legal Defeasance*") except for:

- (1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;
- (2) the Issuer's obligations with respect to the Notes 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;
- (3) the rights, powers, trusts, duties and immunities of the Trustee and the Security Agent, and the Issuer's and the Guarantors' obligations in connection therewith; and
- (4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture

("Covenant Defeasance") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described under "—Events of Default and Remedies" (except those relating to payments on the Notes or, solely with respect to the Issuer, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Issuer must irrevocably deposit with the Trustee or such entity designated or appointed (as agent) by the Trustee for this purpose, in trust, for the benefit of the holders of the Notes, cash in euro, non-callable European Government Obligations or a combination of cash in euro and non-callable European Government Obligations in an amount as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;
- (2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an opinion of United States counsel reasonably acceptable to the Trustee confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an opinion of United States counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Notes over the other creditors of the Issuer or the Guarantors, or with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or the Guarantors or others; and
- (5) the Issuer must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

## **Amendment, Supplement and Waiver**

Except as provided otherwise in the succeeding paragraphs, the Indenture, the Notes, the Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes, the Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents may be waived with the consent



of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided* that, if any amendment, waiver or other modification will only affect a series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required.

Unless consented to by the holders of at least 75% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of each holder of Notes affected, an amendment, supplement 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, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption “—Repurchase at the Option of Holders”);
- (3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;
- (4) impair the right of any holder of Notes to receive payment of principal of and interest on such holder’s Notes on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such holder’s Notes or any Notes Guarantee in respect thereof;
- (5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);
- (6) make any Note payable in money other than that stated in the Notes;
- (7) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;
- (8) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption “—Repurchase at the Option of Holders”);
- (9) release any Guarantor from any of its obligations under their respective Notes Guarantees or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement;
- (10) release any Security Interests granted for the benefit of the holders in the Collateral other than in accordance with the Security Documents, the Intercreditor Agreement and the Indenture;
- (11) authorize any change or amendment to the Proceeds Loans that would adversely affect the holders of the Notes in any material respect; or
- (12) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Issuer, the Guarantors, the Trustee and the Security Agent may amend or supplement the Indenture, the

Notes, the Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code);
- (3) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Notes and Notes Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;
- (4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;
- (5) to conform the text of the Indenture, the Notes Guarantees, 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, the Notes Guarantees or the Notes;
- (6) to release any Notes Guarantee or Collateral in accordance with the terms of the Indenture, the Security Documents or the Intercreditor Agreement, any Additional Intercreditor Agreement;
- (7) to provide for the issuance of additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;
- (8) to allow any Guarantor to execute a supplemental indenture and/or a Notes Guarantee and any Security Document with respect to the Notes;
- (9) to evidence and provide the acceptance of the appointment of a successor Trustee or Security Agent under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (10) to add security to or for the benefit of the Notes and enter into any Additional Intercreditor Agreement with respect thereto, or to effectuate or confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents or the Intercreditor Agreement; or
- (11) as provided under "—Intercreditor Agreement."

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In formulating its opinion on such matters, the Trustee and the Security Agent shall be entitled to rely absolutely on such evidence as it deems appropriate, including Opinions of Counsel and Officer's Certificates.

## **Meeting of Holders of Notes**

In addition to and without prejudice to the provisions described above under the caption "—Amendment, Supplement and Waiver." 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, any amendment, supplement or waiver described above under the caption “—Amendment, Supplement and Waiver” (including with respect to those matters set forth in clauses (1) through (11) of the second paragraph thereunder). 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. According to the Italian Civil Code, the vote required to pass a resolution by a meeting of holders of the Notes will be (a) 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 (b) 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 a 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 clause (1) through (11) of the second paragraph under “—Amendment, Supplement and Waiver,” 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 a 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, Notes Guarantees and Collateral—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.” 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” shall be in addition to, and not in substitution of, the provisions described under the caption “—Amendment, Supplement and Waiver.” 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 “—Amendment, Supplement and Waiver.”

## **Noteholders’ Representative**

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 Trustee 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 the request of one or more holders of the Notes or upon the request of the directors of the Issuer. The Noteholders’ Representative

remains appointed for a maximum period of three years but may be reappointed again thereafter.

## **Acts by Holders**

In determining whether holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer, a Restricted Subsidiary or by any Affiliate of the Issuer will be disregarded and deemed not to be outstanding.

## **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

- (1) either:
  - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment in euro has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Paying Agent for cancellation; or
  - (b) all Notes that have not been delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer;
- (2) the Issuer or any Guarantor has deposited or caused to be deposited with the Trustee or such entity as the Trustee designates or appoints (as agent) for this purpose as trust funds in trust solely for the benefit of the holders, cash in euro, non-callable European Government Obligations or a combination of cash in euro and non-callable European Government Obligations in an amount as will be sufficient in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued 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 or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and
- (4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; *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), (3) and (4)).

## **Judgment Currency**

Euro is the sole currency of account and payment for all sums payable by the Issuer or any Guarantor under the Notes, any Notes Guarantee thereof and the Indenture. Any payment on account of an amount that is payable in euro, in respect of the Notes which is made to or for the account of any holder or the Trustee in lawful currency of any other jurisdiction (the "*Judgment Currency*"), whether as a result of any judgment or order or the enforcement

thereof or the liquidation of the Issuer or any Guarantor, shall constitute a discharge of the Issuer or the Guarantor's obligation under the Indenture and the Notes or Notes Guarantee, as the case may be, only to the extent of the amount of euro, with such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of euro that could be so purchased is less than the amount of euro originally due to such holder or the Trustee, as the case may be, the Issuer and the Guarantors shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

### **Concerning the Trustee**

The Issuer shall deliver written notice to the Trustee within 30 days of becoming aware of the occurrence of a Default or an Event of Default, describing their status and what action the Issuer is taking or proposes to take in respect thereof. The Trustee will be permitted to engage in other transactions; *provided* that if it acquires any conflicting interest in its capacity as Trustee it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture will provide that in case an Event of Default occurs and is continuing of which the Trustee has actual knowledge, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of such person's own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense.

The Issuer and the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with its duties. Except during the continuance of an Event of Default of which it has actual knowledge, the Trustee will have only its express duties under the Indenture and no implied duties shall be assumed.

### **Listing**

Application has been made to list the Notes on the Euro MTF Market of the Luxembourg Stock Exchange. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and admit them to trading on the Euro MTF Market of the Luxembourg Stock Exchange will be approved and settlement of the Notes is not conditioned on obtaining this listing.

### **Additional Information**

Anyone who receives this Offering Memorandum may, following the Issue Date, obtain a copy of the Indenture, the form of Note, the Security Documents and the Intercreditor Agreement without charge by writing to the Issuer at Via Poli, 4 - 40069 Zola Predosa (BO), Italy.

So long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Issuer's annual audited consolidated financial statements and the Issuer's unaudited

consolidated interim financial statements may be obtained, free of charge, upon the written request directed to the Issuer at the contact information in the above paragraph or, to the extent and in the manner permitted by such rules, on the official website of the Luxembourg Stock Exchange.

### **Consent to Jurisdiction and Service of Process**

The Indenture will provide that the Issuer and each Guarantor will appoint CT Corporation as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Notes Guarantees brought in any federal or state court located in the City of New York and will submit to such jurisdiction.

### **Enforceability of Judgments**

Since all of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor may not be collectable within the United States.

### **Prescription**

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

### **Governing Law**

The Indenture, the Notes and each Notes Guarantee, 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 Revolving Credit Facility and the Intercreditor Agreement will be governed by English Law. The Security Documents will be governed by Italian law.

### **Certain Definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

*"Acquired Debt"* means, with respect to any specified Person:

- (1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary;
- (2) Indebtedness of any Person assumed by the specified Person in connection with the acquisition of assets and assumption of related liabilities from such other Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such acquisition of assets and assumption of related liabilities; or
- (3) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

*"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 purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or



otherwise. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“*Agreed Security Principles*” means the agreed security principles appended to the Revolving Credit Facility as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

“*Applicable Premium*” means with respect to any Note on any redemption date, the greater of:

- (a) 1.0% of the principal amount of such Note; or
- (b) the excess of (to the extent positive):
  - (a) the present value at such redemption date of (x) the redemption price of such Note at August 1, 2016 (such redemption price being set forth in the table appearing above under the caption “—Optional Redemption”) plus (y) all required interest payments due on such Note through August 1, 2016 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over
  - (b) the outstanding principal amount of the Note.

For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee or any Paying Agent.

“*Asset Sale*” means:

- (1) the sale, lease, conveyance or other disposition of any assets by the Issuer or any Restricted Subsidiary; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption “—Repurchase at the Option of Holders—Change of Control” and/or the provisions described above under the caption “—Certain Covenants—Merger, Consolidation or Sale of Assets” and not by the provisions described under the caption “—Repurchase at the Option of Holders—Asset Sales;” and
- (2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Issuer or any Restricted Subsidiary of Equity Interests in any of the Restricted Subsidiaries (in each case, other than directors’ qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than €2.0 million;
- (2) a transfer of assets or Equity Interests between or among the Issuer and any Restricted Subsidiary;
- (3) an issuance of Equity Interests by a Restricted Subsidiary to the Issuer or to a Guarantor;
- (4) the sale, lease or other transfer or discount of accounts receivable, inventory or other assets in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets or assets that are no longer useful in the conduct of the business of the Issuer and the Restricted Subsidiaries;
- (5) licenses and sublicenses by the Issuer or any Restricted Subsidiary in the ordinary course of business;

- (6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;
- (7) the granting of Liens not prohibited by the covenant described above under the caption "—Liens;"
- (8) the sale or other disposition of cash or Cash Equivalents;
- (9) a Restricted Payment that does not violate the covenant described above under the caption "—Certain Covenants—Restricted Payments," a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment;
- (10) the disposition 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;
- (11) 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 consideration for such disposition is at least equal to the Fair Market Value of the assets being disposed of;
- (12) transactions permitted under "—Certain Covenants—Merger, Consolidation or Sale of Assets;"
- (13) sales, transfers, dispositions or discounts of receivables and related assets in connection with any factoring, receivables or securitization financing, including any Recourse Factoring or Securitization, or in the ordinary course of business;
- (14) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (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; and
- (17) 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 agreements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "Asset Sales" covenant.

"Associate" means:

- (1) any Person engaged in a Permitted Business of which the Issuer or any Restricted Subsidiaries are the beneficial owners of between 20% and 50% of (a) the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity or (b) the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, whether in the form of membership, general, special or limited partnership interests or otherwise; and

(2) any joint venture entered into by the Issuer or any Restricted Subsidiary.

*"Board of Directors"* means:

- (1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the board of directors of the general partner of the partnership;
- (3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (4) with respect to any other Person, the board or committee of such Person serving a similar function.

*"Bund Rate"* means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have 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 by the Issuer in good faith)) most nearly equal to the period from the redemption date to August 1, 2016; *provided, however*, that if the period from the redemption date to August 1, 2016 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 August 1, 2016 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, Luxembourg, London, United Kingdom, or New York, New York, United States are authorized or required by law to close; *provided* that for any payments to be made under the Indenture, such day shall also be a day on which the Trans-European Automated Realtime Gross Settlement Express Transfer ("*TARGET*") payment system is open for the settlement of payments.

*"Capital Lease Obligation"* means, at the time any determination is to be made, the amount of the liability in respect of a financial lease that is at that time capitalized on a balance sheet prepared in accordance with IFRS. 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.

*"Capital Stock"* means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding

from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

*"Cash Equivalents"* means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a member state of the European Union, Switzerland or Norway or, in each case, any agency or instrumentality of 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) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits (and similar instruments) with maturities of 12 months or less from the date of acquisition (a *"Deposit"*) issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union or of the United States or any state thereof, Switzerland, Canada or Norway; *provided* that either (x) on the Issue Date, the Issuer or any Restricted Subsidiary held Deposits with such bank or trust company (or any branch, Subsidiary or Affiliate thereof), (y) such bank or trust company is a lender under the Revolving Credit Facility or (z) such bank or trust company (i) has capital, surplus and undivided profits aggregating in excess of €250.0 million (or the foreign currency equivalent thereof as of the date of such investment) and (ii) (in the event that the bank or trust company has commercial paper which is rated) whose commercial paper (or if the parent of such bank or trust company is a bank or trust company that otherwise fulfills the requirements of this provision, such parent's commercial paper) is rated at least "P-3" or the equivalent thereof by Moody's or "A-3" or the equivalent thereof by S&P or the equivalent rating category of another internationally recognized rating agency.
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;
- (4) commercial paper having one of the three highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and
- (5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

*"Change of Control"* means the occurrence of any of the following:

- (1) the Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the U.S. 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 any Permitted Holder, 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), by any means (including, without limitation, by means of any merger or consolidation), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided that*, (x) any holding company whose sole asset is the Capital Stock of the Issuer will not itself be considered a "person" or "group" and (y) any Person or group that includes the Permitted Holder shall also be deemed to be a Related Party so long as the Permitted Holder and/or its Related Parties (before giving effect to the existence of any such group) shall beneficially own (as so defined) at least 50% of the voting power of the Voting Stock of the Issuer owned by such Person or group;
- (2) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries taken

as a whole to any Person (including any “person” (as that term is used in Section 13(d)(3) of the U.S. Exchange Act)) other than a Restricted Subsidiary or a Permitted Holder;

- (3) the transformation of the Parent or any successor entity thereof into a corporate entity that is not a “*società cooperativa*” (cooperative company), following which 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), 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), by any means (including, without limitation, by means of any merger or consolidation), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of such entity; or
- (4) the adoption of a plan by the holders of the Capital Stock of the Issuer relating to the liquidation, winding up or dissolution of the Issuer.

“*Clearstream*” means Clearstream Banking, *société anonyme*.

“*Code*” means the U.S. Internal Revenue Code of 1986, as amended.

“*Collateral*” means the rights, property and assets securing the Notes and the Notes Guarantees as described in the section entitled “—Security” and any rights, property or assets over which a Lien has been granted to secure the Obligations of the Issuer or a Guarantor under the Notes, the Notes Guarantees and the Indenture, as the case may be.

“*Consolidated EBITDA*” means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

- (1) provision for taxes based on income or profits of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*
- (2) the Fixed Charges of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*
- (3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets or the impact of purchase accounting on the Issuer’s Consolidated Net Income for such period) and accrual to provisions for risks and charges and for trade receivables (without double counting) decreasing the Issuer’s Consolidated Net Income for such period; *plus*
- (4) any expenses, charges or other costs related to the issuance of any Capital Stock, or any Investment, acquisition, disposition, recapitalization or listing or the incurrence of Indebtedness permitted to be incurred under the covenant described above under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock” (including refinancing thereof) whether or not successful, including (a) such fees, expenses or charges related to any incurrence of Indebtedness issuance and (b) any amendment or other modification of any incurrence; *plus*
- (5) any foreign currency translation losses (including losses related to currency remeasurements of Indebtedness) of the Issuer and the Restricted Subsidiaries; *plus*
- (6) the amount of any minority interest expense deducted in such period in calculating Consolidated Net Income; *plus*
- (7) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other items classified by the Issuer as 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 in any future period) other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (12) of the definition of Consolidated Net Income,

in each case, on a consolidated basis and determined in accordance with IFRS.

*"Consolidated Leverage"* means, as of any date of determination, the sum of the total amount of Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis; *provided* that for the purpose of calculating the Consolidated Leverage Ratio, Consolidated Leverage shall be calculated by deducting from Consolidated Leverage the amount of cash and Cash Equivalents (other than cash and Cash Equivalents received upon the incurrence of Indebtedness by the Issuer or the relevant Guarantor, as applicable, and not immediately or subsequently applied or used for any purpose not prohibited by the Indenture) that would be stated on the balance sheet of the Issuer or the relevant Guarantor, as applicable, as of such date in accordance with IFRS; *provided further* that such deduction of cash and Cash Equivalents shall not exceed the amount of Consolidated EBITDA of the Issuer for the period of the most recent four quarters for which financial statements are available.

*"Consolidated Leverage Ratio"* means, as of any date of determination, the ratio of (a) the Consolidated Leverage on such date to (b) Consolidated EBITDA of the Issuer for the period of the most recent four quarters for which financial statements are available, in each case, with such pro forma adjustments as are consistent with the pro forma provisions set forth in the definition of Fixed Charge Coverage Ratio.

*"Consolidated Net Income"* means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

- (1) any goodwill or other intangible asset impairment charges will be excluded;
- (2) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash or Cash Equivalents to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;
- (3) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "—Certain Covenants—Restricted Payments," any net income (loss) of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer (or the Issuer or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) 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 and (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favorable to the Holders of the Notes than such restrictions in effect on the Issue Date) 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 (other than any Guarantor), to the limitation contained in this clause);

- (4) 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 and Leaseback Transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by a responsible accounting or financial officer of the Issuer) or in connection with the sale or disposition of securities will be excluded;
- (5) any non-cash compensation charge or expense arising from share-based payment transactions determined, including in respect of pension liabilities, on a consolidated basis in accordance with IFRS will be excluded;
- (6) any non-cash charges or increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of another Person or business (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; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition) or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries will be excluded;
- (7) the cumulative effect of a change in accounting principles will be excluded;
- (8) (a) any extraordinary, exceptional or unusual gain, loss or charge, (b) any asset impairments charges, or the financial impacts of natural disasters (including fire, flood and storm and related events), (c) any non-cash charges or reserves in respect of any restructuring, redundancy, integration or severance or (d) any expenses, charges, fees, taxes, reserves or other costs related to the Transactions or amortization of such costs (in each case, as determined in good faith by a responsible accounting or financial officer of the Issuer), in each case, will be excluded;
- (9) all deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness will be excluded;
- (10) all fees, expenses and other costs (including the amortization of such costs) incurred in connection with (a) any refinancing of any Indebtedness of the Issuer or any Restricted Subsidiary and (b) any Equity Offering or offering of other securities of the Issuer or any Restricted Subsidiary, or any direct or indirect parent entity of the Issuer, will in each case be excluded;
- (11) any unrealized gains or losses in respect of Hedging Obligations 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 will be excluded;
- (12) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies; and
- (13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Debt.

*"Consolidated Senior Secured Leverage"* means, as of any date of determination, the sum of the total amount of Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis; *provided* that for the purpose of calculating the Consolidated Senior

Secured Leverage Ratio, Consolidated Senior Secured Leverage shall be calculated by deducting from Consolidated Senior Secured Leverage the amount of cash and Cash Equivalents (other than cash and Cash Equivalents received upon the incurrence of Indebtedness by the Issuer or the relevant Guarantor, as applicable, and not immediately or subsequently applied or used for any purpose not prohibited by the Indenture) that would be stated on the balance sheet of the Issuer or the relevant Guarantor, as applicable, as of such date in accordance with IFRS; *provided further* that such deduction of cash and Cash Equivalents shall not exceed the amount of Consolidated EBITDA of the Issuer for the period of the most recent four quarters for which financial statements are available.

*"Consolidated Senior Secured Leverage Ratio"* means, as of any date of determination, the ratio of (a) Consolidated Senior Secured Leverage on such date to (b) the Consolidated EBITDA of the Issuer for the period of the most recent four consecutive quarters for which financial statements are available, in each case with such *pro forma* adjustments to Indebtedness and Consolidated EBITDA as are appropriate and consistent with the *pro forma* provisions set forth in the definition of "Fixed Charge Coverage 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, in each case, 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.

*"continuing"* means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

*"Credit Facilities"* means, one or more debt facilities, indentures, instruments, trust deeds, fiscal agency agreements, note purchase agreements or arrangements incurred by the Issuer or any Restricted Subsidiary (including the Revolving Credit Facility, commercial paper facilities and overdraft facilities) with banks, other institutions, insurance companies 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) letters of credit, notes 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 trustees or other banks, insurance companies or institutions and whether provided under the Revolving Credit Facility or one or more other credit or other agreements, indentures, trust deeds, fiscal agency agreements, note purchase agreements, 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 Facilities" 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, issuers 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 Exchange Protection Agreement"* means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

*"Default"* means any event that is, or with the expiry of a grace period, the giving of notice or the making of any determination or any combination of the foregoing would be, an Event of Default.

*"Designated Non-Cash Consideration"* means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale 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 or Cash Equivalents 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 Indenture provisions described under *"—Repurchase at the Option of Holders—Asset Sales."*

*"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, on or prior to 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, (i) 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 and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under *"—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.

*"Equity Interests"* means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

*"Equity Offering"* means (i) a bona fide underwritten offering of Capital Stock (other than Disqualified Stock or as an Excluded Contribution and excluding any portion of such offering sold to any Subsidiary of the Issuer) of the Issuer pursuant to (x) a registration statement that has been declared effective by the SEC pursuant to the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of the Issuer) or a public offering outside of the United States; or

(y) Rule 144A and/or Regulation S under the U.S. Securities Act or (ii) a capital increase in the form of a sale of newly issued Capital Stock (*aumento di capitale*) of the Issuer or an issuance of Capital Stock of the Issuer in connection with the exercise of warrants by one or more warrant holders for the Capital Stock of the Issuer.

*"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 Issuer) on the date of such determination.

*"Euroclear"* means Euroclear Bank SA/NV.

*"European Government Obligations"* means direct obligations of, or obligations guaranteed by, a member state of the European Union, and the payment of which such member state of the European Union pledges its full faith and credit.

*"Excluded Contribution"* means net cash proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock) of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer on the date such contribution to equity is made or such Capital Stock is issued or sold.

*"Fair Market Value"* means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by an Officer of the Issuer (unless otherwise specified).

*"Fixed Charge Coverage Ratio"* means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Subsidiaries which are Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness or issues, repurchases or redeems any 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, except as provided in the proviso below, 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 the Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance 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 the *pro forma* calculation shall not give effect to (i) any Indebtedness incurred or Disqualified Stock or preferred stock issued on such determination date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Incurrence of*

Indebtedness and Issuance of Preferred Stock” or (ii) the discharge on the date of determination of any Indebtedness or the repurchase or redemption of any Disqualified Stock or preferred stock to the extent that such discharge, repurchase or redemption could result from the proceeds of Indebtedness incurred or Disqualified Stock or preferred stock issued pursuant to the provisions described in the second paragraph under “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock.”

For purposes of making the computation referred to above, any Investment, acquisitions, dispositions, mergers, consolidations and disposed operations that have been made by the Issuer or any Restricted Subsidiary, during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Calculation Date, shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in Consolidated EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation or disposed or discontinued operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger, consolidation or disposed operation had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of the Issuer (including cost savings and synergies relating to such transaction that are reasonably identifiable and factually supportable. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capital 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 Capital Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed with a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Issuer may designate.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) 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, but only to the extent that the Fixed Charges, if any, attributable to such discontinued operations are excluded pursuant to clause (2) below;
- (2) 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 Subsidiaries which are Restricted Subsidiaries following the Calculation Date;
- (3) 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;



- (4) 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;
- (5) 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 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); and
- (6) in making such computation, the Fixed Charges of such Person attributable to interest or any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based on the average daily balance of such Indebtedness during the applicable period.

*"Fixed Charges"* means, with respect to any specified Person for any period, the sum, without duplication, of:

- (1) the consolidated interest expense (net of cash or non-cash interest income other than cash or non-cash interest income from Affiliates) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, whether paid, received or accrued, including, without limitation, amortization of debt discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest that was capitalized during such period (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations, the interest component of deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts, Receivables Fees and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings; *plus*
- (2) the consolidated interest expense (but excluding such interest on Subordinated Shareholder Debt) of such Person and its Subsidiaries which are Restricted Subsidiaries that was capitalized during such period; *plus*
- (3) any interest actually paid on Indebtedness of another Person that is guaranteed by such specified Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such specified Person or one of its Subsidiaries which are Restricted Subsidiaries; *plus*
- (4) net payments and receipts (if any) pursuant to interest rate Hedging Obligations (excluding amortization of fees) with respect to Indebtedness; *plus*
- (5) all dividends, whether paid or accrued and whether or not in cash, on any series of Disqualified Stock of the Issuer or any Restricted Subsidiary or any series of preferred stock of any Restricted Subsidiary, other than dividends on Equity Interests payable to the Issuer or a Restricted Subsidiary.

For the avoidance of doubt, *"Fixed Charges"* excludes (i) accrued and unpaid interest on Subordinated Shareholder Debt and (ii) any commissions, discounts, yield and other fees and charges related to factoring, receivables or securitization financings that do not constitute Recourse Factoring or Securitization.

*"Guarantee"* means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, direct or indirect, in any manner, including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).



*"Guarantors"* means each of the Initial Guarantors and any Restricted Subsidiary that executes a Notes Guarantee of the Issuer's obligations under the Indenture and the Notes in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Notes Guarantee of such Person has been released in accordance with the provisions of the Indenture.

*"Hedging Obligations"* means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements, (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (2) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

*"IFRS"* means International Financial Reporting Standards as issued by the International Accounting Standards Board and in effect from time to time.

*"Indebtedness"* means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;
- (3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);
- (4) representing Capital Lease Obligations;
- (5) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed;
- (6) representing net obligations under any Hedging Obligations (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);
- (7) representing the maximum fixed purchase price of Disqualified Stock; and
- (8) representing any Recourse Factoring or Securitization,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS. In addition, the term *"Indebtedness"* includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person, except for Guarantees for the benefit of a joint venture or Associate in existence on the Issue Date or pursuant to which an Investment has been made by the Issuer or any of its Restricted Subsidiaries in accordance with the covenant under *"—Restricted Payments."*

The term “*Indebtedness*” shall not include:

- (1) Subordinated Shareholder Debt;
- (2) any lease, concession or license of assets or other property which would be considered an operating lease under IFRS as in effect on the Issue Date and any guarantee given in the ordinary course of business by the Issuer or any of its Restricted Subsidiaries solely in connection with, and in respect of, the obligations of the Issuer or any of its Restricted Subsidiaries under any such operating lease;
- (3) Contingent Obligations in the ordinary course of business;
- (4) 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;
- (5) any prepayments or deposits received from clients or customers in the ordinary course of business for services or products to be provided or delivered in the future, or obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) incurred prior to the Issue Date or in the ordinary course of business;
- (6) for the avoidance of doubt, any contingent obligations in respect of worker’s compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;
- (7) obligations under or in respect of factoring receivables or securitization financing that do not constitute Recourse Factoring or Securitization;
- (8) any Obligations in respect of warrants for the Capital Stock of the Issuer that appear as a liability upon a balance sheet of a specified Person in accordance with IFRS; *provided* that the exercise of such warrants would result in a capital increase in the form of a sale of newly issued Capital Stock (*aumento di capitale*) of the Issuer or an issuance of Capital Stock of the Issuer; or
- (9) 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.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amount of funds borrowed and then outstanding under such facility. Any Indebtedness representing Recourse Factoring or Securitization shall be deemed to be extinguished and no longer outstanding under the Indenture to the extent that the related receivable has been paid or otherwise satisfied or no longer appears as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS.

“*Initial Public Offering*” means the first public offering of common stock or common equity interests of the Issuer or any parent entity (the “*IPO Entity*”) following which such common stock or common equity interests are listed on an internationally recognized securities exchange or traded on an internationally recognized market, including any parent entity that has undertaken a public offering of common stock or common equity interests and has listed such common stock or common equity interests on an internationally recognized securities exchange or traded on an internationally recognized market prior to becoming a parent entity of the Issuer or merging with or into the Issuer, as the case may be.

*"Intercreditor Agreement"* means the intercreditor agreement that will be entered on the Issue Date by and among the Issuer and the other parties thereto.

*"Investment Grade Status"* shall occur when the Notes are rated "Baa3" or better by Moody's and "BBB-" or better by S&P (or, if either such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" within the meaning of the U.S. Exchange Act selected by the Issuer as a replacement agency).

*"Investments"* means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the footnotes) prepared in accordance with IFRS.

If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer's Investments in such Restricted Subsidiary that were 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—Restricted Payments.*"

The acquisition by the Issuer or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Restricted Payments.*"

Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the original cost of such Investment.

*"Issue Date"* means August 2, 2013.

*"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, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

*"Management Advances"* means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, managers, consultants or employees of the Issuer or any Restricted Subsidiary:

- (1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;
- (2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

- (3) in the ordinary course of business not exceeding €2.5 million in the aggregate outstanding at any time.

*"Market Capitalization"* means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

*"Moody's"* means Moody's Investors Service, Inc.

*"Net Proceeds"* means the aggregate cash proceeds received by the Issuer or any Restricted Subsidiary in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expense incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS and all *pro rata* distributions and other payments required to be made to minority interest holders (other than the Issuer or any of its Restricted Subsidiaries) in Subsidiaries or Associates as a result of such Asset Sale.

*"Non-Recourse Debt"* means Indebtedness as to which neither the Issuer nor 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.

*"Notes Guarantee"* means the Guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

*"Obligations"* means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities or amounts payable under the documentation governing any Indebtedness.

*"Offering Memorandum"* means the offering memorandum in relation to the Notes dated July 26, 2013.

*"Officer"* means, with respect to any Person, the Chairman of the Board, the Managing Director, the Chief Executive Officer and the Chief Financial Officer of such Person or a responsible accounting or financial officer of such Person.

*"Officer's Certificate"* means a certificate signed by an Officer; *provided* that each certificate with respect to compliance with a condition or covenant provided for in the Indenture shall include:

- (1) a statement that the Person making such certificate has read such covenant or condition;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based;
- (3) a statement that, in the opinion of such Person, such Person has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been satisfied; and
- (4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

*"Opinion of Counsel"* means an opinion in writing from and signed by legal counsel (including in-house counsel of the Issuer) that is reasonably acceptable to the Trustee; *provided* that each opinion with respect to compliance with a condition or covenant provided for in the Indenture shall include:

- (1) a statement that the Person making such opinion has read such covenant or condition;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such opinion are based;
- (3) a statement that, in the opinion of such Person, such Person has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been satisfied; and
- (4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

*"Parent"* means Manutencoop Società Cooperativa.

*"parent entity"* 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 the Permitted Holder for purposes of holding its investment in any parent entity.

*"Parent Entity Expenses"* means fees, costs, reimbursements or expenses made to any direct or indirect parent company of the Issuer, including the Parent, in connection with (i) license agreements in respect of the "Manutencoop" trademark in the ordinary course of business and consistent with past practice; (ii) real estate leases in the ordinary course of business and consistent with past practice; (iii) employee leasing arrangements in the ordinary course of business and consistent with past practice; (iv) costs (including all professional fees and expenses) incurred directly or indirectly by any direct or indirect parent company of the Issuer in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory, self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary; (v) fees and expenses payable by any parent entity in connection with the Transactions; (vi) fees and expenses of any parent entity of the Issuer in relation to any public offering or other sale of Capital Stock or Indebtedness where (x) the net proceeds of such offering or sale are received by or contributed to the Issuer or any Restricted Subsidiary or (y) in a prorated amount of such expenses in proportion to the amount of such net proceeds received by or contributed to the Issuer or any Restricted Subsidiary; and (vii) general operating expenses, customary directors' fees, accounting, legal, corporate reporting and administrative expenses incurred in the ordinary course of business to the extent such costs and expenses are directly attributable to the ownership or operation of the Issuer and its Restricted Subsidiaries or are third-party fees and expenses, in each case, incurred on behalf of the Issuer and/or any of its Restricted Subsidiaries in the ordinary course of business and consistent with past practice.

*"Permitted Business"* means (a) any businesses, services or activities engaged in or proposed to be conducted by the Issuer or any of its Restricted Subsidiaries on the Issue Date and (b) any businesses, services and activities engaged in by the Issuer or any of its Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

*"Permitted Collateral Liens"* means the following types of Liens:

- (1) Liens on the Collateral that are described in one or more of clauses (3), (5), (6), (11), (12) and (15) 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;

- (2) Liens on the Collateral securing the Notes issued on the Issue Date and any Permitted Refinancing Indebtedness in respect thereof and the related Notes Guarantees of the Notes or such Permitted Refinancing Indebtedness;
- (3) Liens on the Collateral securing Indebtedness that is permitted to be incurred under clauses (1) (which Indebtedness may have super senior priority status not materially less favorable to the holders of the Notes than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement), (4) (other than with respect to Capital Lease Obligations), (8) (which Indebtedness may have super senior priority status not materially less favorable to the holders of the Notes than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement), (9) (to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and is specified in this definition of "Permitted Collateral Liens"), (15) or (18) of the definition of Permitted Debt and any Permitted Refinancing Indebtedness in respect thereof; and
- (4) Liens on the Collateral securing Indebtedness that is permitted to be incurred by the first paragraph of the covenant described under "Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock" and Permitted Refinancing Indebtedness in respect thereof.

*"Permitted Holder"* means (a) Manutencoop Società Cooperativa, for as long as it remains a *"società cooperativa"* (cooperative company) in accordance with applicable provisions of Italian law, with express exclusion of any of its successor entities or assigns, (b) any Related Person of a Permitted Holder, and (c) any one or more Persons whose beneficial ownership constitutes or results in a Change of Control in respect of which a Change of Control Offer shall have been made in accordance with the requirements of the Indenture.

*"Permitted Investments"* means:

- (1) any Investment in a Restricted Subsidiary;
- (2) any Investment in cash and Cash Equivalents;
- (3) any Investment by the Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment:
  - (a) such Person becomes a Restricted Subsidiary; or
  - (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;
- (4) any Investment made as a result of the receipt of non-cash consideration from a disposition of property or assets, including an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "—Repurchase at the Option of Holders—Asset Sales;"
- (5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer or Subordinated Shareholder Debt;
- (6) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; (B) litigation, arbitration or other disputes or (C) as a result of any foreclosure, perfection or enforcement of any Lien;



- (7) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;
- (8) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant described under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock;”
- (9) Investments in the Notes and any other Indebtedness (other than Indebtedness of the Issuer or any Guarantor that is expressly contractually subordinated in right of payment to the Notes or to any Notes Guarantee and Subordinated Shareholder Debt) of the Issuer or any Restricted Subsidiary;
- (10) any Guarantee of Indebtedness permitted to be incurred by the covenant described above under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock;”
- (11) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;
- (12) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any Restricted Subsidiary in a transaction that is not prohibited by the covenant described above under the caption “—Certain Covenants—Merger, Consolidation or Sale of Assets” after the Issue Date 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;
- (13) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock;”
- (14) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (14) that are at the time outstanding not to exceed the greater of €25 million and 22% of Consolidated EBITDA of the Issuer for the most recently completed four consecutive fiscal quarters for which internal consolidated financial statements are available; *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 above under the caption “—Certain Covenants—Restricted Payments,” such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of “Permitted Investments” and not this clause;
- (15) Management Advances;
- (16) Investments in payroll, travel 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;

- (17) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Indenture;
- (18) Investments made in connection with any Recourse Factoring or Securitization and any related Indebtedness;
- (19) Investments by the Issuer or any of its Restricted Subsidiaries in one or more joint ventures, Associates or similar entities that are not Restricted Subsidiaries that are primarily engaged in a business related, ancillary or complementary to those of the Issuer and its Subsidiaries conducted on the Issue Date or with which the Issuer or any of its Restricted Subsidiaries intends to provide services or undertake activities together, provided that the total aggregate amount of such Investments, measured by reference to the Fair Market Value of any such Investment on the day it was made, does not exceed €5 million in any calendar year ("*Joint Venture Investment*") with unused amounts from such calendar year being available for use during the succeeding calendar years; and
- (20) Guarantees, keepwells and similar arrangements not prohibited by the covenant described under "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock."

"*Permitted Liens*" means:

- (1) (a) Liens in favor of the Issuer or any of the Guarantors and (b) Liens on assets or property of the Issuer or any of its Restricted Subsidiary organized under the laws of Italy pursuant to a "*privilegio speciale*" (or similar successor principles under Italian law providing for floating charges over moveable assets) securing Indebtedness under Credit Facilities;
- (2) Liens on property or other assets (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary, or at the time the Issuer or a Restricted Subsidiary acquires such property or other assets (including Capital Stock); *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary or such merger or consolidation or such acquisition of property or assets (including Capital Stock), were not incurred in contemplation thereof and are limited to all or part of the same property or other assets (including Capital Stock) (plus improvements, accession, proceeds or dividends or distributions in connection with the original property or other assets (including Capital Stock)) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (3) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers compensation obligations, leases, performance bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);
- (4) Liens existing on the Issue Date;
- (5) Liens for Taxes that (x) are not yet due and payable or (y) are being contested in good faith by appropriate proceedings; *provided* that any reserve or other appropriate provision, if any, required by IFRS shall have been made therefor;
- (6) Liens imposed by law, such as carrier's, warehousemen's, landlord's and mechanic's Liens, in each case, incurred in the ordinary course of business;
- (7) survey exceptions, easements 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 or other restrictions as to the use of real property that were not incurred in connection with indebtedness and that 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 such Person;

- (8) (a) Liens created for the benefit of (or to secure) the Notes (or the Guarantees) and  
(b) Permitted Collateral Liens;
- (9) Liens to secure any Permitted Refinancing Indebtedness (excluding Liens to secure Permitted Refinancing Indebtedness initially secured pursuant to clause (31) of this definition) permitted to be incurred under the Indenture; *provided, however*, that:
  - (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and
  - (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;
- (10) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (11) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under applicable jurisdiction) in connection with operating leases in the ordinary course of business;
- (12) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;
- (13) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;
- (14) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (15) Leases, licenses, subleases and sublicenses of assets in the ordinary course of business;
- (16) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;
- (17) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;
- (18) 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;
- (19) Liens securing or arising by reason of any netting or setoff arrangement entered into in the ordinary course of banking or other trading activities;

- (20) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (21) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Issuer's or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;
- (22) Liens to secure Indebtedness permitted under clause (4) of the second paragraph under the covenant described above at "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"; *provided* that (i) the aggregate principal amount of Indebtedness secured by such Liens is permitted to be incurred under the Indenture and (ii) 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;
- (23) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary 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 (b) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;
- (24) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Issuer;
- (25) Liens created on any asset of the Issuer or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Issuer or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;
- (26) Liens over treasury stock of the Issuer or a Restricted Subsidiary purchased or otherwise acquired for value by the Issuer or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;
- (27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any Associates or other joint ventures which are not Restricted Subsidiaries securing obligations of such Associates or joint ventures;
- (28) Liens incurred in connection with a cash management program established in the ordinary course of business;
- (29) Liens to secure Indebtedness under Hedging Obligations incurred in accordance with clause (8) of the second paragraph of the covenant described above under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"; *provided* that any such Hedging Obligation relates to the interest rate or currency exchange rates applicable to the Indebtedness secured by Liens described in clauses (2), (4), (8), (20), (22), (30) and, only to the extent that any of the foregoing Liens has been so extended, renewed, refinanced or replaced, (9) and (31) of this definition, and such Liens to secure such Hedging Obligation are limited to all or part of the same property or assets subject to the Liens securing the underlying Indebtedness to which such Hedging Obligation relates;

- (30) Liens to secure Indebtedness permitted under (a) the first paragraph of “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock” and (b) clauses (1) and (15) of the definition of Permitted Debt;
- (31) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (31) (but excluding clauses (9), (18), (22) and (30)); *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; and
- (32) 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*) 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.

*“Permitted Refinancing Indebtedness”* means any Indebtedness of the Issuer or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Issuer or any Restricted Subsidiary (other than intercompany Indebtedness); *provided* that:

- (1) the aggregate principal amount (or accreted value, if applicable), or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith at the time of such renewal, refund, refinancing, replacement, exchange, defeasance or discharge);
- (2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and
- (3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly, contractually, subordinated in right of payment to the Notes or the Notes Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or the Notes Guarantees, as the case may be, on terms at least as favorable to the holders of Notes or the Notes Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged;

*provided, however*, that Permitted Refinancing Indebtedness shall not include (x) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness with respect to which the borrower thereof is the Issuer or a Guarantor or (y) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

*“Person”* means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

*“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.

*"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 commissions and/or fees paid to a Person that is not a Restricted Subsidiary in connection with, any factoring, receivables or securitization financings that constitute 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.

*"Related Person"* means, with respect to any Permitted Holder:

- (1) any immediate family member (in the case of an individual) of such Person;
- (2) any wholly owned Subsidiary of one or more Permitted Holders or their immediate family members (excluding directors' qualifying shares);
- (3) any trust, corporation, partnership, limited liability company or other entity for the benefit of one or more Permitted Holders or their immediate family members, or the estate, executor, administrator, committee or beneficiaries of any Principal or their immediate family members holding a majority (and controlling) interest; or
- (4) the heirs of any Permitted Holder or their immediate family members or beneficiaries of the estate of any Permitted Holder or their immediate family members or any trust or similar arrangement established in respect of the estate of any Permitted Holder or their immediate family members.

*"Restricted Investment"* means any Investment other than a Permitted Investment.

*"Restricted Subsidiary"* means any Subsidiary of the Issuer that is not an Unrestricted Subsidiary.

*"Revolving Credit Facility"* means the secured revolving credit facility to be dated on or about the Issue Date between, among others, the Issuer, as borrower, and UniCredit Bank AG, Milan Branch, as agent, providing for borrowings in an aggregate principal amount of up to €30.0 million.

*"S&P"* means Standard & Poor's Ratings Group.

*"Sale and Leaseback Transaction"* means an arrangement relating to property now owned or hereafter acquired whereby the Issuer or a Restricted Subsidiary transfers such property to a Person and the Issuer or a Restricted Subsidiary leases it from such person.

*"SEC"* means the United States Securities and Exchange Commission.

*"Security Documents"* means the pledge agreements, security agreements, assignments or other documents under which a security interest is granted to secure the payment and performance



when due of the Issuer and/or the Guarantors under the Notes, the Notes Guarantees and the Indenture, as the case may be.

*"Senior Secured Indebtedness"* means, as of any date of determination, any Indebtedness for borrowed money that is secured by a Lien and Indebtedness of a Restricted Subsidiary of the Issuer that is not a Guarantor, including, without limitation, in either case any amount under any Recourse Factoring or Securitization, but excluding in both cases Indebtedness incurred under clauses (6), (12), (13), (14), (16) or (17) of the definition of Permitted Debt.

*"Significant Subsidiary"* means, at any time, a Restricted Subsidiary of the Issuer which meets the following conditions:

- (1) the Issuer's and its Restricted Subsidiaries' investments in and advances to such 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 such 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' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

*"Stated Maturity"* means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as in effect on the date of its issuance, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

*"Subordinated Shareholder Debt"* means Indebtedness of the Issuer held by one or more of its shareholders; provided that such Indebtedness (and any security into which such Indebtedness is convertible or for which it is exchangeable at the option of the holder) (i) 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, (ii) does not pay cash interest, (iii) contains no change of control provisions and has no right to accelerate or declare a default or event of default or take any enforcement action prior to the first anniversary of the Stated Maturity of the Notes, (iv) is unsecured and (v) is fully subordinated and junior in right of payment to the Notes.

*"Subsidiary"* means, with respect to any specified Person:

- (1) any corporation, association or other business 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 and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);
- (2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and 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, or (b) such Person or any Subsidiary of such Person is a controlling general partner, the managing general partner or otherwise controls such entity; and

- (3) any other Person of which at least a majority of the voting interest under ordinary circumstances is at the time, directly or indirectly, owned by such Person.

*"Tax"* means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax). *"Taxes"* and *"Taxation"* shall be construed to have corresponding meanings.

*"Tax Sharing Agreement"* means the tax consolidation agreement with customary or arm's length terms entered into with any parent entity or Unrestricted Subsidiaries, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance thereof and of the Indenture according to which one or more parent entities, the Issuer, and certain Subsidiaries take part in a tax consolidated group.

*"Total Assets"* means the consolidated total assets of the Issuer and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Issuer.

*"Transactions"* means the the issuance of the Notes under the Indenture, the repayment of certain Indebtedness of the Issuer and its Subsidiaries with certain of the proceeds thereof, the application of the remaining proceeds thereof and the payment of fees and expenses in connection with such uses, and the execution of the Revolving Credit Facility, the Security Documents and the Intercreditor Agreement.

*"Unrestricted Subsidiary"* means any Subsidiary of the Issuer that is designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary in accordance with the provisions summarized under *"—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries"* pursuant to a resolution of the Board of Directors, but only to the extent that:

- (1) such Subsidiary has no Indebtedness other than Non-Recourse Debt;
- (2) such Subsidiary is a Person with respect to which neither the Issuer nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results;
- (3) 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 Restricted Subsidiary of the Issuer which is not a Subsidiary of such Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;
- (4) is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary of the Issuer unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer; and
- (5) such designation and the Investment of the Issuer or any of its Restricted Subsidiaries in such Subsidiary complies with *"—Certain Covenants—Restricted Payments."*

*"U.S. Exchange Act"* means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

*"U.S. Securities Act"* means the United States Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

*"Voting Stock"* of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

*"Weighted Average Life to Maturity"* means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (2) the then outstanding principal amounts of such Indebtedness.

# 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 Guarantors, 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—Additional Amounts.*" If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*" 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 Guarantors, 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 Guarantors, 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 depository.

## 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 Guarantors, 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, any 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. 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.*

### EU Directive on the taxation of savings income

On June 3, 2003, the EU Council of Economic and Finance Ministers adopted the European Union Savings Directive (Council Directive 2003/48/EC of 3rd June, 2003 on taxation of savings income in the form of interest payments, the “**Directive**”) effective from July 1, 2005. Under the Directive, each member state of the European Union (each, a “**Member State**”) is required to provide to the tax authorities of another Member State details of certain payments of interest and other similar income paid by a paying agent (within the meaning of the Directive) to an individual resident or certain types of entities called “residual entities” (within the meaning of the Directive, the “**Residual Entities**”), established in that other Member State (or certain dependent or associated territories). For a transitional period, however, Austria and Luxembourg may instead impose a withholding system unless during such period they elect otherwise. The Directive does not preclude Member States from levying other types of withholding tax.

Also with effect from July 1, 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State.

The European Commission has announced on November 13, 2008 proposals to amend the Directive. The European Parliament approved an amended version of this proposal on April 24, 2009. If implemented, the proposed amendments may amend or broaden the scope of the requirements above. Investors who are in any doubt as to their position should consult their professional advisers.

### 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 disposition 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 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 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 and of the States party to the EEA Agreement included in the white list provided for by Article 168-bis of Decree 917 (for the time being, reference is to be made to the Ministerial Decree of September 4, 1996, as subsequently amended and supplemented, the "**White List**"); or
- b) companies resident of Italy for tax purposes whose shares are not listed, issuing notes listed 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, 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*);
- a non-commercial private or public institution; 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 withholding tax (*imposta sostitutiva*), levied at a rate of 20%, 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 provided for by Article 7 of Italian Legislative Decree of November 21, 1997, No. 461—the "*Risparmio Gestito*" regime, see also "*—Capital gains tax*" below).

##### *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 foreign 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**").

#### *Real estate investment funds*

As clarified by the Italian Revenue Agency through, among others, the Circular dated August 8, 2003, No. 47/E and the Circular dated February 15, 2012, No. 2/E, payments of Interest deriving from the Notes made to Italian- resident real estate collective investment funds established pursuant to Article 37 of Legislative Decree No. 58 of February 24, 1998, as amended and supplemented, and Article 14-*bis* of Law No. 86 of January 25, 1994, are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund provided that the Notes, together with the relevant coupons, are timely deposited with an authorized intermediary. However, depending on the status of the investor and his sharing ratio, income realized by the real estate investment fund may be subject to a withholding tax at a rate of 20% in the event of distributions, redemption or sale of the units or shares, or directly attributed to the investor irrespective of its actual distribution and in proportion to the percentage of ownership of units on a tax transparency basis.

#### *Funds and SICAVs*

As clarified by the Italian Revenue Agency through the Resolution No. 43/E dated July 2, 2013, where an Italian-resident Noteholder is an open-ended or a closed-ended collective investment fund (a "**Fund**") or a *Società di Investimento a Capitale Variabile* ("**SICAV**") established in Italy and either (i) the Fund or SICAV or (ii) their manager is subject to a form of prudential supervision by the competent regulatory authority, and the Notes are deposited with an authorized intermediary, Interest accrued on the Notes during the holding period are not be subject to the *imposta sostitutiva*, but must be included in the management results of the Fund or the SICAV. The Fund or the SICAV will not be subject to taxation on such management results, but a withholding or substitute tax at the rate of 20% will instead apply, in certain circumstances, to distributions made in favor of unitholders or shareholders (as applicable).

#### *Pension funds*

Where an Italian-resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the 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 the *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 an 11% substitute tax).

#### *Enforcement of the imposta sostitutiva*

Pursuant to Decree 239, the *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("**SIM**"), fiduciary companies, *società di gestione del risparmio* ("**SGR**"), stockbrokers and other entities identified by decrees of the Ministry of Finance (each, an "**Intermediary**").

An Intermediary must:

- a) be resident in Italy, or be a permanent establishment in Italy of a non-Italian-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.

Where 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.

#### *Non-Italian resident Noteholders*

Where the Noteholder is a non-Italian resident for tax purposes, an exemption from the *imposta sostitutiva* applies, provided that the non-Italian-resident Noteholder is:

- a) a beneficial owner of the payment of Interest and resident, for tax purposes, in a state or territory which allows for a satisfactory exchange of information with Italy and is 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 which allows for a satisfactory exchange of information with Italy and is 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 promptly deposit the Notes together with the coupons relating to such Notes directly or indirectly with:

- (i) an Italian or foreign bank or financial institution (there is no requirement for the bank or financial institution to be EU resident) (the “**First Level Bank**”), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); or
- (ii) an Italian-resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or brokerage company (SIM), acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Department of Revenue of the Ministry of Economy and Finance (the “**Second Level Bank**”). Organizations and companies not resident of Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian-resident bank or SIM, or permanent establishment in Italy of a not resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of February 24, 1998) for the purposes of the application of Decree No. 239. In the event that a non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption from the *imposta sostitutiva* for non-Italian- resident Noteholders is conditional upon:

- (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.

The First Level Bank is obligated to send the above statement to the Second Level Bank within 15 days from receipt. The Second Level Bank files the data relating to the not resident Noteholder together with the data relating to the First Level Bank and of the transactions carried out, via telematic link, to the Italian tax authorities within the first transmission period after receipt of such data. Transmission periods are two-week periods per month during which the Second Level Bank transmits to the Italian tax authorities data relating to Notes transactions carried out during the preceding month. The Italian tax authorities monitor and control such data and any discrepancies thereof.

The *imposta sostitutiva* will be applicable at a rate of 20% to interest paid to Noteholders who do not qualify for the foregoing exemption or do not timely and properly satisfy the requested conditions

Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for full or partial relief under an applicable tax treaty, provided that the relevant conditions are satisfied

### ***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 the *imposta sostitutiva* levied at a rate of 20%. 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 declaration regime.*** Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian-resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* 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 *imposta sostitutiva* 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. Capital losses realized before January 1, 2012 may be carried forward to be offset against subsequent capital gains of the same nature realized from January 1, 2012 in an amount equal to 62.5% of the relevant capital loss.

***Risparmio Amministrato Regime.*** As an alternative to the tax declaration regime, Italian-resident individual Noteholders holding the Notes not in connection with an entrepreneurial

activity may elect to pay the *imposta sostitutiva* 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 *imposta sostitutiva* 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 *imposta sostitutiva* 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.

*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 20% substitute tax, to be paid by the managing authorized intermediary. Any depreciation 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.

#### *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 foreign 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*

Any capital gains realized by a Noteholder which qualifies as an Italian real estate fund accrues to the tax year-end appreciation of the managed assets, which is exempt from any income tax, subject to certain conditions. However, depending on the status of the investor and his sharing ratio, income realized by the real estate investment fund may be subject to a withholding tax at a rate of 20% in the event of distributions, redemption or sale of the units or shares, or directly attributed to the investor irrespective of its actual distribution and in proportion to the percentage of ownership of units on a tax transparency basis.

#### *Funds and SICAVs*

Any capital gains realized by a Noteholder which qualifies as an Italian Fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the relevant tax period. A 20% withholding tax will apply in certain circumstances to distributions by the Italian Fund or SICAV to unitholders or shareholders (as applicable).

### *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 11% substitute tax.

### *Non-Italian resident Noteholders*

A 20% *imposta sostitutiva* 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, pursuant to Article 23, letter f), No. 2 of Presidential Decree no. 917 of December 22, 1986, capital gains realized by non-Italian-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 *imposta sostitutiva*, 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-Italian 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 *imposta sostitutiva*, provided that the beneficial owner is:

- a) a beneficial owner of the capital gains and resident, for tax purposes, of a state or territory which allows a satisfactory exchange of information with Italy and is 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 which allows a satisfactory exchange of information with Italy and is 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; to benefit from the exemption from the *imposta sostitutiva* in accordance with Decree 239 (see “—Tax Treatment of Interest”).

If the above conditions are not met, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to the *imposta sostitutiva* at the current rate of 20%. 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.

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***

Italian-resident individuals directly holding financial assets, including the Notes, outside Italy (without the intervention of an Italian-resident intermediary) are required to report, in their

Italian tax return, the year-end value of their financial assets held abroad, if the overall value of such asset exceeds €10,000.00.

Any transfer of cash, securities and any other financial assets, made from Italy to abroad, from abroad to Italy and from abroad to abroad, in connection with financial assets, including the Notes, held outside of Italy needs to be reported in the Italian tax return of the Italian-resident individual, if the overall value of the transfer affected exceeds €10,000.00.

#### ***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/heirress and/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 on the amount of the value of the inheritance or gift that 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 notes 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 assets—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 0.15% (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 assets held outside Italy. Taxpayers are permitted to deduct from the wealth tax a tax credit equal to any wealth taxes paid in the State where the financial assets are held (up to the amount of the Italian wealth tax due).

#### ***Stamp taxes and duties—holding through financial intermediary***

According to Article 19 of Decree 201, a proportional stamp duty applies on a yearly basis at a rate of 0.15% calculated on the market value or—in the absence of a market value—on the nominal value or the redemption amount of any financial product or financial instruments (including the Notes). The stamp duty cannot be lower than €34.20 and from the year 2013 onwards, the stamp duty should not exceed €4,500 if the Notes are held by Noteholders who are not individuals. Stamp duty applies both to Italian-resident holders of the Notes and to

non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary (and not directly held by the Noteholders outside Italy, in which case wealth tax applies, to Italian- resident holders of the Notes only).

### **Registration tax**

Contracts relating to the transfer of the Notes are subject to the registration tax as follows:

- a) public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at rate of €168.00; and
- b) private deeds (*scritture private non autenticate*) are subject to fixed registration tax of €168.00 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 not be subject to Italian withholding tax. 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 Italian 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.

In accordance with another interpretation, any such payments made by an Italian-resident Guarantor should be treated, in certain circumstances, as a payment by the relevant Issuer and should be subject to the tax regime described above.

### **Implementation of the EU Savings Directive in Italy**

Italy has implemented the Directive (as defined under “—EU Directive on the Taxation of Savings Income”) through Legislative Decree No. 84 of April 18, 2005 (“**Decree No. 84**”). Under Decree No. 84, subject to a number of the important conditions being satisfied, in the case of interest paid to individuals who qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State or in a dependent or associated territory under the relevant international agreement, Italian-qualified paying agents (i.e., banks, SIMs (as defined herein), fiduciary companies and SGRs resident for tax purposes in Italy, permanent establishments in Italy of nonresident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) must report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information will be transmitted by the Italian tax authorities to the competent foreign tax authorities of the Member State of residence of the beneficial owner. In certain circumstances the same reporting requirements must be complied with also in respect of interest paid to an entity established in another Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), entities whose profits are included in business income taxable under general arrangements for business taxation and, in specific cases, UCITs recognized in accordance with Directive 85/611/EEC.

### **Certain United States federal income tax considerations**

TO COMPLY WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING

MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”); (B) ANY SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. The summary is limited to consequences relevant to a U.S. holder (as defined below), except for discussions on FATCA (as defined under “*Foreign Account Tax Compliance*”), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the Code, Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (“IRS”) have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder’s particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain 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 entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax, U.S. holders that hold the Note through non-U.S. brokers or other non-U.S. intermediaries 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” (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash, excluding 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.

For purposes of this discussion, a “U.S. holder” is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in the United States or under the laws of the United States or of any political subdivision thereof; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

**Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the**



**application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.**

### ***Payments of stated interest***

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the euro interest payment (determined based on the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such stated interest, but may have exchange gain or loss attributable to the actual disposition of the euros so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in euros that has accrued with respect to the Notes during an accrual period. The U.S. dollar value of such euro-denominated accrued stated interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. holder may elect, however, to translate such accrued stated interest income into U.S. dollars using the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued stated interest, a U.S. holder that has made the election described in the prior sentence may translate such interest using the spot rate of exchange on the date of receipt of the stated interest. The above election will apply to other debt instruments held by an electing U.S. holder and may not be changed without the consent of the IRS. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize foreign currency exchange gain or loss with respect to accrued stated interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (determined based on the spot rate of exchange on the date such stated interest is received) in respect of such accrual period and the U.S. dollar value of stated interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

### ***Foreign tax credit***

Stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" or, in the case of certain U.S. holders, "general category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

***Sale, exchange, retirement, redemption or other taxable disposition of Notes***

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize U.S. source gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as stated interest income as discussed above to the extent not previously included in income tax by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note. If a U.S. holder receives foreign currency on such a sale, exchange, redemption, retirement or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency based on the spot rate of exchange on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the sale or other disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder. If a U.S. holder uses foreign currency to purchase a Note, the cost of the Note will be the U.S. dollar value of the foreign currency purchase price determined at the spot rate of exchange on the date of purchase. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a Note generally will not result in taxable gain or loss for a U.S. holder.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note generally will be U.S. source gain or loss and, except as discussed below with respect to foreign currency exchange gain or loss, generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss realized upon the sale, exchange, redemption, retirement or other taxable disposition of the Note that is attributable to fluctuations in currency exchange rates generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Gain or loss attributable to fluctuations in currency exchange rates generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, determined at the spot rate of exchange on the date the U.S. holder disposes of the Note (or on the settlement date, if the Notes are traded on an established securities market and the holder is either a cash basis U.S. holder or an electing accrual basis U.S. holder) and the U.S. dollar value of the U.S. holder's purchase price for the Note, determined at the spot rate of exchange on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder may realize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, which will be treated as discussed above under "*—Payment of Stated Interest.*" However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will realize any foreign currency exchange gain or loss (including with respect to accrued interest) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

***Exchange of foreign currencies***

A U.S. holder will have a tax basis in any euros received as stated interest or upon the sale, exchange, redemption, retirement or other taxable disposition of a Note equal to the U.S. dollar value thereof at the spot rate of exchange in effect on the date of receipt of the euros.

Any gain or loss realized by a U.S. holder on a sale or other disposition of euros, including their exchange for U.S. dollars, will be ordinary income or loss generally not treated as interest income or expense and generally will be income or loss from sources within the United States for U.S. foreign tax credit purposes.

#### ***Information reporting and backup withholding***

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a taxpayer identification number or a certification that it is not subject to backup withholding.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

#### ***Tax return disclosure requirements***

Treasury regulations issued under the Code meant to require the reporting to the IRS of certain tax shelter transactions cover certain transactions generally not regarded as tax shelters, including certain foreign currency transactions giving rise to losses in excess of a certain minimum amount (e.g., \$50,000 in the case of an individual or trust), such as the receipt or accrual of interest or a sale, exchange, retirement or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Individuals that own "specified foreign financial assets" with an aggregate value in excess of \$50,000 on the last day of the tax year or more than \$75,000 at any time during the tax year (or such larger values as specified in such legislation), generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at a U.S. financial institution.

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

#### ***Foreign Account Tax Compliance Act***

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**"), a "foreign financial institution" may be required to withhold U.S. tax on certain passthru payments made after December 31, 2016 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 the later of (x) six months after the date on which applicable final regulations defining foreign passthru payments are filed and (y) June 30, 2014, generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would only apply to payments on the Notes 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 generally 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 July 26, 2013 (the “**Purchase Agreement**”), by and among the Issuer, the Guarantors 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, Notes in the principal amounts indicated in the following table:

Initial Purchasers	Principal amount of Notes
J.P. Morgan Securities plc . . . . .	€255,000,000
UniCredit Bank AG. . . . .	€ 85,000,000
Banca IMI S.p.A. . . . .	€ 63,750,000
Mediobanca—Banca di Credito Finanziario S.p.A. . . . .	€ 21,250,000
<b>Total</b> . . . . .	<b>€425,000,000</b>

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 120 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 Guarantees.

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 Guarantees 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.

In connection with the Offering of the Notes, J.P. Morgan Securities plc (the “**Stabilizing Manager**”), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons

acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the Offering of the Notes, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

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 *"Notice to Certain European Investors."*

The Issuer and the Guarantors 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-I under the Exchange Act, trades in the secondary market generally are required to settle in three 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 business day 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.

Banca IMI S.p.A., one of the Initial Purchasers, is a wholly-owned subsidiary of Intesa Sanpaolo S.p.A., the parent company of the Intesa Sanpaolo Group, and will receive fees, commissions and expenses reimbursement for its services in the Offering. The Intesa Sanpaolo Group through certain of its subsidiaries is one of the lenders to the Issuer and its group companies and a portion of the net proceeds from the Offering of the Notes offered hereby will be used for the repayment of part of such existing indebtedness. In addition the Intesa Sanpaolo Group through certain of its subsidiaries will be one of the lenders under the Revolving Credit Facility.

UniCredit Bank AG, is a subsidiary of UniCredit S.p.A., the parent company of the UniCredit Group, and will receive fees, commissions and expenses reimbursement for its services in the Offering. The UniCredit Group through certain of its subsidiaries is one of the lenders to the Issuer and its group companies and a portion of the net proceeds from the Offering of the Notes offered hereby will be used for the partial repayment of such existing indebtedness. In addition, UniCredit Bank AG, Milan Branch, will act as Security Agent and agent under the Revolving Credit Facility, and the UniCredit Group through certain of its subsidiaries will be one of the lenders under the Revolving Credit Facility.

Mediobanca—Banca di Credito Finanziario S.p.A. ("**Mediobanca**"), one of the Initial Purchasers, is among the various financial investors of the Issuer, with a direct shareholding of 1.59%. It is one of the lenders to the Issuer and its group companies and a portion of the net proceeds from the Offering of the Notes offered hereby will be used for the repayment of such existing indebtedness, for an amount of approximately €6.2 million. In addition, Mediobanca will be one of the lenders under the Revolving Credit Facility and it will receive fees, commissions and expenses reimbursement for its services in the Offering.



## 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 Guarantees 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 Guarantees 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 Guarantees 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 Guarantors 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 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 IN THE CASE OF RULE 144A NOTES: PRIOR TO THE DATE (THE RESALE RESTRICTION TERMINATION DATE) WHICH IS ONE YEAR (IN THE CASE OF RULE 144A NOTES) OR 40 DAYS (IN THE CASE OF REGULATION S NOTES) 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."

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 Guarantors, 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 Guarantors 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 Company 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 Guarantees and certain other legal matters are being passed upon for the Issuer by Latham & Watkins LLP with respect to matters of U.S. federal, New York state and English law and by Gianni, Origoni, Grippo, Cappelli & Partners with respect to matters of Italian law and Italian taxation law. Certain legal matters will be passed upon for the Initial Purchasers by Shearman & Sterling LLP with respect to matters of U.S. federal and New York state, English and Italian law and by Tremonti Vitali Romagnoli Piccardi e Associati with respect to matters of Italian taxation law.

## Independent auditors

The consolidated financial statements of the Issuer as of and for the years ended December 31, 2010 and 2011 and 2012, prepared in accordance with IFRS as adopted by the E.U. and included in this Offering Memorandum, have been audited by Reconta Ernst & Young S.p.A., independent auditors, as stated in their reports appearing elsewhere herein.

Reconta Ernst & Young S.p.A. is registered under No. 2 in the special register (*albo speciale*) maintained by CONSOB and set out under Article 161 of Legislative Decree No. 58 of February 24, 1998 (as amended) and under No. 70945 in The Register of Accountancy Auditors (*Registro dei Revisori Contabili*) in compliance with the provisions of Legislative Decree No. 88 of January 27, 1992. Its registered office 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 Guarantees 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 Issuer 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 Issuer at fax, +390516184656 or [rbombardini@manutencoop.it](mailto: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](http://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 Guarantors 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

We have been advised by Gianni, Origoni, Grippo, Cappelli & Partners, our Italian counsel, that final, enforceable and conclusive judgments rendered by U.S. courts, even if obtained by default, 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.

In addition, we have also been advised by our Italian counsel, Gianni, Origoni, Grippo, Cappelli & Partners, that if an original action is brought before an Italian court, the court may refuse to apply the U.S. law provisions or grant some of the remedies sought (e.g., punitive damages) if their application violates Italian public policy and mandatory provisions of Italian law.

## Limitations on validity and enforceability of the notes guarantees and security interests and certain insolvency law considerations

*The following is a summary of certain limitations on the validity and enforceability of the Notes Guarantees and the security interests and a summary of certain insolvency law considerations in effect in Italy, the jurisdictions where the Issuer and Guarantors 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 Guarantees 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 Guarantees and Security Interests

The issuance and enforcement of a guarantee or security interest provided by a guarantor incorporated under Italian law (each an **"Italian Guarantor"**) are subject to compliance with Italian rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions.

An Italian company granting a guarantee or security interest must receive a real and adequate benefit in exchange for the guarantee or security interest. While the existence of a corporate benefit in relation to a down-stream guarantee is usually easier to be evaluated, the existence of a corporate benefit in relation to a cross stream or up-stream guarantee (such as in the case of Servizi Ospedalieri and MPSS (each a **"Subsidiary Guarantor"**) which are providing the Notes Guarantees in connection with the Notes offered hereby) should be carefully considered on a case by case basis.

The concept of **"corporate benefit"** is not defined under Italian law and its existence is a business decision entirely left to the discretion of the directors of the relevant Guarantor. In principle, the risk taken by an Italian Guarantor must not be disproportionate to the economic benefit that the Italian Guarantor receives under the transaction to which the guarantee/security is functional. Examples of real and adequate benefits in relation to cross stream or up-stream guarantees include access to cash flow in the form of intercompany loans granted to the Italian Guarantor by other members of the group by using the proceeds of the secured transaction.

In principle, absence of a real and adequate benefit could make the Notes Guarantees or the collateral *ultra vires* and potentially affected by conflict of interest.

As a result, civil liabilities may be imposed on the directors of an Italian Guarantor if it is assessed that they did not act in the best interest of such Italian Guarantor and that the acts they carried out do not fall within the corporate purpose of the relevant Italian Guarantor. 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 Guarantor or having knowingly received an advantage or profit from such improper control. However, no liability can be attributed where no prejudice or actual damage is suffered by the Guarantor because of the determination of the controlling shareholder as provided under Article 2497 of the Italian Civil Code having regard to the overall result of the controlling activity. Moreover, the Notes Guarantees could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party involved in the transaction and such third party acted intentionally against the interest of such Italian Guarantor.

As to the required corporate authorizations, the granting of a guarantee or collateral by an Italian company in favor of third parties or other corporations belonging to the same group of companies of the Guarantor must be permitted by the by-laws (*statuto*) of the Italian company providing such guarantee.

A corporation is prevented from providing financing and/or issue guarantees or security in relation to the acquisition/underwriting of its own shares as it would result in unlawful financial assistance within the meaning of Article 2358 of the Italian Civil Code (and the corresponding provision applicable to Italian limited liability companies, as set out under Article 2474 of the Italian Civil Code) pursuant to which, subject to specific and very limited exceptions, it is unlawful for a company to provide financial assistance (whether by means of loans, collateral, guarantees or otherwise) for the acquisition of its own shares by a third party (or, under certain circumstances, the acquisition of the shares of its, direct or indirect, holding company).

Financial assistance for the refinancing of indebtedness originally incurred for the purchase or subscription of its own shares or those of its direct or indirect holding company may also be construed as a violation. In addition, directors may be personally liable for failure to act in the best interests of the company.

In light of the above, in no event shall the obligations and liabilities of an Italian Guarantor under a guarantee include the obligation to guarantee financial indebtedness which was incurred, in full or in part, to purchase the shares of such Italian Guarantor and which would therefore constitute the provision of financial assistance within the meaning of Article 2358 and/or Article 2474, as the case may be, of the Italian Civil Code and/or any other law or regulation having the same effect, as interpreted by Italian courts.

If the proceeds of the Notes were to be used for the acquisition of shares in the Subsidiary Guarantors (the entities which, among others, provided the Notes Guarantees), this may be construed as a violation of Article 2474 and/or Article 2358 of the Italian Civil Code whereas, in the latter case, an authorization proceeding in the shareholders' meeting is not implemented and other stringent criteria are met.

The receivables assigned under an assignment by way of security being not yet in existence nor determined as regards to the amount at the time of its execution, qualify as "future receivables" (*crediti futuri*). As such, any of these "future receivables" may be deemed as being part of the debtor insolvency estate (*massa fallimentare*) and their assignment as being not enforceable against the insolvency receiver thereof, unless such receivables have already arisen at the time of the declaration of bankruptcy of the relevant debtor and the relevant deed bears a certified date (*data certa*) under Italian law.

Pursuant to Article 2788 of the Italian Civil Code, the security interest created with a pledge grants to the relevant secured creditors a pre-emption right also with respect to the relevant interest accrued at the interest rate agreed upon by the relevant parties within the year in which the attachment occurs or the borrower is declared bankrupt; after such dates, the pre-emption right can only be claimed with respect to the interest at the official legal rate (*tasso legale*).

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of the Legislative Decree No. 385 of September 1, 1993 (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, *inter alia*, entail the Notes Guarantees being considered null and void. However, in the framework of a wider reorganization of financial intermediary services in Italy and while waiting for implementing regulations of the recently amended Article 106 of the Italian Banking Act, the Legislative Decree No. 141 of August 13, 2010 states that the issuance of guarantees 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 Italian Guarantor and the guaranteed entity being part of the same group of companies, the provision of the Notes Guarantees would not amount to a restricted financial activity.

Under Article 2744 of the Italian Civil Code any agreement which provides that on failing to pay a secured debt the ownership of the pledged asset will be transferred to the creditor is void.

In addition, under Article 1938 of the Italian Civil Code, if a personal guarantee is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture).

## **Certain Insolvency Law Considerations**

### ***European Union***

The Issuer and the Guarantors 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.

### **Italy**

The insolvency laws of Italy may not be as favorable to your interests as creditors as in other jurisdictions with which you may be familiar. In Italy, the courts play a central role in insolvency judicial proceedings.

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.

Under the Royal Decree No. 267 of 16 March 1942 (the main Italian bankruptcy legislation), as reformed from time to time (and, in particular, by Law 134/2012 entered into force on 11 September 2012) and currently in force, (the "**Italian Bankruptcy Law**") bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company meeting certain requirements. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent, and not a temporary, status, in order for a court to hold that a company is insolvent.

Only corporations whose indebtedness and assets values exceed certain thresholds are subjected to bankruptcy proceeding (as further indicated). In addition to the above, the following pre-insolvency proceedings are currently available under Italian law for companies facing financial difficulties or temporary cash flow shortfall and, in general, financial distress before they are insolvent.

Italian Bankruptcy Law provides for three models, namely: (1) *concordato preventivo* ("**CP**"), (2) debt restructuring agreements (*accordi di ristrutturazione dei debiti*) ("**DRA**") and (3) certified restructuring plans (*piani attestati di risanamento*) ("**CRP**"); however, it should be noted that only the CP is listed in Annex A to the E.U. Insolvency Regulation.

It should be noted that all of the above mentioned pre-insolvency proceedings often require creditors to compromise on their right to be fully satisfied. The debtor may offer to creditors partial settlement of their claims..

*Restructuring outside of a judicial process (concordati stragiudiziali) and certified restructuring plans (piani attestati di risanamento)*

Restructuring generally takes place through a formal judicial process because it is more favorable to the debtor and because out-of-court arrangements put in place as a result of an out-of-court restructuring (other than those put in place under the safe harbor of an out-of-court reorganization CRP pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law, which exempts—provided all actions indicated in the plan are fully implemented—debt restructuring agreements with creditors from insolvency claw-back and from certain criminal liabilities with respect to the transactions carried out as part of the CRP) are vulnerable to being challenged as voidable transactions, and may trigger civil or criminal liabilities in the event of a subsequent bankruptcy.

Out-of-court CRPs (*piani attestati di risanamento*) are filed by companies for restructuring their indebtedness and ensuring the recovery of their financial condition. The feasibility of the CRPs, together with the truthfulness of debtor's business (and accounting) data, must be assessed by an independent expert directly appointed by the debtor. The expert can only be selected and appointed among those possessing certain specific professional requisites and qualifications (e.g., being registered in the auditors' registrar), and meeting the requirements under Article 2399 of the Italian Civil Code. The expert may be subject to liability in case of misrepresentation or false certification.

CRP are not subject to judicial control or approval and, therefore, no application is required to be filed with the court or other supervising authority. CRPs do not require to be approved and consented by a specific majority of all outstanding claims. Following a restructuring plan, there is no entrustment of business to another entity; therefore the debtor remains entitled to manage its business. Upon request of the debtor, a CRP can be published in the relevant companies' register. In such case creditors would benefit from a reduction in debtor tax liability.

*Debt restructuring agreements with creditors (accordi di ristrutturazione dei debiti)*

Out-of-court agreements for the restructuring of indebtedness entered into with creditors representing at least 60% of the outstanding company's debts must be ratified ("*omologati*") by a court. An independent expert, directly appointed by the debtor, must assess—in addition to the truthfulness of the debtor's business data—that the agreement is feasible and, in particular, that it ensures that the non-participating creditors will be fully satisfied within 120 day term from (i) the ratification ("*omologazione*") of the DRA by the court if the relevant claims are already due and payable or (ii) from the expiry date if the relevant claims are not due and payable as of the date of the sanction of the restructuring agreement by the court. Only a debtor who is in a situation of "**financial distress**" (i.e., facing financial distress which does not necessarily amount to insolvency) can initiate such process and request the court's *omologazione* of the DRA, which must be entered into with creditors representing not less than 60% of the company's debts.

The DRA, which may consist of separate agreements reached with each creditor, must be published in the Italian 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 interim relief or enforcement actions over the assets of the debtor in relation to pre-existing claims and cannot obtain any new and additional security interest in relation to the pre-existing debts. Such moratorium can also be requested, pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law, by the debtor to the court while negotiations with creditors are still pending subject to the fulfillment of certain requirements. The application for a moratorium must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for the hearing within 30 days from the filing of the request and orders the company to file the relevant documentation in relation to the moratorium to the creditors. In such hearing,



the court assesses whether the conditions for granting the moratorium are in place and, if they are, orders, that no interim relief 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 such order has to be published in the companies' register and it sets the deadline to finalize the DRA. The court's order may be challenged within 15 days of its publication.

Article 182-*quater* of the Italian Bankruptcy Law provides that any financing granted to a debtor in view of or in execution of the procedure set forth by Article 182-*bis* of the Italian Bankruptcy Law (or a CP under Article 160 of the Italian Bankruptcy Law) is treated as a priority claim in case of subsequent bankruptcy if the procedure set forth under Article 182-*bis* of the Italian Bankruptcy Law is approved by the court and certain other requirements apply. Furthermore, financing granted by existing shareholders in the context of this pre-bankruptcy procedure is eligible for priority status for a portion equal to 80% of the amount due, provided that the restructuring agreement pursuant to Article 182-*bis* of the Italian Bankruptcy Law has been definitely confirmed by the competent court and certain other requirements apply. A DRA may also contain a proposed tax settlement for the partial or deferred payment of certain taxes overdue, as provided in Article 182-*ter* of the Italian Bankruptcy Law.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, certain financing granted to the debtor pursuant to the approved DBA or CP enjoy super priority status in cases of subsequent bankruptcy (such status also applies to interim financing granted by shareholders, but only up to 80% of such financing). The same rules apply in case of financing granted "in view of" (i.e. before) the court's approval if: (i) an expert certifies that such financing is functional to the outstanding debt (ii) the court approves the super-priority status of such financing.

Pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law (applicable to both DRA and CP), the Court, pending the sanctioning of the agreement pursuant to Article 182-*bis* or after the preliminary filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, (in relation to the court supervised pre-bankruptcy 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 securities ("**garanzie reali**"), provided that the expert appointed by the debtor declares that the new financing aims at providing a better satisfaction of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, already payable and due, provided that the expert declares that such payments are essential for the company to operate. This possibility may be available to the applicant whereas its business activity is kept as a going concern.

Creditors and other interested parties may oppose the DRA within 30 days from the publication of the agreement in the companies' register. The court will, after having settled the oppositions (if any), validate the DRA by issuing a decree, which may be appealed within 15 days of its publication.

#### *Court supervised pre-bankruptcy arrangement with creditors (concordato preventivo)*

In general, pursuant to Article 1 of Italian Bankruptcy Law, corporations are submitted to CP provisions and/or to bankruptcy where any of the following thresholds are exceeded (i) assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million in each of the three preceding fiscal years, (ii) gross revenues (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years or (iii) total indebtedness (including debt not overdue and payable) in excess of €0.5 million.

A company, which is a situation of "financial distress and/or crisis" that has not been declared insolvent by the court, has the option to seek an arrangement with 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 proceeding.

Only the debtor company can file a petition for a CP which must be accompanied and supported by, *inter alia*, a restructuring plan and an independent expert report assessing, among other things, the feasibility of plan and the truthfulness of the business data on which the plan is grounded. Following the filing of the petition with the court, the petition is published in the companies' register. The debtor may file a preliminary petition for a CP along with (i) its financial statements from the previous three years and (ii) pursuant to the recent Italian law decree No. 69/2013 ("**Law Decree 69/2013**"), the list of creditors, and ask the court to set a deadline for the filing of all other relevant documentation, as outlined above. The court may then set a deadline of 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 for justified reasons ("*giustificati motivi*") for such extension, appoint judicial commissioners to oversee the company (pursuant to Law Decree 69/2013), and set forth reporting and information dates of the company during such period (pursuant to Law Decree 69/2013). In advance to such deadline, the debtor, alternatively, may also file a petition for the approval of a DRA (pursuant to Article 182-*bis* of the Italian Bankruptcy Law as described above). Between the publishing in the companies' register of the CP proposal and its final sanction by the court, all enforcement actions by the creditors (whose title to enforcement arose before filing with the court) are stayed. In addition, during this time, pre-existing creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within 90 days preceding the date on which the petition for the CP is published in the Italian companies' register are ineffective against pre-petitions creditors. The restructuring plan and *concordato* proposal may provide for, *inter alia*: (i) the restructuring of debts and the satisfaction of creditors' claims, in any manner, including by way of example, through extraordinary transactions such as the granting to creditors and their subsidiaries or affiliated companies of shares, bonds (also convertible into shares), or other financial instruments and debt securities; (ii) the transfer to a receiver (*assuntore*) of the operations of the business involved in the proposed arrangement agreement; (iii) the placing of creditors into different classes (thereby proposing different treatments among the classes); and (iv) different treatments for creditors belonging to different classes.

The proposal may provide that: (i) the debtor company's business continues to be run by the debtor as a going-concern; or (ii) the business is transferred to one or more companies and any assets which are not strategic to the business are liquidated. In both cases, the petition for the CP should fully describe the costs and revenues which 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 shall also certify that the continuation of the business is conducive to the satisfaction of creditors' claim to a greater extent than if such arrangement proposal was not implemented. Furthermore, the going-concern based arrangement with creditors can provide also the winding-up of those assets which are not functional to the business. The arrangements may also provide a tax settlement for the partial or deferred payment of certain taxes.

The court determines whether the proposal is admissible, in which case the court, *inter alia*, delegates a judge (*giudice delegato*) to follow the procedure, and calls a creditor meeting. During the implementation of the approved proposal, the company is managed by its corporate bodies (usually its board of directors) under the supervision of such judicial officer(s) and under the supervision of a judge delegated by the court. The debtor is allowed to carry out urgent extraordinary transactions only if authorized by the court, while ordinary transactions may be carried out without authorizations. Third party claims arising out of acts legally carried out by the debtor during the procedure, are super senior pursuant to Article 111 of the Italian Bankruptcy Law.

The CP proposal is voted on at a creditors' meeting and must be approved with the favorable vote of creditors representing the majority of credits entitled to vote. If the proposal provides for different classes of creditors, the approval of the plan also requires the favorable vote of

creditors representing the majority of credits admitted to within each class and the approval of the majority of such class. Secured creditors do not generally vote on the proposal of CP as they carry secured and preferential claims, which must be fully satisfied. Secured creditors may vote if they waive their security or if the CP provides that, based on an independent expert appraisal on the value of the secured assets, they will not be fully satisfied (in which case they can vote only in respect of the part of the debt affected by the proposal).

The court may also approve the CP (notwithstanding the circumstance that one or more classes objected to the CP) if (i) the majority of the classes has approved the CP and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through the CP at least equal to the recovery they would receive under available alternatives (to so-called "cram down"). If the proposal does not provide for classes of creditors and if any objection to the implementation of the CP is filed by at least 20% of the creditors entitled to vote, the court may nevertheless confirm the CP if it deems that the dissenting creditors would receive under the CP at least as much as they would under available alternatives. After the creditors' approval, the court must rule on objections and decide on the approval of the CP. If the CP is not approved, the court may, upon request of the public prosecutor or a creditor and after having ascertained the condition for declaration of the company's insolvency, declare it bankrupt.

A request to declare a debtor bankrupt and to commence a bankruptcy proceeding (*fallimento*) for the judicial liquidation of its assets can be filed by the same debtor, any creditors and, in some cases, by the public prosecutor. The bankruptcy is declared by the competent bankruptcy court.

Upon the commencement of a bankruptcy proceeding:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. Secured claims are in principle 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 entity's other unsecured debt. Subject to certain exceptions, the in rem secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;
- the administration of the debtor and the management of its assets pass from the debtor to the bankruptcy receiver; and
- any act of disposition or transaction (including payments) made by the debtor after a declaration of bankruptcy, other than those made through the receiver, is 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 governed by specific rules provided for by Italian Bankruptcy Law.

The bankruptcy proceeding is carried out and supervised by a court appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is responsible for the liquidation of the assets of the debtor for 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 estate properties. The Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including administrative costs associated with the bankruptcy proceeding and including the costs related to the receiver's running of the company, Italian tax and national social security contributions and employee arrears of wages or salary. Unsecured creditors are therefore satisfied after payment of preferential and secure creditors, out of available funds and assets (if any) as below indicated.

The following features of bankruptcy proceedings also merit mention:

- *Bankruptcy arrangement with creditors (concordato fallimentare)*. A bankruptcy proceeding may terminate with a bankruptcy arrangement proposal with creditors. The relevant petition can be filed by one or more creditors or third parties 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 two years from the decree granting effectiveness to the bankruptcy's estate. The petition may provide for the placing of creditors into different classes (thereby proposing different treatments among the classes), and the satisfaction of creditors' claims in any manner. The petition may provide the possibility 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 of claims (and, if classes are formed, by a majority 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 European Union jurisdictions. Under Italian law, the highest priority claims (after the costs of the proceedings are paid, including the costs related to the receiver's running of the company during the proceedings) are the claims of preferential creditors including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The claims of secured creditors have, however, priority subject to certain claims preferred by operation of law, on the proceeds deriving from the liquidation of the secured assets, net of administrative and maintenance costs incurred during the proceedings by the receiver to preserve their value. To the extent the proceeds of the sale of the secured assets are not sufficient to fully satisfy the secured claim, the latter will participate with the unsecured creditors in the distribution of the proceeds of the disposal of the remaining assets.

The law sets a hierarchy of claims that must be strictly adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate a 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 Bankruptcy Law that may give rise, *inter alia*, to the revocation of payments or granting of security interests or other transactions made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions target transactions made below market value, transactions made with a view to defraud creditors or to advantage one creditor. Bankruptcy claw-back rules under Italian law are normally considered to be particularly favorable to the receiver compared to the rules applicable in other jurisdictions, which you may be familiar with. In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six-months under certain circumstances) and a two year ineffectiveness period for certain other transactions.

In particular, 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:

The following acts and transactions, if made during the relevant period as specified below, may be avoided and declared ineffective, unless the other party proves that it had no actual or constructive knowledge of the debtor's insolvency:

- 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, made by the bankrupt entity not in cash or by other customary means of payment in the year before the insolvency declaration;
- pledges and voluntary mortgages granted by the bankrupt entity in the year before the insolvency declaration in order to secure pre-existing debts which have not yet fallen due; and
- pledges and judicial and/or voluntary mortgages granted by the bankrupt entity in the six months before the insolvency declaration in order to secure matured debts.

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 (also by way of presumptions) that the other party knew that the bankrupt entity was insolvent:

- the payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months before the insolvency declaration; and
- deeds granting pre-emptive rights in favor of debts (even those of third parties) which are simultaneously created and made within six months before the insolvency declaration.

The following transactions are exempt from claw-back actions:

- a payment for goods or services made in the ordinary course of business according to market practice;
- a remittance on a bank account, provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;
- the sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main place of business of the purchaser and the purchaser has already commenced its business activity in the relevant premises or made investments to that end, as of the date of which the bankruptcy is declared;
- transactions entered into, payments made and guarantees issued with respect to the bankrupt entity's goods, provided that they concern the implementation of CRP which allows for the restructuring of the debt and for the improvement of its financial position, provided that such plan is certified as reasonable by an expert eligible to be appointed as a bankruptcy receiver, as provided by Article 28, let. a) and b) and 67, paragraph 3, letter d) of the Italian Bankruptcy Law, registered in the accounting auditors' register, independent possessing the requisites under Article 2399 of the Italian Civil Code,
- a transaction entered into, payments made or guarantees issued on debtor assets to implement a CP or a DRA;
- a transaction entered into, payments made or guarantees issued, lawfully, after the filing of a petition for admission to a CP proceeding pursuant to Article 161 of the Italian Bankruptcy Law;
- remuneration payments to the bankrupt entity's employees concerning work carried out by them; and
- payment of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to CP procedure.

In addition, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared void within the Italian Civil Code ordinary claw-back period of five years



(*revocatoria ordinaria*). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions 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). Burden of proof is entirely with the receiver.

*Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)*

This is an extraordinary administration procedure available under Italian law for large industrial and commercial enterprises (commonly referred to as the "**Prodi-bis procedure**"). The same rules set forth for bankruptcy proceeding with respect to creditors' claims largely apply to an extraordinary administration proceeding as well as the hierarchy of claims to be adhered to in distributing any available asset. Preferential payment is granted to those credits (even unsecured) accrued to allow the conduct of the company business activity.

To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. The procedure may be commenced by petition of one or more creditors, the debtor, the public prosecutor or upon the competent court's own initiative.

There are two main phases within the Prodi-bis procedure: 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 a judicial receiver (or up to three) (*commissario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submits a report to the court (within 30 days from insolvency declaration) together with an opinion from the Italian Ministry of Economic Development (the "**Ministry**").

The court has 30 days to decide whether to admit the company to the Prodi-bis procedure or declare it bankrupt.

Assuming that 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 for either the sale of the business as a going concern within 1 year (unless extended by the Ministry) (the "**Disposal Plan**") or a turnaround leading to the company's economic and financial recovery within 2 years (unless extended by the Ministry) (the "**Recovery Plan**"). It may also include an arrangement with creditors (e.g. debt for equity swap, issue of shares in a new company to whom the assets of the Company have been transferred).

The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner(s). The procedure ends upon successful completion of either a Disposal Plan or 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)*

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including those from outstanding guarantees). The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) submits a Disposal Plan or Recovery Plan within 180 days from his appointment (or 270 days if the Ministry so agrees). The restructuring through the Disposal Plan or the Recovery Plan must be fully implemented 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 start bankruptcy proceedings.

In light of the financial difficulties faced by Alitalia S.p.A., in 2008 the Italian government enacted an amendment to Law No. 39 of 2004 to address Alitalia's situation. The reform at hand introduced certain specific provisions applying to large companies carrying out services considered essential to the public.

## **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 Guarantors;
- the bylaws of each of the Issuer and Guarantors;
- 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 (Luxembourg) S.A. 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](http://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 080863535 and ISIN XS0808635352, respectively. The Notes sold under Rule 144A have been accepted under common code 080863527 and ISIN XS0808635279, respectively.

## Issuer legal information

### **General**

The Issuer was formed as a private joint stock company (*società per azioni*) under the laws of Italy on December 1, 2003 with a duration until December 31, 2050, subject to certain amendments being made to its by-laws to extend the period of its incorporation. The Issuer's registered offices are located at Via Ubaldo Poli, 4, 40069 Zola Predosa (BO), Italy and it is registered under number 02402671206 and economic administrative register number (*repertorio economico amministrativo*) 436919 with the Register of Companies of Bologna (*Registro delle Imprese di Bologna*). As of the date of this Offering Memorandum, the Issuer has a share capital of €109,149,600.00 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 Issuer are to, *inter alia*: provide and manage services related to the built environment for public and private sector customers through tenders or contract, primarily related to real estate assets; provide laundry and sanitation services and environmental management to hospital facilities; provide, directly or indirectly through companies in which it holds equity interests, a variety of facility management, maintenance, HVAC, energy consulting, installation and restoration services.

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 board of directors dated prior to the Issue Date.

### **Financial year and accounts**

The Issuer's financial year begins on January 1 and ends on December 31 of each year. The Issuer prepares and publishes annual audited financial statements. Any future published financial statements prepared by the Issuer will be available, during normal business hours, at the offices of the Luxembourg Listing Agent.

## Guarantor legal information

### **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. As of the date of this Offering Memorandum, Servizi Ospedalieri had a fully paid-up

share capital of €20,000,000.00, consisting of €4,000,000 ordinary shares with a par value of €5.00, all of which are held by the Issuer.

Servizi Ospedalieri's Notes Guarantee has been authorized by Servizi Ospedalieri's Board of Directors on June 19, 2013.

### ***Manutencoop Private Sector Solutions***

MPSS 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 Bologna (*Registro delle Imprese di Bologna*) under the number 04485740965 with registered address at Via Ubaldo Poli, 4, 40069 Zola Predosa (BO), Italy. MPSS' incorporation will terminate on December 31, 2030, 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*), MPSS' corporate purpose is to, *inter alia*: manage integrated service delivery related to buildings or real estate assets, of public or private customers and manage environmental management services, including the design, installation, construction and maintenance of telecommunications, HVAC, irrigation, sanitation, fire safety, elevator, security and information technology infrastructure; perform facility management; perform, manage and supervise restoration services; undertake urban planning and urban renewal projects and studies; purchase and leasing of real estate assets, hardware and related materials in general; property management and provide services related to the foregoing activities. As of the date of this Offering Memorandum, MPSS had a fully paid-up share capital of €1,000,000.00, consisting of €1,000,000 ordinary shares with a par value of €1.00, all of which are held by the Issuer.

MPSS' Notes Guarantee has been authorized by MPSS' Board of Directors on June 19, 2013.

### **General**

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the Issuer's financial position since March 31, 2013; and
- neither the Issuer, any 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 and for the three months ended  
31 March 2013**

**Manutencoop Facility Management S.p.A.  
with registered office in Zola Predosa (Bologna) – Via U. Poli  
no. 4**

Tax ID and VAT no.: Business Registry of Bologna no. 02402671206  
share capital: € 109,149,600.00 fully paid in

“Company subject to the management and coordination of  
Manutencoop Società Cooperativa—Zola Predosa (BO)”



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# Interim condensed consolidated financial statements

## As at 31 March 2013

### Unaudited Consolidated statement of financial position

(in thousands of Euro)	Notes	31 March 2013	31 December 2012
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment . . . . .	3	80,079	80,276
Property, plant and equipment under lease . . . . .	3	5,843	5,996
Goodwill . . . . .	4,5	418,234	418,724
Other intangible assets . . . . .	4	26,439	26,919
Investments accounted for under the equity method . . . . .	6	28,525	27,881
Other investments . . . . .		3,039	3,041
Non-current financial assets . . . . .	9	11,814	11,455
Other non-current assets . . . . .		1,610	1,746
Deferred tax assets . . . . .		23,574	23,550
<b>Total non-current assets . . . . .</b>		<b>599,157</b>	<b>599,588</b>
<b>Current assets</b>			
Inventories . . . . .		10,955	11,240
Trade receivables and advances to suppliers . . . . .	7	722,715	655,497
Current taxes receivables . . . . .		13,165	24,747
Other current assets . . . . .	7	27,388	23,690
Current financial assets . . . . .	9	11,818	11,202
Cash and cash equivalents . . . . .	9	56,585	51,987
<b>Total current assets . . . . .</b>		<b>842,626</b>	<b>778,363</b>
Assets classified as held for sale . . . . .		130	130
<b>Total assets classified as held for sale . . . . .</b>		<b>130</b>	<b>130</b>
<b>Total Assets . . . . .</b>		<b>1,441,913</b>	<b>1,378,081</b>

(in thousands of Euro)	Notes	31 March 2013	31 December 2012
<b>Shareholders' equity</b>			
Share capital . . . . .		109,150	109,150
Reserves . . . . .		144,181	144,221
Retained earnings . . . . .		56,118	23,540
Profit for the period attributable to equity holders of the parent . . . . .		11,122	32,574
<i>Equity attributable to equity holders of the parent . . . . .</i>		<i>320,571</i>	<i>309,485</i>
Capital and reserves attributable to non-controlling interests .		2,496	1,772
Profit for the period attributable to non-controlling interests .		69	728
<i>Equity attributable to non-controlling interests . . . . .</i>		<i>2,565</i>	<i>2,500</i>
<b>Total shareholders' equity . . . . .</b>		<b>323,136</b>	<b>311,985</b>
<b>Non-current liabilities</b>			
Employee termination indemnity . . . . .	10	30,439	31,321
Provisions for risks and charges, non-current . . . . .	11	10,051	11,797
Derivatives . . . . .	9	1,186	1,222
Long-term debt . . . . .	9	137,683	119,213
Deferred tax liabilities . . . . .		12,022	12,006
Other non-current liabilities . . . . .		7	7
<b>Total non-current liabilities . . . . .</b>		<b>191,388</b>	<b>175,566</b>
<b>Current liabilities</b>			
Provisions for risks and charges, current . . . . .	11	28,485	29,297
Trade payables and advances from customers . . . . .	12	455,506	441,551
Current tax payables . . . . .		1,110	2,922
Other current liabilities . . . . .	12	158,053	148,362
Bank borrowings, including current portion of long-term debt, and other financial liabilities . . . . .	9	284,173	268,334
<b>Total current liabilities . . . . .</b>		<b>927,327</b>	<b>890,466</b>
Liabilities directly associated with assets classified as held for sale . . . . .		62	64
<b>Total liabilities directly associated with assets classified as held for sale . . . . .</b>		<b>62</b>	<b>64</b>
<b>Total Shareholders' equity and Liabilities . . . . .</b>		<b>1,441,913</b>	<b>1,378,081</b>

# Interim condensed consolidated financial statements

## As at 31 March 2013

### Unaudited Consolidated statement of income

(in thousands of Euro)	Notes	Quarter ended at 31 March 2013	Quarter ended at 31 March 2012
<b>Revenue</b>			
Revenue from sales and services . . . . .		284,184	284,221
Other revenue . . . . .		346	210
<b>Total revenue . . . . .</b>		<b>284,530</b>	<b>284,431</b>
<b>Operating costs</b>			
Costs of raw materials and consumables . . . . .		(57,891)	(53,309)
Costs for services and use of third party assets . . . . .		(93,148)	(99,181)
Personnel costs . . . . .		(97,116)	(94,656)
Other operating costs . . . . .		(1,578)	(2,883)
Capitalized internal construction costs . . . . .		568	0
Amortization, depreciation, write-downs and write-backs of assets . . . . .	3,4,7	(8,962)	(8,688)
Accrual of provisions for risks and charges . . . . .	11	(1,558)	(1,242)
<b>Total Operating Costs . . . . .</b>		<b>(259,685)</b>	<b>(259,959)</b>
<b>Operating Income . . . . .</b>		<b>24,845</b>	<b>24,472</b>
<b>Financial income and expenses</b>			
Share of net profit of associates . . . . .		694	529
Dividends and income from sale of investments . . . . .		239	0
Financial income . . . . .		300	1,690
Financial expenses . . . . .		(4,781)	(5,589)
Gains / (losses) on exchange rate . . . . .		0	(1)
<b>Profit before taxes from continuing operations . . . . .</b>		<b>21,297</b>	<b>21,101</b>
Income taxes . . . . .		(10,106)	(11,174)
<b>Profit from continuing operations . . . . .</b>		<b>11,191</b>	<b>9,927</b>
Loss after tax for the year from discontinued operation . . . . .		0	(1)
<b>Net profit for the year . . . . .</b>		<b>11,191</b>	<b>9,926</b>
attributable to non-controlling interests . . . . .		(69)	(113)
<b>Attributable to equity holders of the parent . . . . .</b>		<b>11,122</b>	<b>9,813</b>

(amounts in Euro)	31 March 2013	31 March 2012
Basic earnings per share . . . . .	0.102	0.090
Diluted earnings per share . . . . .	0.102	0.090
Basic earnings per share from continuing operations . . . . .	0.102	0.090
Diluted earnings per share from continuing operations . . . . .	0.102	0.090

**Interim condensed consolidated financial statements**  
**As of 31 March 2013**  
**Unaudited Consolidated statement of comprehensive**  
**income**

(in thousands of Euro)		Quarter ended at 31 March 2013	Quarter ended at 31 March 2012
<b>Profit for the year</b> . . . . .		<b>11,191</b>	<b>9,926</b>
Effects on the shareholders' equity from associates accounted for under the equity method . . . . .	6	(66)	(27)
<i>Net movement on cash flow hedges</i> . . . . .		36	(128)
<i>Income tax effect</i> . . . . .		(10)	35
<b>Net movement on cash flow hedges after taxes</b> . . . . .	<b>8</b>	<b>26</b>	<b>(93)</b>
<b>Other comprehensive income (loss) for the year, net of tax</b> . . . . .		<b>(40)</b>	<b>(120)</b>
<b>Total comprehensive income for the year</b> . . . . .		<b>11,151</b>	<b>9,806</b>
<i>Attributable to:</i>			
Equity holders of the parent . . . . .		11,082	9,693
Non controlling interests . . . . .		69	113

# Interim condensed consolidated financial statements

## As of 31 March 2013

### Unaudited Consolidated statement of cash flows

(in thousands of Euro)	Notes	Quarter ended at 31 March 2013	Quarter ended at 31 March 2012
Profit before taxes from continuing operations . .		21,297	21,101
Amortization, depreciation, write-downs and (write-backs) of assets . . . . .		8,961	9,948
Accrual to provisions for risks and charges . . . . .		1,558	1,242
Employee termination indemnity provision . . . . .		419	457
Share of net profit of associates . . . . .		(455)	(529)
Income taxes paid . . . . .		(354)	(5,500)
Decrease (increase) of inventories . . . . .		285	315
Decrease (increase) of trade receivables and advances to supplier . . . . .		(68,067)	(44,612)
Decrease (increase) of other current assets . . . . .		(3,562)	(3,102)
Increase (decrease) of trade payables and advances from customer . . . . .		13,955	(16,478)
Increase (decrease) of other current liabilities . . .		9,691	14,285
Payments of employee termination indemnity . . .		(1,301)	(1,953)
Utilization of provisions . . . . .		(4,116)	(3,682)
<b>Net cash flow from operating activities . . . . .</b>		<b>(21,689)</b>	<b>(28,508)</b>
Purchase of intangible assets, net of sales . . . . .		(900)	(977)
Purchase of property, plant and equipment . . . . .		(5,957)	(9,779)
Proceeds from sale of property, plant and equipment . . . . .		66	168
Acquisition of investments . . . . .		(258)	(175)
(Decrease) increase of non-current assets . . . . .		(975)	(436)
Net cash used in business combination . . . . .		0	(3,080)
Gain/(loss) from sale of assets classified as held for sale . . . . .		(2)	(1)
<b>Net cash flow used in investing activities . . . . .</b>		<b>(8,026)</b>	<b>(14,280)</b>
Net proceeds from/(reimburse of) borrowings . . .		34,313	98,483
<b>Net cash flow from/(used in) financing activities . . .</b>		<b>34,313</b>	<b>98,483</b>
<b>Changes in cash and cash equivalents . . . . .</b>		<b>4,598</b>	<b>55,695</b>
Cash and cash equivalents at the beginning of the period . . . . .		51,987	42,656
Changes in cash and cash equivalents . . . . .		4,598	55,695
<b>Cash and cash equivalents at the end of the period</b>		<b>56,585</b>	<b>98,351</b>
<b>Details of cash and cash equivalents</b>			
Cash and cash equivalents . . . . .		56,585	98,351
<b>Total cash and cash equivalents . . . . .</b>		<b>56,585</b>	<b>98,351</b>

Supplementary information—(in thousands of Euro)	Quarter ended at 31 March 2013	Quarter ended at 31 March 2012
Interest paid . . . . .	(3,536)	(4,212)
Interest received . . . . .	187	993
Dividends received . . . . .	239	0



**Interim condensed consolidated financial statements**  
**As of 31 March 2013**  
**Unaudited Consolidated statement of changes in**  
**shareholders' equity**

(thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the year	Total Group's shareholders' equity	Non-controlling interests	Total shareholders' equity
<b>1-Jan-13 . . . . .</b>	<b>109,150</b>	<b>144,221</b>	<b>23,540</b>	<b>32,574</b>	<b>309,485</b>	<b>2,500</b>	<b>311,985</b>
Dividends distribution . . . . .					0	0	0
Allocation of prior year result . . . . .		0	32,574	(32,574)	0	0	0
Other . . . . .			4		4	(4)	0
Total Comprehensive income for the period . . . . .		(40)		11,122	11,082	69	11,151
<b>31-Mar-13 . . . . .</b>	<b>109,150</b>	<b>144,181</b>	<b>56,118</b>	<b>11,122</b>	<b>320,571</b>	<b>2,565</b>	<b>323,136</b>

(thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the year	Total Group's shareholders' equity	Non-controlling interests	Total shareholders' equity
<b>1 January 2012 . . . . .</b>	<b>109,150</b>	<b>139,053</b>	<b>20,185</b>	<b>11,124</b>	<b>279,511</b>	<b>13,242</b>	<b>292,753</b>
Dividends distribution . . . . .					0	0	0
Allocation of prior year result . . . . .			11,124	(11,124)	0	0	0
Other . . . . .			165		165	(178)	(13)
Total Comprehensive income for the period . . . . .		(120)		9,813	9,693	113	9,806
<b>31 March 2012 . . . . .</b>	<b>109,150</b>	<b>138,933</b>	<b>31,474</b>	<b>9,813</b>	<b>289,370</b>	<b>13,177</b>	<b>302,547</b>

# Condensed explanatory notes

## 1. General information

The Consolidated Interim Report of the Manutencoop Facility Management Group ("MFM Group") for the three months period ended 31 March 2013 consists of the Interim Report on Operations and the Interim Condensed Consolidated Financial Statements as at and for the three months ended 31 March 2013, prepared exclusively for the purposes of the limited accounting audit in application of IAS 34—Interim Financial Reporting.

This decision is attributable to the need to insert the financial information for the first quarter of 2013 in the documentation to be prepared to carry out a non recurring rationalization of funding resources. It should be noted that the level of disclosure contained therein must be considered extraordinary and shall not be repeated in a homogenous manner in the Interim Reports will close in the future.

Publication of the Consolidated Interim Report of the MFM group for the quarter ended as at 31 March 2013 was authorised by resolution of the Management Board of 20 May 2013.

The Group is 71.89% owned by Manutencoop Società Cooperativa, with registered office in Zola Predosa (Bologna), which in turn exercises management and coordination activities over the Group.

## 2. Basis of presentation

The condensed consolidated financial statements for the period ended 31 March 2013 comprises the *consolidated statement of financial position*, the *consolidated statement of income*, the *consolidated statement of 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 condensed explanatory notes are compared with those for 31 December 2012, while the economic values included in the statement of income, in the statement of comprehensive income and in the statement of cash flows are compared with those for the first quarter of 2012.

The interim condensed consolidated financial statements as at and for the three months ended 31 March 2013 have been 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 for assets and liabilities distinguishing between current and non current. The statement of income classifies costs by nature and the statement of 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 is presented in accordance with IAS 7, distinguishing between cash flow from operating, investing and financing activities.

The Financial Statement has been presented in Euro, which is 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 interim condensed consolidated financial statement as at and for three months period ended 31 March 2013 has been prepared in compliance with IAS 34—*Interim Financial Reporting*.

The interim condensed consolidated 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 and for the year ended 31 December 2012.

## **2.2 Changes in accounting standards and disclosures**

The criteria adopted for the preparation of the condensed consolidated financial statements as at and for the three months ended 31 March 2013 are consistent with those used to prepare the annual consolidated financial statements as at and for the year ended 31 December 2012, with the exception of the aspects detailed below for the determination of the taxes and standards and interpretations which are newly issued and applicable from 1 January 2013.

The Group did not provide for the early adoption of any standard, interpretation or improvement issued but still not obligatorily in force.

More specifically, the following accounting standards must be applied starting from 1 January 2014, but on a voluntary basis starting from 1 January 2013:

- *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 “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.
- *IFRS 13—Fair value measurements.* The document is the result of an important process of development for the definition of a body of rules for valuations and disclosures regarding items recorded in the financial statements at fair value.

The Group is currently analyzing the standards indicated and assessing their impact on its consolidated financial statements.

## **2.3 Discretionary assessments and significant judgments, estimates and assumptions**

The preparation of interim condensed consolidated financial statements requires Management Boards to make estimates and assumptions that affect the reported amounts of assets and 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 Management Boards on the basis of discretionary assessments (excluding those related to accounting estimates) in the application of the accounting standards of the Group; with a significant effect on the statement of financial position values are the following:

- The adoption, starting from 2007, of the *continuity of values* principle for the recognition of business combinations under common control.

Application of this principle gives rise to the recognition in the statement of financial position of values equal to those that would be recorded if the companies involved in the

business combination had always been combined. The net assets of the acquired entity are therefore recorded on the basis the carrying amounts included in their respective accounts before the transaction.

- The application, beginning from 2005 which is the first year in which the Group drafted the consolidated financial statements in compliance to IAS/IFRS, of the proportional consolidation method to companies held under a joint ventures with other shareholders, in accordance with IAS 31.

### **Significant judgments, estimates and assumptions**

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

#### *Impairment tests*

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 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 2013, the carrying amount of the goodwill stood at € 418,234 thousand (31 December 2012: € 418,724 thousand). More details are given in note 5.

#### *Recognition of Put Options granted to non controlling interests and of earn outs on acquisitions.*

The Group holds majority interests in two 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 a reliable valuation.

Similarly, the contract for the purchase of certain majority interests in subsidiaries included certain provision related to the recognition currently minority shareholders, of an earn-out pursuant to the realization 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*

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

To the extent practicable, a separate estimated average annual effective income tax rate is determined, as provided by IAS 34 B.14, for IRES and IRAP.

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 statement of 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 turnover rate, inflation rate and expected future discount 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 Interim condensed 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 March 2013. The financial statements of the subsidiaries have been prepared by adopting for each closing date the same accounting principles as those applied for the Parent company.

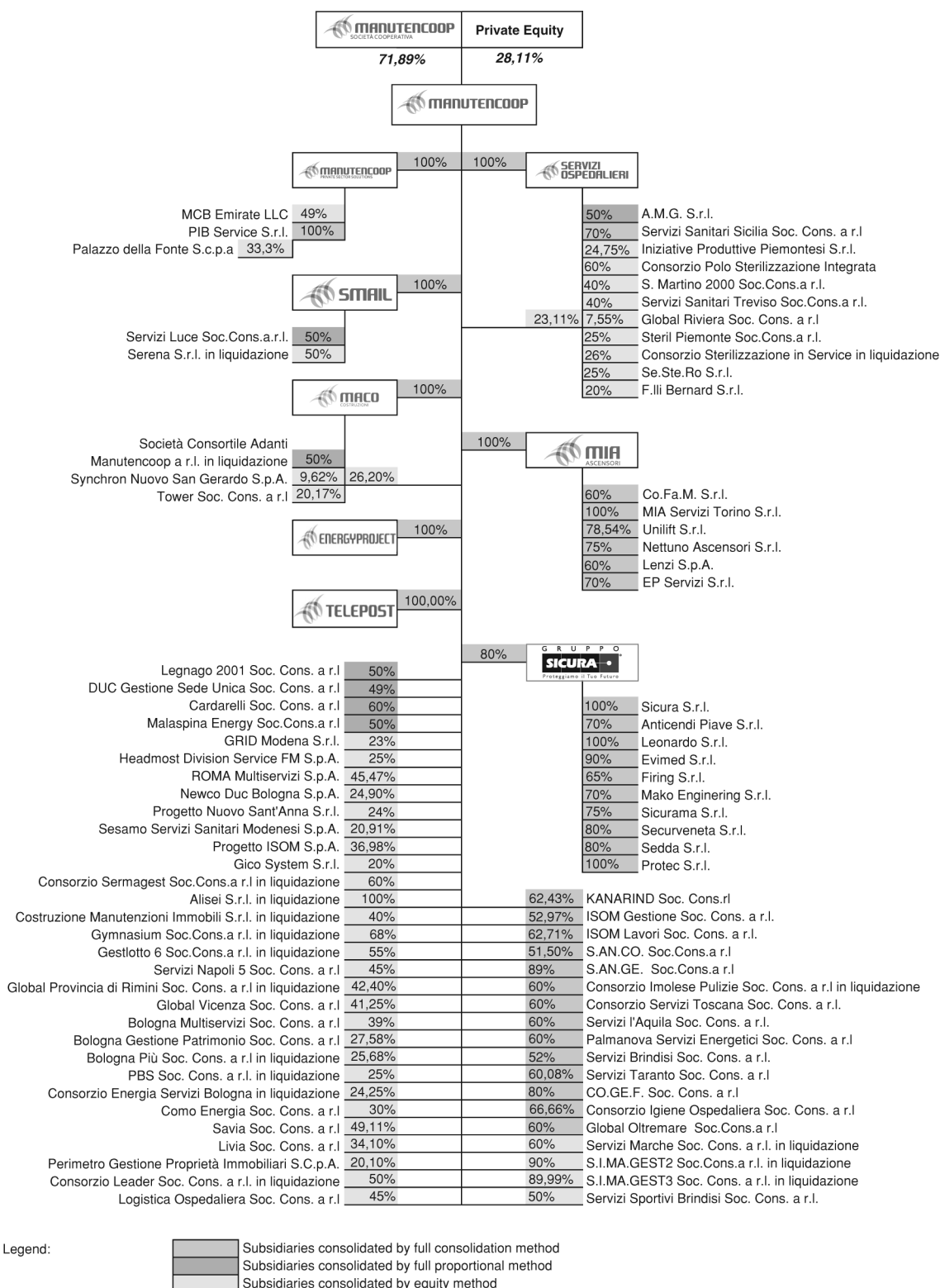
All Intra-Group balances and intercompany transactions, including unrealised profits and losses arising from intra-Group transactions are eliminated in full.

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 are consolidated proportionally, whereas 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 separately item in the consolidated statement of income and in the consolidated statement of financial position.

The consolidation area as at 31 March 2013 is shown below.



In the first quarter of 2013, there were no significant changes to the Group's consolidation area.



### 3. Property, plant and equipment

The table below shows the movements in tangible fixed assets (owned and under a financial lease) in the quarter ended 31 March 2013:

(in thousands of Euro)	Properties	Plant and equipment	Properties under lease	Plant and equipment under lease	Total
<b>At 1 January 2013, net of accumulated depreciation and impairment . . . . .</b>	5,249	75,027	243	5,753	86,272
Additions due to business combination . . . . .	0	0	0	0	0
Additions from acquisition . . . .	568	5,320	0	51	5,939
Impairment losses . . . . .	0	(2)	0	0	(2)
Disposal . . . . .	0	(66)	0	0	(66)
Depreciation for the year . . . . .	(67)	(5,971)	(3)	(200)	(6,241)
Other . . . . .	0	21	0	(1)	20
<b>At 31 March 2013 . . . . .</b>	<b>5,750</b>	<b>74,329</b>	<b>240</b>	<b>5,603</b>	<b>85,922</b>
<b>At January 1, 2013</b>					
Cost . . . . .	7,409	277,833	375	9,969	295,586
Accumulated depreciation and impairment losses . . . . .	(2,160)	(202,806)	(132)	(4,216)	(209,314)
<b>Net Book Value . . . . .</b>	<b>5,249</b>	<b>75,027</b>	<b>243</b>	<b>5,753</b>	<b>86,272</b>
<b>At 31 March 2013</b>					
Cost . . . . .	7,977	283,174	375	10,019	301,545
Accumulated depreciation and impairment losses . . . . .	(2,227)	(208,845)	(135)	(4,416)	(215,623)
<b>Net Book Value . . . . .</b>	<b>5,750</b>	<b>74,329</b>	<b>240</b>	<b>5,603</b>	<b>85,922</b>

The increases during the first three months ended 31 March 2013 of € 5,214 thousand mainly refer to investments made by Servizi Ospedalieri for the purchase of linen to be used in laundering activities (€ 3,804 thousand) and for the purchases of plant, equipment and specific equipment relating to said activities (€ 664 thousand). Furthermore during period the construction and restructuring work continued, for a total amount of € 568 thousand, at the laundering and sterilization site in Lucca, connected to the linen rental and industrial laundering services provided in the territory. The site was purchased during the previous year.

The residual amount mainly refers to the purchase of equipment used in the facility management operations.

## 4. Intangible assets

The table below shows the movements in intangible fixed assets in the quarter ended 31 March 2013:

(in thousands of Euro)	Other intangible assets	Goodwill	Total
<b>At 1 January 2013, net of accumulated depreciation and impairment</b>	26,919	418,724	445,643
Additions due to business combination	0	0	0
Additions from acquisition	1,511	0	1,511
Disposal	(66)	(490)	(556)
Amortization of the year	(1,867)	0	(1,867)
Impairment losses	0	0	0
Other	(57)	0	(57)
<b>At 31 March 2013</b>	<b>26,440</b>	<b>418,234</b>	<b>444,674</b>
<b>At January 1, 2013</b>			
Cost	73,069	421,117	494,186
Accumulated amortization and impairment losses	(46,150)	(2,393)	(48,543)
<b>Net Book Value</b>	<b>26,919</b>	<b>418,724</b>	<b>445,643</b>
<b>At 31 March 2013</b>			
Cost	74,243	420,627	494,870
Accumulated amortization and impairment losses	(47,803)	(2,393)	(50,196)
<b>Net Book Value</b>	<b>26,440</b>	<b>418,234</b>	<b>444,674</b>

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

During the three months ended 31 March 2013, no business combinations occurred. Intangible assets decreased during the period, due to the sale of a business unit managed by MIA Servizi Torino S.r.l. to Kone S.p.A..

The *Other intangible assets* which amounted to € 26,440 thousand as at 31 March 2013, consist mainly of investments in software carried out as part of the projects aimed at enhancing the corporate information systems. Other intangible assets increases mainly relate to the investments in software connected to the company IT systems occurred during the period (€ 1,511 thousand).

## 5. Impairment testing of goodwill

The Group SBUs identified and their composition, in corporate terms, are as follows:

### ***SBU—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 groups controlled by Gruppo Sicura S.r.l. and by MIA 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.

### ***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.
- A.M.G. S.r.l., held under a joint venture (50%) with Servizi Ospedalieri S.p.A..
- Other minor investee companies operating in the same segment.

### ***SBU—Other***

The SBU is identified with:

- Energyproject S.p.A., which manufactures and sells photovoltaic plants; this business has been progressively wound down starting from 2011.
- MACO S.p.A., to which the business unit relating to Group “building” activities was conferred in 2009; this company has also been progressively wound down since Group Management do not consider it to be strategic any longer.
- Other minor investee companies operating in the same segment.

The MFM Group’s management believe that the above-mentioned SBU structure should be considered, consistent with the provisions of the accounting standards, also at the level of the CGUs used for impairment testing.

This breakdown into CGUs is, in fact, fully compliant with the requirements set forth in the definition of IAS 36 itself, which requires the calculations used to perform impairment tests to be consistent with the reports used by the key decision makers in order to monitor company performances and determine future development policies.

The table below sets forth the carrying amounts of the goodwill recognized in the consolidated financial statements, and the relative attributions of the CGUs:

<b>Book value of consolidated goodwill (in thousands of Euro)</b>	<b>At 31 March 2013</b>	<b>At 31 December 2012</b>
Goodwill allocated to the Facility Management CGU . . . . .	405,424	405,914
Goodwill allocated to Laundering/Sterilization CGU . . . . .	12,810	12,810
<b>Total goodwill . . . . .</b>	<b>418,234</b>	<b>418,724</b>

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.

As at 31 March 2013, management did not identify any elements for impairment on the cash generating units, therefore did not proceed to update the impairment test performed as at 31 December 2012.

## **6. Investments accounted for under the equity method**

The Group holds some investments in associates which for the purpose of consolidation are accounted under the equity method. A complete list of these investments are provided in Annex 1.

At 31 March 2013 investments accounted for under the equity method amounts to € 28,525 thousand.

The breakdown and changes occurred during the three months period ended 31 March 2013 is shown in Annex II.

During the quarter, investments accounted for under the equity method overall recorded a positive result of € 694 thousand. Such result represents the revaluations (€ 727 thousand) net of write downs (€ 33 thousand). Furthermore, losses from associates were also recognized directly in shareholders' equity for € 66 thousand.

## 7. Trade receivables, advances to supplier and other current assets

The following table sets forth the breakdown of trade receivables, advances to supplier and other current assets at 31 March 2013, as compared to 31 December 2012:

(in thousands of Euro)	At 31-Mar-13	At 31-Dec-12
Work in progress on order . . . . .	29,404	27,421
Third party trade receivables, gross . . . . .	708,876	643,599
Allowance for doubtful accounts . . . . .	(33,250)	(33,083)
Provision for discounting of trade receivables . . . . .	(290)	(220)
<b>Trade receivables due from third parties . . . . .</b>	<b>704,740</b>	<b>637,717</b>
Work in progress on order from associates . . . . .	78	20
Receivables from parent company . . . . .	67	80
Trade receivables from associates . . . . .	15,139	15,033
Trade receivable from affiliates . . . . .	503	380
<b>Trade receivables due from related parties . . . . .</b>	<b>15,787</b>	<b>15,513</b>
Advances to suppliers . . . . .	2,188	2,267
<b>Total receivables and advances to suppliers . . . . .</b>	<b>722,715</b>	<b>655,497</b>
Current tax asset . . . . .	10,713	10,286
Other current assets due from third parties . . . . .	9,448	8,256
Due from social security institutions . . . . .	3,868	2,856
Due from employees . . . . .	556	535
<b>Other current assets due from third parties . . . . .</b>	<b>24,585</b>	<b>21,933</b>
Due from parent company . . . . .	9	16
Due from associates . . . . .	78	78
<b>Other current assets from related parties . . . . .</b>	<b>87</b>	<b>94</b>
Accrued income . . . . .	4	2
Prepaid expenses . . . . .	2,712	1,661
<b>Accrued income and prepaid expenses . . . . .</b>	<b>2,716</b>	<b>1,663</b>
<b>Other current assets . . . . .</b>	<b>27,388</b>	<b>23,690</b>

Trade receivables and advances to suppliers, which also includes work in progress on order, amounted to € 722,715 thousand at 31 March 2013, marking an increase of € 67,218 thousand compared to the amount of € 655,497 thousand recorded as at 31 December 2012.

The change is mainly due to the increase in gross trade receivables, which stood at € 708,876 thousand at 31 March 2013 (at 31 December 2012: € 643,599 thousand), compared to higher adjusting provisions for them, with a balance as at 31 March 2013 of € 33,250 (31 December 2012: € 33,083 thousand).

During the quarter, assignments without recourse were made on a revolving basis to Crédit Agricole Corporate & Investment Bank and Intesa San Paolo for a total nominal value of € 100.1 million. As a consequence of the transactions, the receivables were derecognized whereas the total costs relating to the credit discount amounting to € 335 thousand and interest discount costs of € 1,365 thousand were recognized in the statement of income.

At 31 March 2013, the total receivables transferred through factoring by the Group to credit institutions and not collected yet amounted to € 148.9 million (€ 199.0 million at 31 December

2012, including € 52.7 million related to the non-recurring transfer of trade receivables referring to the client Telecom).

A specific allowance for doubtful accounts was recorded in connection with non-performing receivables which are difficult to fully recover; at 31 March 2013 they amounted to € 33,250 thousand (at 31 December 2012: € 33,083 thousand).

The changes during the period are detailed as follows:

(in thousands of Euro)	At 31-Dec-12	Increases	Utilization	Release	Business combination	Other	At 31-Mar-13
Allowance for doubtful accounts.	33,083	1,404	(857)	(433)	0	53	33,250

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 items to which they referred.

Due to the fact that some payments are constantly delayed by certain Group customers (in particular the public administrations) trade receivables due from third parties are discounted. As at 31 March 2013, the provision for discounting of trade receivables amounted to € 290 thousand (31 December 2012: € 220 thousand).

The changes during the period are detailed as follows:

(in thousands of Euro)	31-Dec-12	Increases	Utilization	Releases	Business combination	Other	At 31-Mar-13
Provision for the discounting of trade receivables . . . . .	220	154	0	(84)	0	0	290

*Current tax assets*, amounting to € 10,713 thousand (€ 10,286 thousand at 31 December 2012) include the credit deriving from the reimbursement claim related to the deduction of the IRAP (regional business tax) from the IRES (Corporate Income Tax) taxable base for companies that do not form part of the domestic tax consolidation in place with Manutencoop Società Cooperativa (€ 2,595 thousand). Furthermore the item includes receivables from the periodic VAT payments for certain Group companies.

*Other current assets*, amounting to € 9,448 thousand increased by € 1,192 thousand over 31 December 2012, mainly due to the higher payments received by TJA (Temporary Joint Association)—whose the parent company MFM is part—on its behalf (€ 963 thousand).

In addition, a total of € 4,424 thousand (€ 3,391 thousand at 31 December 2012) have been recognized due from employees and social security institutions. The increase of € 1,033 thousand is mainly due to the payment of advances for social security contributions (INAIL) in the first quarter of the period.

## 8. Share capital and reserves

(in thousands of Euro)	31 March 2013	31 December 2012
Ordinary shares of with a nominal value of €1 each . . . . .	109,150	109,150

Ordinary shares have a nominal value of € 1 each.

Ordinary shares issued and fully paid up at 31 march 2013 amounted to 109,149,600. The parent company does not hold own shares.

## Reserves and retained earnings

The table below shows movements in shareholders' equity reserves:

(in thousands of Euro)	Share premium reserve	Legal reserve	SE reserves companies valued at SE	Cash flow hedge reserve	SORIE reserve	Other reserves	Total reserves
<b>At 1 January 2012</b> . . . . .	<b>145,018</b>	<b>15,811</b>	<b>(995)</b>	<b>(1,035)</b>	<b>(2,977)</b>	<b>(16,769)</b>	<b>139,053</b>
Allocation of profit of previous years . . . . .		346	1,326			6,555	8,227
Other							
Economic effects on shareholders' equity . . . . .			(521)	(150)	(2,388)		(3,059)
<b>At 31 December 2012</b> . . . . .	<b>145,018</b>	<b>16,157</b>	<b>(190)</b>	<b>(1,185)</b>	<b>(5,365)</b>	<b>(10,214)</b>	<b>144,221</b>
Allocation of profit of previous years							
Other							
Economic effects on shareholders' equity . . . . .			(66)	26			(40)
<b>At 31 March 2013</b> . . . . .	<b>145,018</b>	<b>16,157</b>	<b>(256)</b>	<b>1,159</b>	<b>(5,365)</b>	<b>(10,214)</b>	<b>144,181</b>

The item *Other reserves* includes the following items:

- *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 2013.
- The parent company's *extraordinary reserve* (€ 30,928 thousand).

The table below sets forth the changes of retained earnings:

	Retained earnings	Other	Total retained earnings
<b>At 1 January 2012</b> . . . . .	<b>3,809</b>	<b>16,376</b>	<b>20,185</b>
Allocation of profit of previous years . . . . .		2,897	2,897
Other . . . . .		458	458
<b>At 31 December 2012</b> . . . . .	<b>3,809</b>	<b>19,731</b>	<b>23,540</b>
Allocation of profit of previous years . . . . .	26,246	6,328	32,574
Other . . . . .		4	4
<b>At 31 March 2013</b> . . . . .	<b>30,055</b>	<b>26,063</b>	<b>56,118</b>



## 9. Net financial indebtedness

Net financial indebtedness as at 31 March 2013 amounts to € 354,639 thousand compared to € 325,580 thousand as at 31 December 2012.

The following table sets forth the breakdown by nature:

	At 31 March 2013	At 31 December 2012	Change
Long-term debt . . . . .	(137,683)	(119,213)	(18,470)
Bank borrowings, including current portion of long-term debt and other financial liabilities . . . . .	(284,173)	(268,334)	(15,839)
<b>Financial liabilities . . . . .</b>	<b>(421,856)</b>	<b>(387,547)</b>	<b>(34,309)</b>
Derivatives . . . . .	(1,186)	(1,222)	36
<b>Total gross debt . . . . .</b>	<b>(423,042)</b>	<b>(388,769)</b>	<b>(34,273)</b>
Cash and cash equivalents . . . . .	56,585	51,987	4,598
Current financial assets . . . . .	11,818	11,202	616
<b>Net financial indebtedness . . . . .</b>	<b>(354,639)</b>	<b>(325,580)</b>	<b>(29,059)</b>

### ***Long-term debt and bank borrowings, including current portion of long-term debt and other financial liabilities***

The Long-term debt and Bank borrowings, including current portion of long-term debt and other financial liabilities comprise the non-current and current portion of loans granted by credit institutions and syndicated shareholders respectively.

Certain loans obtained by the Group companies from credit institutions are subject to compliance with covenants to be calculated on the basis of the consolidated financial statements as at and for the year ended 31 December and as at and for the six months ended 30 June. All the aforementioned covenants were respected at the date of the consolidated financial statements as at 31 December 2012.

Furthermore, in application of the financial method of recognizing leases, debts to other lenders are included as well as other current outstanding balances of a financial nature such as, for example, the debt for the acquisition of non-controlling interests and the liability for dividends to be paid.

The tables below set forth the breakdown by current and non-current financial liabilities at 31 March 2013 and 31 December 2012:

(in thousands of Euro)	At 31- Mar-13	Within 1 year	From 1 to 5 years	After 5 years
BNL/BNP loan . . . . .	42,000	21,000	21,000	
C.C.F.S. loan . . . . .	17,988		17,988	
Unicredit loan . . . . .	4,205	4,205		
BPCI-UBI Group loan . . . . .	8,977	2,987	5,990	
BPV loan . . . . .	37,902	12,386	25,516	
MPS loan . . . . .	24,972	4,992	19,980	
BPER loan . . . . .	12,717	3,627	9,090	
Banco San Geminiano e San Prospero loan . . . . .	3,852	3,852		
Other bank loans . . . . .	276	45	231	
S. Paolo IMI loan . . . . .	353	72	281	
Banca Bologna—photovoltaic . . . . .	443	18	84	341
Financial leasing obligations . . . . .	2,248	797	1,428	23
Current bank overdraft . . . . .	198,508	198,508		
Loans from syndicated shareholders . . .	2,308	696	1,530	82
Loan from parent company (Manutencoop Cooperativa) . . . . .	3,003	3,003		
Other current financial liabilities . . . . .	187	187		
Due to factoring agencies . . . . .	22,926	22,926		
Obligations to factoring agencies . . . .	260	260		
Escrow accounts . . . . .	2,235	753	1,482	
Debt for the acquisition of non-controlling interests . . . . .	32,965	328	32,637	
Capital contribution to be paid . . . . .	2,197	2,197		
Financial liabilities measured at fair value through profit and loss . . . . .	251	251		
Prepaid expenses on financial interest .	(7)	(7)		
Accrued interest expense . . . . .	1,090	1,090		
<b>Total financial liabilities . . . . .</b>	<b>421,856</b>	<b>284,173</b>	<b>137,237</b>	<b>446</b>

(in thousands of Euro)	At 31- Dec-12	Within 1 year	From 1 to 5 years	After 5 years
BNL/BNP loan . . . . .	42,000	21,000	21,000	
C.C.F.S. loan . . . . .	29,993	29,993		
Unicredit (formerly Teckal) loan . . . . .	5,568	5,568		
BPCI-UBI Group loan . . . . .	8,972	2,986	5,986	
BPV loan . . . . .	37,888	12,394	25,494	
MPS loan . . . . .	23,949	4,788	19,161	
BPER loan . . . . .	12,713	3,626	9,087	
Banco San Geminiano e San Prospero loan . . . . .	3,852	3,852		
Other bank loans . . . . .	391	158	233	
S. Paolo IMI loan . . . . .	353	72	281	
Banca Bologna—photovoltaic . . . . .	447	18	82	347
Financial leasing obligations . . . . .	2,387	800	1,560	27
Current bank overdraft . . . . .	147,100	147,100		
Loans from syndicated shareholders . . . . .	2,316	703	1,530	83
Loan from parent company (Manutencoop Cooperativa) . . . . .	66	66		
Other current financial liabilities . . . . .	384	384		
Due to factoring agencies . . . . .	31,371	31,371		
Escrow accounts . . . . .	2,442	500	1,942	
Debt for the acquisition of non-controlling interests . . . . .	32,728	328	32,400	
Capital contribution to be paid . . . . .	2,197	2,197		
Financial liabilities measured at fair value through profit and loss . . . . .	237	237		
Prepaid expenses on financial interest . . . . .	(104)	(104)		
Accrued interest expense . . . . .	103	103		
Dividends to be paid . . . . .	194	194		
<b>Total financial liabilities . . . . .</b>	<b>387,547</b>	<b>268,334</b>	<b>118,756</b>	<b>457</b>

Following are some details on significant items comprising on the above financial liabilities.

#### *CCFS loan (MFM)*

During the quarter, the Parent Company MFM entered into a loan agreement of € 18,000 thousand with Consorzio Cooperativo Finanziario per lo Sviluppo (“CCFS”), falling due in January 2016. The loan has a variable interest rate plus a spread and replaced the credit facility granted to the Company by the same bank, and that had a residual debt of € 30,000 thousand as at 31 December 2012, falling due in July 2013.

#### *Loan from the Parent company (Manutencoop Società Cooperativa)*

This is a financial account on which transactions with the Parent Company Manutencoop Società Cooperativa are settled. The account 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.

#### *Capital contribution to be paid*

The Group recognized obligation for capital contribution to be paid to associates, for € 2,197 thousand, whose € 2,192 thousand relates to the incorporation of Synchron Nuovo San Gerardo S.p.A..

### *Escrow accounts*

Escrow accounts, amounting to € 2,235 thousand at 31 March 2013 (€ 2,442 thousand at 31 December 2012), relates to amounts still not paid to the transferor in the business combinations.

In particular, MIA S.p.A. holds commitments to deposit amounts in escrow for a total of € 2,173 thousand, against the already deposited € 691 thousand with the contractually identified parties, recorded as *current financial assets*.

Lastly, commitments were recorded for acquisitions of business units by Manutencoop Private Sector Solutions S.p.A. for € 60 thousand.

### *Debt for the acquisition of non-controlling interests*

Debt for the acquisition of non-controlling interests amounted to € 32,965 thousand, and relate to:

- The present value of the earn-out to be paid to non-controlling interests of the Gruppo Sicura S.r.l., that has been assessed to € 12,093 thousand.
- The present value of the Put option granted to non-controlling interests of the Gruppo Sicura S.r.l., in relation to the 20% stake in share capital they still own, that has been assessed to € 7,927 thousand.
- The present value of the Put option granted to non-controlling interest of Cofam S.r.l. (acquired by MIA S.p.A. at the start of 2009), relating to the 40% stake in share capital they still own, assessed to € 3,459 thousand.
- The present value of the earn-out to be paid in relation to the acquisition of ABM S.r.l. by MIA S.p.A. (merged subsequently with Unilift S.r.l. during 2012) that was assessed to € 217 thousand.
- The present value of the Put option granted to the non-controlling interest of Unilift S.r.l. (merged with ABM S.r.l. in 2012) assessed to € 924 thousand.
- The present value of the Put option granted to the non-controlling interest of Lenzi S.p.A., assessed to € 8,018 thousands. Following the resolution by virtue of which in June 2012 M.I.A. S.p.A. exercised its call option on 11% of the share capital of Lenzi S.p.A., the liability was recognized in connection with the put option on the remaining 40% held by third parties for € 8,018 thousand, in accordance with the investment agreement underlying the business combination transaction.
- The present value of the earn-out to be paid to the previous shareholders of SIE S.r.l., acquired in 2012 by MIA S.p.A. and subsequently merged by incorporation in it, assessed to € 36 thousand.
- The present value of the earn-out to be paid to the previous shareholders of MIND S.r.l., acquired in 2012 by MIA S.p.A. and subsequently merged by incorporation in it, assessed to € 291 thousand.

In connection with the fair value assessment of the items described above the Group recognized net financial charges for Euro € 237 thousand.

### *Derivatives*

The BNL/BNP pool loan agreement provides the subscription of one or more hedging derivatives on variable interest rate of the initial loan for a nominal amount of € 165,000 thousand. The hedging derivative should cover at least 50% of the credit facility used in connection with this loan.

The Group entered into 3 different interest rate swaps that pay fixed rate and receive the basic variable rate on the loan itself. At 31 March 2013 the hedged residual notional value amounted to € 42,000 thousand in total.

The fair value (mark-to-market) measurement of the related liability was € 1,186 thousand at 31 March 2013, compared to € 1,222 thousand at the end of the previous year.

Since its original design, such derivative was built as a hedge instrument, consequently any change in its fair-value is directly recognized in a shareholders' equity reserve net of the relative tax effect.

### ***Cash and cash equivalents***

The table below sets forth the breakdown of the cash and cash equivalents:

<b>(in thousands of Euro)</b>	<b>31-Mar-13</b>	<b>31-Dec-12</b>
Bank deposits on demand . . . . .	51,473	39,557
Cash on hand . . . . .	98	115
Deposit with consortia . . . . .	5,013	12,315
<b>Cash and cash equivalents . . . . .</b>	<b>56,585</b>	<b>51,987</b>

Bank deposits on demand 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.) which constitute a part of the balance of deposit with consortia also have the nature of deposit on demand and accrue interest.

### ***Current financial assets***

As at 31 March 2013 the *Current financial assets* totaled € 11,818 thousand (at 31 December 2012: € 11,202 thousand).

Current financial assets mainly include:

- The pledged current accounts related to the collection service of the receivables transferred without recourse to Banca IMI (€ 7,793 thousand).
- Escrow amounts paid as part of the business combinations for € 691 thousand.
- € 567 thousand for receivables originated by the transfer of contracts and business units to third parties, whose € 312 thousand related to the sub-group MIA.
- € 1,699 thousand of receivables from short-term loans and financial accounts held with non-consolidated companies belonging to the Group, whose € 1,007 thousand to associates.

## 10. Employee termination indemnity

Changes in employee termination indemnity ("T.F.R.") occurred during the first quarter of 2013 are shown below, compared with movements in the same period of the last year.

(in thousands of Euro)	For the period ended	
	31-Mar-13	31-Mar-12
<b>Termination indemnity at the beginning of the period</b> . . . . .	<b>31,321</b>	<b>31,356</b>
Increases for personnel acquired in business combinations . . . . .	0	99
Current service costs . . . . .	174	123
Interest costs on benefit obligation . . . . .	228	242
Curtailment . . . . .	0	0
Settlements . . . . .	0	0
Benefits paid . . . . .	(1,284)	(1,862)
Net actuarial loss recognized in the period . . . . .	0	0
Other . . . . .	0	0
<b>Termination indemnity at 31 march</b> . . . . .	<b>30,439</b>	<b>29,959</b>

The table below sets forth the breakdown of the net cost of the benefit to employees relating to the Employee termination indemnity:

(in thousands of Euro)	For the period ended March 31, 2013	For the years ended March 31, 2012
Curtailment . . . . .	0	0
Current service costs . . . . .	174	123
Interest costs on benefit obligation . . . . .	228	242
Net actuarial loss recognized in the period . . . . .	0	0
<b>Total</b> . . . . .	<b>402</b>	<b>365</b>

## 11. Provisions for risks and charges

The following table sets forth the breakdown by nature and the changes of the provision for risks and charges provision occurred during the three months period ended 31 March 2013:

(in thousands of Euro)	Provision for risk on investments	Risk on job order	Pending litigation	Tax disputes	ISC	Severance provision	Provision for bonus	Other provision	Total
<b>As at January 1, 2013</b>	<b>153</b>	<b>12,055</b>	<b>8,109</b>	<b>1,112</b>	<b>141</b>	<b>14,374</b>	<b>4,963</b>	<b>188</b>	<b>41,094</b>
Additions due to business combination . . . . .	0	0	0	0	0	0	0	0	0
Accruals . . . . .	3	504	839	114	0	0	561	3	2,024
Utilization (payments) . . . . .	0	(507)	(390)	(29)	0	(2,546)	(573)	(18)	(4,063)
Unused and reversed . . . . .	0	(31)	(404)	0	0	0	(30)	(2)	(467)
Other . . . . .	0	(53)	0	0	0	0	0	0	(53)
<b>At March 31, 2013</b> . . . . .	<b>156</b>	<b>11,968</b>	<b>8,154</b>	<b>1,197</b>	<b>141</b>	<b>11,828</b>	<b>4,921</b>	<b>171</b>	<b>38,536</b>
<b>At March 31, 2013:</b>									
Current . . . . .	156	10,788	577	1,197	0	11,828	3,843	96	28,485
Non-current . . . . .	0	1,180	7,577	0	141	0	1,078	75	10,051
<b>At December 31, 2012:</b>									
Current . . . . .	153	10,873	586	1,112	0	14,374	2,105	94	29,297
Non-current . . . . .	0	1,182	7,523	0	141	0	2,858	94	11,797



***Provision for risk on investments***

The item, amounting to € 156 thousand as at 31 March 2013, includes the provision for unrecoverable future losses of non consolidated companies, whose € 105 thousand relates to Grid S.r.l. and € 51 thousand to the subsidiary Alisei S.r.l..

***Provision for risk on job order***

This provision includes:

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

At the end of the period this provision amounted to € 11,968 thousand, including accruals for € 504 thousand and uses and releases for € 538 thousand. Additionally € 53 thousand were reclassified as a direct reversal of trade receivables.

Accruals were made in connection with work carried out by MFM S.p.A. for € 129 thousand, and by MACO S.p.A. for € 376 thousand.

***Provision for pending litigations***

At the end of the financial year, an assessment was carried out regarding the risk of having to pay future compensation in the event of unsuccessful legal disputes with customers, suppliers and employees. During the quarter, the provision increased by € 839 thousand due to the accrual of the period. The accruals were made in connection to the risks of MFM S.p.A. for € 620 thousand, Servizi Ospedalieri S.p.A. for € 127 thousand and Telepost S.p.A. for € 70 thousand.

Uses and releases in the period, totalling € 794 thousand, refer to the use of the provisions recorded in previous years to settle disputes with suppliers and legal proceedings with other parties.

***Tax dispute provision***

In the first quarter 2013, uses totaled € 29 thousand as a result of the conclusion of some tax inspections. The accrual amounted to € 114 thousand.

***Provision for severance***

This provision relates to the amounts due for severance and employee redundancy costs, as part of the various restructuring plans implemented by some Group companies over the last few years.

At 31 December 2012, this provision amounted to total € 14,374 thousand, whose € 5,638 thousand for Telepost S.p.A., € 6,750 thousand for Manutencoop Private Sector Solutions S.p.A., € 732 thousand for Energyproject S.p.A. and € 1,254 thousand for MACO S.p.A.. During the first quarter 2013 the Group used € 2,546 thousand, whose € 218 thousand for MACO S.p.A., € 268 thousand for Telepost S.p.A. and € 2,053 thousand for Manutencoop Private Sector Solutions S.p.A..

The restructuring plans are expected to be completed by 2014.

***Provision for bonus***

Such 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.

Changes occurred during the first quarter of 2013 comprise accrual for € 561 thousand and uses and releases for € 603 thousand.

## 12. Trade payables and advances from customers and other current liabilities

The table below set forth the breakdown of trade payables and advances from customers and other current liabilities at 31 March 2013 and 31 December 2012:

(in thousands of Euro)	At 31 March 2013	31 December 2012
Trade payables to third parties . . . . .	417,118	408,549
<b>Trade payables to third parties . . . . .</b>	<b>417,118</b>	<b>408,549</b>
Trade payables to parent company . . . . .	6,779	5,470
Trade payables to associates . . . . .	22,419	21,167
<b>Trade payables to related parties . . . . .</b>	<b>29,198</b>	<b>26,637</b>
Advances from customers . . . . .	9,190	6,365
<b>Trade payables and advances from customers . . . . .</b>	<b>455,506</b>	<b>441,551</b>
Payables to directors and statutory auditors . . . . .	613	495
Tax payables . . . . .	72,006	66,420
Payables to social security . . . . .	8,071	9,326
Collections on behalf of third parties to be remitted to them . . . . .	11,965	17,802
Payables to employees . . . . .	53,490	44,662
Other payables . . . . .	4,280	4,297
Property collection . . . . .	2,176	2,176
<b>Other current payables to third parties . . . . .</b>	<b>152,601</b>	<b>145,178</b>
Other payables to parent company . . . . .	0	0
Other payables to associates . . . . .	171	171
<b>Other current payables to related parties . . . . .</b>	<b>171</b>	<b>171</b>
Accrued expenses . . . . .	196	107
Prepaid income . . . . .	5,085	2,906
<b>Accrued expenses and prepaid income . . . . .</b>	<b>5,281</b>	<b>3,013</b>
<b>Other current liabilities . . . . .</b>	<b>158,053</b>	<b>148,362</b>

### *Terms and conditions*

Trade payables and advances from customers do not accrue interest and are settled for, on average, 90/120 days from the invoice date. Other current payables are non-interest bearing 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 associated trade receivables.

Trade payables and advances from customers as at 31 March 2013 amount to € 455,506, and € 441,551 as at 31 December 2012.

The *Other current liabilities* increased by € 7,423 thousand compared to 31 December 2012. This is mainly attributable to the net effect of the followings:

- An increase of the payables to employees of € 8,828 thousand which include, as at 31 March 2013, due to the higher amounts accrued for the additional monthly salary to be paid ( $\frac{3}{4}$  of the 14th salary, to be paid in the month of July, and a portion of the 13th salary to be paid in December) with respect to the end of the financial year (when only about  $\frac{1}{2}$  of the 14th salary was recorded, and the 13th salary was paid in December). Furthermore there is a higher balance referring to the holiday pay, since holidays are normally taken by employees during the summer months. Payables to social security decreased by € 1,255 thousand, mainly due to the payment during the period of the INAIL contributions as settlement of the amount recorded at the end of the previous financial year.
- An increase of payables due to tax authorities for € 5,586 thousand mainly related to the balance of the VAT payables due from subsidiaries of the Group.
- A decrease in collections on behalf of temporary associations of companies customers of € 5,837 thousand.

### 13. 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 SBUs identified coincide with the CGU where the group's activities are conducted and are the followings:

#### ***Facility Management***

The Facility Management Segment offers 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.

Technical Services activity encompassing the management, running and maintenance 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 work and adjustment 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.

The Landscaping activity includes services, 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:

- Elevating system installation and maintenance services.
- Services related to building security.
- Public lighting services.
- Mail services.
- Document management.

### ***Laundering & Sterilization***

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.

### ***Other***

The Other Segment includes the complementary activities listed below:

- Project Management that consists of a group of activities involving the technical design, planning, procurement management and supervision of construction job orders, restructuring or reconversion of properties.
- Energy Management that consists of a group of activities involving the technical design, construction and management of photovoltaic and cogeneration systems, from the feasibility study to completion, and management and maintenance of systems to provide customers with energy efficiency solutions.
- Building activities that consist of construction projects, not particularly significant in respect of total Group production, 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.

It should be noted that management does not consider the Energy Management, Project Management and Building activities to be strategic any longer. The Group has therefore decided not to develop those areas of business any further, and it will just manage the commitments it has already taken on with respect to ongoing contracts with customers until they have been completed.

The following table shows the economic results by segment for the three months ended 31 March 2013 and 31 March 2012:

For the three months period ended at 31 March 2013	Facility management	Laundrying sterilization	Other	Intersegment eliminations	Total
<i>Revenues from third parties</i> . . . . .	249,622	33,593	1,315		284,530
<i>Intersegment income</i> . . . . .	100	235	332	667	
<b>Total revenues</b> . . . . .	<b>249,722</b>	<b>33,829</b>	<b>1,647</b>	<b>(667)</b>	<b>284,530</b>
<i>% of total revenues</i> . . . . .	87.8%	11.9%	0.6%		
<b>Operating Income/(loss) by Segment</b> . .	<b>22,925</b>	<b>2,767</b>	<b>(847)</b>		<b>24,845</b>
<i>% of segment revenues</i> . . . . .	9.2%	8.2%	N/A		8.7%

For the three months period ended at 31 March 2012	Facility management	Laundrying sterilization	Other	Intersegment eliminations	Total
<i>Revenues from third parties</i> . . . . .	247,905	32,812	3,714		284,431
<i>Intersegment income</i> . . . . .	44	230	55	329	
<b>Total revenues</b> . . . . .	<b>247,949</b>	<b>33,041</b>	<b>3,769</b>	<b>(329)</b>	<b>284,431</b>
<i>% of total revenues</i> . . . . .	87.2%	11.6%	1.3%		
<b>Operating Income/(Loss) by Segment</b> .	<b>22,256</b>	<b>2,937</b>	<b>(722)</b>		<b>24,472</b>
<i>% of segment revenues</i> . . . . .	9.0%	8.9%	N/A		8.6%

The revenues of the Facility Management for the first quarter of 2013 amount to € 249,722 thousand compared to € 247,949 thousand in the same period last year. The operating income for the segment amounts to € 22,925, or 9.2% of the related revenues, against € 22,256 recorded for the same period in 2012 (9.0% of revenues).

The Laundrying & Sterilization segment report an increase in revenues for the period, which stood at € 33,829 thousand (€ 33,041 thousand in the first quarter of 2012). The operating income fell slightly, standing at € 2,767 thousand for the first quarter of 2013 (€ 2,937 thousand in the first quarter of 2012).

The "Other Segment" showed a decrease in revenues which fell from € 3,769 thousand in the first quarter of 2012 to € 1,647 thousand in the first quarter of 2013, and an operating loss of € 847 thousand, compared to an operating loss in the first quarter of 2012 of € 722 thousand.

The following is the information on the volume of the activities of the operating segments within the MFM Group as at 31 March 2013 and 31 December 2012:

	Facility management	Laundrying sterilization	Complement. activities	Intersegment eliminations	Total
<b>Assets and liabilities at</b>					
<b>31 March 2013</b>					
Segment assets . . . . .	695,843	161,343	22,020	(4,177)	875,029
Goodwill . . . . .	405,424	12,810			418,234
Investments accounted for under the equity method and other investments . . . . .	27,918	2,809	836		31,564
Assets classified as held for sale					130
Other assets not allocated and related taxes . . . . .					116,956
<b>Assets . . . . .</b>	<b>1,129,185</b>	<b>176,962</b>	<b>22,856</b>	<b>(4,177)</b>	<b>1,441,913</b>
Segment liabilities . . . . .	595,112	74,619	16,987	(4,177)	682,541
Liabilities directly associated with assets classified as held for sale . . . . .					62
Other liabilities not allocated and related taxes . . . . .					436,174
<b>Liabilities . . . . .</b>	<b>595,112</b>	<b>74,619</b>	<b>16,987</b>	<b>(4,177)</b>	<b>1,118,777</b>
<b>Assets and liabilities at</b>					
<b>31 December 2012</b>					
Segment assets . . . . .	626,598	149,815	19,966	(4,771)	791,608
Goodwill . . . . .	405,914	12,810			418,724
Investments accounted for under the equity method and other investments . . . . .	27,282	2,815	826		30,922
Assets classified as held for disposal . . . . .					130
Other assets not allocated and related taxes . . . . .					136,697
<b>Assets . . . . .</b>	<b>1,059,794</b>	<b>165,440</b>	<b>20,792</b>	<b>(4,771)</b>	<b>1,378,081</b>
Segment liabilities . . . . .	558,061	80,065	15,728	(4,721)	648,580
Liabilities directly associated with assets classified as held for sale . . . . .					64
Other liabilities not allocated and related taxes . . . . .					417,451
<b>Liabilities . . . . .</b>	<b>558,061</b>	<b>80,065</b>	<b>15,728</b>	<b>(4,721)</b>	<b>1,066,096</b>

#### 14. Related parties transactions

##### *Terms and conditions of transactions with related parties*

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



Non-interest bearing loans are only disbursed in the case of pro-quota financing granted by syndicated shareholders to consortium companies. These loans were, however, discounted in the financial statements of the Parent Company MFM S.p.A.. The Parent Company not only provides technical-production services relating to the core business, but also administrative and IT services for certain Group companies.

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

No guarantees were given or received in relation to receivables and payables with related parties. In the first quarter of 2013, the Group did not make any accrual to the bad debt provision for amounts due from related parties.

The main contracts in place with other MFM Group companies, 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 30 August 2013, makes provision for an annual consideration of € 1,250 thousand.
- Manutencoop Cooperativa sub-leased to MFM S.p.A. the part of the property located in Zola Predosa, via Poli 4 (BO), for office use. The duration of the lease is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 1,715 thousand, to be paid in 12 monthly instalments.
- The subsidiary 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 lease expires on 30 June 2013, except in the event of termination by one of the parties. Annual rent is expected to be € 345 thousand, to be paid in 12 monthly installments.
- 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.

Details of transactions with related parties is provided in Annex III.

The MFM Group is subject to the management and coordination activities of Manutencoop Società Cooperativa.

The Chairman of the Management Board  
Claudio Levorato

# Annexes

## Annex 1—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
Antincendio Piave S.r.l. . .	Via Zamenhof no. 363	Vicenza	70%	Subsidiary
CO.GE.F. Soc. Cons. a r.l. . .	Via Poli no. 4	Zola Predosa (BO)	80%	Subsidiary
COFAM S.r.l. . . . .	Via A. Pica no. 160	Modena	60.00%	Subsidiary
Consorzio Igiene Ospedaliera Soc. Cons. a r.l. . . . .	Via Poli no. 4	Zola Predosa (BO)	66.66%	Subsidiary
Consorzio Servizi Toscana Soc. Cons. a r.l. . . . .	Via Poli no. 4	Zola Predosa (BO)	60%	Subsidiary
EnergyProject S.p.A. . . . .	Via Poli no. 4	Zola Predosa (BO)	100%	Subsidiary
EP Servizi S.r.l. . . . .	Via A. Pica no. 170	Modena	70%	Subsidiary
Evimed S.r.l. . . . .	Via Zamenhof no. 363	Vicenza	90%	Subsidiary
Firing S.r.l. . . . .	Via Luigi Meraviglia no. 31	Lainate (MI)	65%	Subsidiary
Global Oltremare Soc.Cons. r.l. . . . .	Via Poli no. 4	Zola Predosa (BO)	60%	Subsidiary
Gruppo Sicura S.r.l. . . . .	Via Zamenhof no. 363	Vicenza	80%	Subsidiary
ISOM Lavori Soc. Cons.r.l. .	Via Poli no. 4	Zola Predosa (BO)	62.71%	Subsidiary
ISOM Gestione Soc. Cons.r.l. . . . .	Via Poli no. 4	Zola Predosa (BO)	52.97%	Subsidiary
KANARIND Soc. Cons.r.l. . .	Via Poli no. 4	Zola Predosa (BO)	62.43%	Subsidiary
Lenzi S.p.A. . . . .	Via Kravogl no. 6	Bolzano	60%	Subsidiary
Leonardo S.r.l. . . . .	Via Zamenhof no. 363	Vicenza	100%	Subsidiary
Mako Engineering S.r.l. . .	Via Ferruccio Parri no. 7	Treviglio (BG)	70%	Subsidiary
Manutencoop Costruzioni S.p.a. . . . .	Via Poli no. 4	Zola Predosa (BO)	100%	Subsidiary
Manutenzione Installazione Ascensori S.p.A. . . . .	Via A. Pica no. 170	Modena	100%	Subsidiary
Manutencoop Private Sector Solutions S.p.A. .	Via Poli no. 4	Zola Predosa (BO)	100%	Subsidiary
MIA Servizi Torino S.r.l. . .	Via Pianezza no. 123	Turin (TO)	100%	Subsidiary
Nettuno Ascensori S.r.l. . .	Via Marzabotto 11	Quarto inferiore (BO)	75%	Subsidiary
Palmanova Servizi Energetici Soc. Cons. a r.l. . . . .	Via Poli no. 4	Zola Predosa (BO)	60%	Subsidiary
PIB Service S.r.l. . . . .	Via Poli no. 4	Zola Predosa (BO)	100%	Subsidiary
Protec S.r.l. . . . .	Via Zamenhof no. 363	Vicenza	100%	Subsidiary
S.AN.CO S.c.a.r.l. . . . .	Viale Piero e Alberto Pirelli no. 21	Milan	51.50%	Subsidiary
S.AN.GE S.c.a.r.l. . . . .	Viale Piero e Alberto Pirelli no. 21	Milan	89%	Subsidiary
Securveneta S.r.l. . . . .	Via Zamenhof no. 363	Vicenza	80%	Subsidiary
Sedda S.r.l. . . . .	Via Zamenhof no. 363	Vicenza	80%	Subsidiary

Subsidiaries (consolidated on a line-by-line basis)				
Name	Registered office	City	% held	Type
Servizi Brindisi Soc. Cons. a r.l. . . . .	Via Poli no. 4	Zola Predosa (BO)	52%	Subsidiary
Servizi l'Aquila Soc. Cons. a r.l. . . . .	Via Poli no. 4	Zola Predosa (BO)	60%	Subsidiary
Servizi Ospedalieri S.p.A. .	Via Calvino no. 33	Ferrara	100%	Subsidiary
Servizi Sanitari Sicilia Soc. Cons.a r.l. . . . .	Via Calvino no. 33	Ferrara	70%	Subsidiary
Servizi Taranto Soc.Cons. a.r.l. . . . .	Via Poli no. 4	Zola Predosa (BO)	60.08%	Subsidiary
Sicura S.r.l. . . . .	Via Zamenhof no. 363	Vicenza	100%	Subsidiary
Sicurama S.r.l. . . . .	Via G. di Vittorio no. 9	Casalecchio di Reno (BO)	75%	Subsidiary
Società Manutenzione Illuminazione S.p.A. (SMAIL) . . . . .	Via Poli no. 4	Zola Predosa (BO)	100%	Subsidiary
Telepost S.p.A. . . . .	Via Poli no. 4	Zola Predosa (BO)	100%	Subsidiary
Unilift S.r.l. . . . .	Piazzale Giustiniani no. 11/A	Mestre (VE)	78.54%	Subsidiary

Joint ventures (accounted for using proportionate consolidation)				
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
DUC Gestione Sede Unica Soc. Cons.r.l. . . .	Via Poli no. 4	Zola Predosa (BO)	49%	Joint Venture
Legnago 2001 Soc.cons.r.l. . . . .	Via Poli no. 4	Zola Predosa (BO)	50%	Joint Venture
Malaspina Energy Soc.cons.r.l. . . . .	Via Varesina no. 118	Lurate Caccivio (CO)	50%	Joint Venture
Servizi Luce Soc.Cons.r.l.	Via Poli no. 4	Zola Predosa (BO)	50%	Joint Venture

Companies consolidated under the equity method				
Name	Registered office	City	% held	Type
Alisei S.r.l. in liquidation Bologna Gestione Patrimonio Soc. Cons. r.l. . . . .	Via Cesari no. 68/1	Modena	100%	In liquidation
Bologna Multiservizi Soc.Cons. r.l. . . . .	Via della Cooperazione no. 9	Bologna	27.58%	Associate
Bologna Più' Soc.Cons. r.l. in liquidation . . . . .	Via Del Lavoro no. 23/4	Casalecchio di Reno (BO)	39%	Associate
Consorzio Imolese Pulizie Soc. Cons. a r.l. in liquidation . . . . .	Via M.E. Lepido no. 182/2	Bologna	25.68%	In liquidation
CO.M.I. S.r.l. in liquidation . . . . .	Via Poiano no. 22	Imola (BO)	60%	In liquidation
	Piazza De Calderini 2/2	Bologna	40%	In liquidation

Companies consolidated under the equity method				
Name	Registered office	City	% held	Type
CO.S.I.S. a r.l. in liquidation . . . . .	Via Adolfo Gandiglio no. 27	Rome	26.33%	In liquidation
Como Energia Soc.Cons. r.l. . . . .	Via Pietro Strazzi no. 2	Como	30%	Associate
Consorzio Energia Servizi Bologna in liquidation . . . . .	Viale Masini no. 46	Bologna	24.25%	In liquidation
Consorzio Leader Soc.Cons. r.l. in liquidation . . . . .	Via Poli no. 4	Zola Predosa (BO)	50%	In liquidation
Consorzio Polo Sterilizzazione Integrata a r.l. . . . .	Via Facciolati no. 84	Padua	60%	Associate
Consorzio Sermagest Soc.Cons. r.l. in liquidation . . . . .	Via Filippo Corridoni 23	Rome	60%	In liquidation
F.Ili Bernard S.r.l. . . . .	Stradella Aquedotto no. 21	Bari	20%	Associate
Geslotto6 Soc.Cons. r.l. in liquidation . . . . .	Via Poli no. 4	Zola Predosa (BO)	55%	In liquidation
Gico System S.r.l. . . . .	Via Calari no. 16/B	Zola Predosa (Bo)	20%	Associate
Global Provincia Di Rimini Soc.Cons. r.l. in liquidation . . . . .	Via Poli no. 4	Zola Predosa (BO)	42.40%	In liquidation
Global Riviera Soc.Cons. r.l. . . . .	Via Poli no. 4	Zola Predosa (BO)	30.66%	Associate
Global Vicenza Soc.Cons.a r.l. . . . .	Via Grandi no. 39	Concordia Sulla Secchia (MO)	41.25%	Associate
Gymnasium Soc.Cons. r.l. in liquidation . . . . .	Via Poli no. 4	Zola Predosa (BO)	68%	In liquidation
GRID Modena S.r.l. . . . .	Via Divisione Acqui, no. 129	Modena (MO)	23%	Associate
Headmost Division Service FM S.p.A. . . . .	Via Del Mare no. 89	Pomezia (RM)	25%	Associate
Iniziative Produttive Piemontesi S.r.l. . . . .	Corso Einaudi no. 18	Turin	24.75%	Associate
Livia Soc.Cons. a r.l. . . . .	Via Roma no. 57/B	Zola Predosa (BO)	34.10%	Associate
Logistica Ospedaliera Soc. Cons. a r.l. . . . .	Via Carlo Alberto Dalla Chiesa 23/i	Caltanissetta (CL)	45%	Associate
MCB Emirates LLC . . . . .			49%	Associate
Newco Duc Bologna S.p.A. . . . .	Via M.E. Lepido no. 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 no. 10	Milan	25%	Associate
Perimetro Gestione Proprietà Immobiliari S.C.p.A. . . . .	Via del Giglio no. 14	Siena	20.10%	Associate
Progetto ISOM S.p.A. . . . .	Via Poli no. 4	Zola Predosa (BO)	36.98%	Associate

Companies consolidated under the equity method				
Name	Registered office	City	% held	Type
Progetto Nuovo Sant'Anna S.r.l. . . . .	Viale Piero e Alberto Pirelli no. 21	Milan	24%	Associate
Roma Multiservizi S.p.A. . San Martino 2000	Via Tiburtina no. 1072	Rome	45.47%	Associate
Soc.Cons. a r.l. . . . .	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Savia Soc.Cons. a r.l. . . .	Via B. Vanzetti no. 1	Forlì	49.11%	Associate
Società Consortile Adanti Manutencoop a r.l. in liquidation . . .	Via Poli no. 4	Zola Predosa (BO)	50%	In liquidation
Serena S.r.l. . . . .	Via Poli no. 4	Zola Predosa (BO)	50%	In liquidation
Se.Ste.Ro S.r.l. . . . .	Via San Pietro no. 59/B	fraz. Castellina—Soragna (PR)	25%	Associate
Servizi Marche Soc. Cons. a r.l. in liquidation . . . . .	Via Poli no. 4	Zola Predosa (BO)	60%	In liquidation
Servizi Napoli 5 Soc.Cons. a r.l. . . . .	Via Poli no. 4	Zola Predosa (BO)	45%	Associate
Servizi Sanitari Treviso Soc. Cons.a r.l. . . . .	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Servizi Sportivi Brindisi Soc.cons.r.l. . . . .	Via Licio Giorgieri no. 93	Rome	50%	Joint Venture
Sesamo S.p.A. . . . .	Via C. Pisacane no. 2	Carpi (MO)	20.91%	Associate
Simagest 2 Soc. Cons. a r.l. in liquidation . . . .	Via Poli no. 4	Zola Predosa (BO)	90%	In liquidation
Simagest 3 Soc. Cons. a r.l. in liquidation . . . .	Via Poli no. 4	Zola Predosa (BO)	89.99%	In liquidation
Synchron Nuovo San Gerardo S.p.A. . . . .	Via Poli no. 4	Zola Predosa (BO)	35.82%	Associate
Steril Piemonte Soc.Cons. r.l. . . . .	Corso Einaudi no. 18	Turin	25%	Associate
Tower Soc.Cons. a r.l. . .	Via Zanardi no. 372	Bologna	20.17%	Associate

## Annex II—Valuation of equity investments under the Equity Method

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(thousands of Euro)	% 31/12/2012	Net book value		Additions/ disposals	Dividends	Write- downs/write- backs	Investment provision	Effects on the shareholders' equity from associates under the equity method	Net book value		Investments' reserve
		31/12/2012	31/3/2013						31/3/2013	31/3/2013	
Alisei s.r.l. in liquidazione . . . . .	100%	(47)						(3)	(51)	0	(51)
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	
Co.S.I.S. Soc.Cons. a r.l. . . . .	26.33%	9				0			9	9	
Como Energia Soc.Cons. a R.L. . . . .	29%	11				0			11	11	
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidazione . . . . .	60%	0		6					6	6	
Consorzio Leader Soc.Cons. a r.l. in liquidazione . . . . .	50%	5							5	5	
Consorzio Polo sterilizzazione Integrata . . . . .	60%	23							23	23	
Consorzio Sermagest in liquidazione . . . . .	60%	0				0	0		0	0	
Costruzione Manutenzione Immobili . . . . .	40%	84							84	84	
F.lli Bernard S.r.l. . . . .	20%	692				22			717	717	
Geslotto 6 soc. cons. a r.l. . . . .	55%	50							50	50	
GICO Systems S.r.l. . . . .	20%	39				0			39	39	
Global Provincia di Rimini Soc.Cons. a r.l. . . . .	42.40%	4							4	4	
Global Riviera Soc.Cons. a R.L. . . . .	23.11%	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%	(106)				0	1		(105)	0	(105)
Headmost Division Service FM S.p.A. . . . .	25%	0							0	0	
IPP s.r.l. . . . .	25%	484				(30)			453	453	
LIVIA SOC CONS R.L. . . . .	34.10%	3							3	3	
Logistica Ospedaliera Soc. Cons. a r.l . . . . .	45.00%	5							5	5	
MCB Emirates LLC . . . . .	49%	0							0	0	
Newco DUC Bologna S.p.A. . . . .	24.90%	(155)				29		(109)	(235)	(235)	
P.B.S. Soc.Cons. a r.l. in liquidazione . . . . .	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	1,111	
Progetto ISOM S.p.A. . . . .	36.98%	2,457				2			2,459	2,459	
Progetto Nuovo Sant'Anna S.r.l. . . . .	24%	1,141				25		43	1,209	1,209	
ROMA Multiservizi S.p.A. . . . .	45.47%	8,856				506			9,362	9,362	
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 liquidazione . . . . .	50%	0		10					10	10	
SE.SA.MO. S.p.A. . . . .	20.91%	814				140			953	953	
Se.Ste.Ro S.r.l. . . . .	25%	117				2			119	119	
Serena S.r.l. . . . .	50%	9							9	9	
Servizi Marche soc. Cons. a r.l. in liquidazione . . . . .	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 2 Soc.Cons.a r.l. . . . .	89.99%	45							45	45	
Synchron Nuovo San Gerardo S.p.A. . . . .	35.82%	2,919				(3)			2,916	2,916	
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	
<b>Net book value . . . . .</b>		<b>27,728</b>		<b>16</b>	<b>0</b>	<b>694</b>	<b>(2)</b>	<b>(66)</b>	<b>28,369</b>	<b>28,525</b>	<b>(156)</b>



## Annex III—Related party transactions (in thousands of Euro)

Parent company	Year	Revenues	Costs	Financial income	Financial expenses	Year	Trade receivables and others	Financial assets	Trade payables and others	Financial liabilities
Manutencoop Cooperativa . . .	31-mar-12	26	9,528	0	24	31-dec-12	101	16,902	5,443	151
	31-mar-13	115	10,980	0	47	31-mar-13	145	17,010	6,769	3,260

Associates	Year	Revenues	Costs	Financial income	Financial charges	Year	Trade receivables and others	Financial assets	Trade payables and others	Financial liabilities
Roma Multiservizi S.p.A. . . . .	31-mar-12	371	1,693	0	0	31-dec-12	443	6	6,625	0
	31-mar-13	373	1,342	0	0	31-mar-13	451	5	4,537	0
Gico Systems S.r.l. . . . .	31-mar-12	1	63	0	0	31-dec-12	3	32	171	0
	31-mar-13	1	70	0	0	31-mar-13	2	0	125	0
Se.Sa.Mo. S.p.A. . . . .	31-mar-12	1,316	0	10	0	31-dec-12	4,056	622	6	0
	31-mar-13	1,286	0	8	0	31-mar-13	4,044	614	6	0
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation . . . . .	31-mar-12	0	0	0	0	31-dec-12	208	106	4	0
	31-mar-13	0	0	0	0	31-mar-13	208	106	4	0
Global Pr. RN Soc. Cons. a r.l.a .	31-mar-12	113	555	0	0	31-dec-12	251	170	18	0
	31-mar-13	0	0	0	0	31-mar-13	251	170	18	0
Bologna Più Soc.Cons.a r.l. . . .	31-mar-12	0	5	0	0	31-dec-12	0	39	11	0
	31-mar-13	0	0	0	0	31-mar-13	0	39	11	0
Global Riviera Soc.Cons.a r.l. . .	31-mar-12	285	1,542	0	0	31-dec-12	573	0	0	0
	31-mar-13	7	3	0	0	31-mar-13	437	0	(244)	0
Como Energia Soc.Cons.a r.l. . . .	31-mar-12	0	74	0	0	31-dec-12	0	0	426	0
	31-mar-13	0	353	0	0	31-mar-13	0	0	861	0
NEW DUC Soc.Cons.a r.l. . . . .	31-mar-12	52	7	0	0	31-dec-12	2,448	0	17	69
	31-mar-13	40	0	0	0	31-mar-13	2,913	0	18	0
P.B.S. Soc. Cons. a r.l. in liquidation . . . . .	31-mar-12	0	0	0	0	31-dec-12	6	0	0	0
	31-mar-13	0	0	0	0	31-mar-13	0	0	(6)	0
Tower Soc.Cons. a r.l.a . . . . .	31-mar-12	0	0	0	0	31-dec-12	54	35	0	5
	31-mar-13	0	0	0	0	31-mar-13	33	35	(21)	0
Bologna Multiservizi Soc.Cons. a r.l.a . . . . .	31-mar-12	656	1,164	0	0	31-dec-12	1,967	0	4,821	0
	31-mar-13	665	1,385	0	0	31-mar-13	2,766	0	5,956	0
Global Vicenza Soc.Cons. a r.l.a .	31-mar-12	81	671	0	0	31-dec-12	426	0	484	0
	31-mar-13	65	616	0	0	31-mar-13	400	0	1,094	0
Bologna Gestione Patrimonio Soc.Cons. a r.l.a . . . . .	31-mar-12	19	25	0	0	31-dec-12	324	0	75	0
	31-mar-13	19	25	0	0	31-mar-13	306	0	103	0
Progetto Nuovo Sant'Anna . . . .	31-mar-12	40	25	44	0	31-dec-12	5,295	5,282	157	13,149
	31-mar-13	42	30	29	0	31-mar-13	8,765	5,311	222	3,469
S.I.MA.GEST3 Soc. Cons. r.l. in liquidation . . . . .	31-mar-12	0	0	0	0	31-dec-12	2	0	3	0
	31-mar-13	0	0	0	0	31-mar-13	2	0	3	0
Steril Piemonte Soc. cons. a.r.l .	31-mar-12	0	244	5	0	31-dec-12	7	1,163	306	0
	31-mar-13	0	209	2	0	31-mar-13	7	1,152	240	0
HEADMOST . . . . .	31-mar-12	0	0	0	0	31-dec-12	454	0	0	0
	31-mar-13	0	0	0	0	31-mar-13	454	0	0	0
IPP . . . . .	31-mar-12	59	101	0	0	31-dec-12	295	100	296	0
	31-mar-13	84	104	1	0	31-mar-13	171	100	159	0
Alisei S.r.l. in liquidation . . . . .	31-mar-12	0	0	0	0	31-dec-12	3	0	0	0
	31-mar-13	0	0	0	0	31-mar-13	3	0	0	0
San Martino 2000 Soc.Cons. r.l. .	31-mar-12	458	848	0	0	31-dec-12	1,079	0	755	0
	31-mar-13	415	822	0	0	31-mar-13	748	0	472	0
Livia Soc. cons. a r.l.a . . . . .	31-mar-12	39	196	0	0	31-dec-12	658	0	1,236	0
	31-mar-13	42	214	0	0	31-mar-13	708	0	1,413	0
Gymnasium Soc. cons. a r.l. . . .	31-mar-12	0	0	0	0	31-dec-12	1	7	33	5
	31-mar-13	0	0	0	0	31-mar-13	1	7	33	5
Geslotto 6 soc. cons. a r.l.a . . . .	31-mar-12	0	1	0	0	31-dec-12	6	20	39	0
	31-mar-13	0	1	0	0	31-mar-13	6	20	40	0
Fr.Ili Bernard s.r.l. . . . .	31-mar-12	9	84	0	0	31-dec-12	69	0	161	0
	31-mar-13	9	86	0	0	31-mar-13	78	0	127	0

Associates	Year	Revenues	Costs	Financial income	Financial charges	Year	Trade receivables and others	Financial assets	Trade payables and others	Financial liabilities
SESATRE . . . . .	31-mar-12	3	1,075	22	22	31-dec-12	0	3,331	3,349	0
	31-mar-13	3	1,096	10	0	31-mar-13	(15)	3,274	3,781	0
Savia Soc. Cons. a r.l. . . . .	31-mar-12	207	302	0	0	31-dec-12	336	0	951	0
	31-mar-13	122	341	0	0	31-mar-13	336	0	1,144	0
Consorzio Sermagest Soc.Cons.a r.l in liquidation . .	31-mar-12	0	0	0	0	31-dec-12	6	0	0	0
	31-mar-13	0	0	0	0	31-mar-13	6	0	0	0
Se.Ste.Ro S.r.l. . . . .	31-mar-12	0	136	0	0	31-dec-12	11	50	432	0
	31-mar-13	0	128	0	0	31-mar-13	11	50	515	0
Napoli 5 Soc.Cons. a r.l.a . . . .	31-mar-12	361	326	0	0	31-dec-12	2,774	0	1,304	0
	31-mar-13	371	335	0	0	31-mar-13	2,351	0	1,819	0
Serena S.r.l. in liquidation . . . .	31-mar-12	0	0	0	0	31-dec-12	52	3	1	0
	31-mar-13	0	0	0	0	31-mar-13	49	3	1	0
Servizi Marche Soc. Cons. r.l. in liquidation . . . . .	31-mar-12	0	0	0	0	31-dec-12	12	0	5	0
	31-mar-13	0	0	0	0	31-mar-13	12	0	3	0
Consorzio Leader Soc. Cons. a r.l. in liquidation . . .	31-mar-12	0	0	0	0	31-dec-12	13	0	6	0
	31-mar-13	0	0	0	0	31-mar-13	13	0	6	0
Progetto ISOM S.p.A. . . . .	31-mar-12	66	3	0	0	31-dec-12	6,873	0	101	0
	31-mar-13	66	4	0	0	31-mar-13	6,716	0	106	0
Grid Modena S.r.l. . . . .	31-mar-12	0	0	0	0	31-dec-12	199	0	0	0
	31-mar-13	22	0	0	0	31-mar-13	225	0	0	0
Logistica Ospedaliera Soc. Cons. a r.l.a . . . . .	31-mar-12	0	0	0	0	31-dec-12	0	0	75	0
	31-mar-13	0	98	0	0	31-mar-13	0	0	78	0
Consorzio Imolese Pulizie Soc. Cons. a r.l. in liquidation . . .	31-mar-12	0	0	0	0	31-dec-12	0	0	0	0
	31-mar-13	0	0	0	0	31-mar-13	138	36	48	0
Palazzo della Fonte S.c.p.a. . . .	31-mar-12	0	0	0	0	31-dec-12	0	0	0	0
	31-mar-13	127	0	0	0	31-mar-13	77	0	0	27
Società Consortile Adanti Manutencoop a r.l. in liquidation . . . . .	31-mar-12	0	0	0	0	31-dec-12	0	0	0	0
	31-mar-13	0	0	0	0	31-mar-13	36	0	12	0
Servizi Sportivi Brindisi Soc. Cons. a r.l. s . . . . .	31-mar-12	0	66	0	0	31-dec-12	0	0	0	0
	31-mar-13	0	0	0	0	31-mar-13	0	0	0	0
Synchron Nuovo San Gerardo S.p.A. . . . .	31-mar-12	0	0	0	0	31-dec-12	1	0	0	0
	31-mar-13	0	0	0	0	31-mar-13	1	0	0	0
Perimetro Gestione Proprietà Immobiliari Soc. Cons. p.A. . .	31-mar-12	98	0	0	0	31-dec-12	95	0	0	0
	31-mar-13	128	0	0	0	31-mar-13	164	0	0	0

Subsidiaries of parent	Year	Revenues	Costs	Financial income	Financial charges	Year	Trade receivables and others	Financial assets	Trade payables and others	Financial liabilities
Manutencoop Immobiliare S.p.A. . . . .	31-mar-12	108	529	0	0	31-dec-12	61	0	2	0
	31-mar-13	3	534	0	0	31-mar-13	68	0	5	0
Nugareto Società Agricola Vinicola S.r.l. . . . .	31-mar-12	0	0	0	0	31-dec-12	195	0	0	0
	31-mar-13	0	0	0	0	31-mar-13	228	0	0	0
Manutencoop Servizi Ambientali S.p.A. . . . .	31-mar-12	5	0	0	0	31-dec-12	36	0	0	0
	31-mar-13	5	0	0	0	31-mar-13	42	0	0	5
Sies S.r.l. . . . .	31-mar-12	11	0	0	0	31-dec-12	93	0	0	0
	31-mar-13	2	0	0	0	31-mar-13	95	0	0	0
Cerpac S.r.l. in liquidation . . . .	31-mar-12	0	0	0	0	31-dec-12	1	0	0	0
	31-mar-13	0	0	0	0	31-mar-13	1	0	0	0

Associates of parent and other related parties	Year	Revenues	Costs	Financial income	Financial expenses	Year	Trade receivables and others	Financial assets	Trade payables and others	Financial liabilities
Consorzio Cooperativo Karabak Soc.a r.l. . . . .	31-mar-12	20	0	0	0	31-dec-12	15	0	2	0
	31-mar-13	21	0	0	0	31-mar-13	18	0	2	0
Consorzio Karabak Tre Società Cooperativa . . . . .	31-mar-12	0	0	0	0	31-dec-12	1	0	0	0
	31-mar-13	0	0	0	0	31-mar-13	0	0	0	0
Consorzio Karabak Quattro Società Cooperativa . . . . .	31-mar-12	0	0	0	0	31-dec-12	0	0	0	0
	31-mar-13	0	0	0	0	31-mar-13	0	0	0	0
Consorzio Karabak Due Società Cooperativa . . . . .	31-mar-12	1	0	0	0	31-dec-12	1	0	0	0
	31-mar-13	1	0	0	0	31-mar-13	1	0	0	0
Sacoa S.r.l. . . . .	31-mar-12	11	0	0	0	31-dec-12	142	0	18	0
	31-mar-13	15	16	0	0	31-mar-13	182	0	36	0

Related parties		Revenues	Costs	Financial income	Financial charges		Trade receivables	Financial receivables and others	Trade payables	Financial liabilities and other
Total related parties . . . . .	31-mar-12	4,416	19,263	81	46	31-dec-12	29,646	27,868	27,333	13,379
	31-mar-13	4,049	18,792	50	47	31-mar-13	33,654	27,932	29,496	6,766



**Consolidated financial statements as  
of and for the year ended  
31 December 2012**

**Manutencoop Facility Management S.p.A.**  
**registered office in Zola Predosa (BO)—Via U. Poli n. 4**  
Tax Code—VAT no.—Bologna business registration no. 02402671206  
share capital € 109,149,600.00 fully paid up  
"Subject to the management and coordination of  
Manutencoop Società Cooperativa—Zola Predosa (BO)"

**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 2012 and for the year then ended, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of cash flows and the statement of changes in shareholders' equity and the related explanatory notes. The preparation of these financial statements in compliance 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 the Management Board. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 11 April 2012.

3. In our opinion, the consolidated financial statements of the Manutencoop Facility Management Group at 31 December 2012 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. are responsible for the preparation of the Report on Operations<sup>(1)</sup> in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by law. For this purpose, we have performed the

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(1) The Report on Operations is not included in this Offering Memorandum.

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 at 31 December 2012.

Bologna, 11 April 2013

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.*

Reconta Ernst & Young S.p.A.  
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## Consolidated statement of financial position

### As of 31 December 2012

(in thousands of Euro)	Notes	31 December 2012	31 December 2011
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment . . . . .	4	80,276	68,456
Property, plant and equipment under lease . . . . .	4	5,996	6,912
Goodwill . . . . .	5, 6	418,724	411,995
Other intangible assets . . . . .	5	26,919	26,622
Investments accounted for under the equity method . . . . .	7	27,881	15,931
Other investments . . . . .	8,9	3,041	2,239
Non-current financial assets . . . . .	8	11,455	14,796
Other non-current assets . . . . .	10	1,746	1,772
Deferred tax assets . . . . .	32	23,550	22,965
<b>Total non-current assets . . . . .</b>		<b>599,588</b>	<b>571,688</b>
<b>Current assets</b>			
Inventories . . . . .	11	11,240	12,448
Trade receivables and advances to suppliers . . . . .	12	655,497	682,271
Current taxes receivables . . . . .		24,747	9,182
Other current assets . . . . .	12	23,690	18,366
Current financial assets . . . . .	13	11,202	7,751
Derivatives . . . . .		0	35
Cash and cash equivalents . . . . .	13	51,987	42,656
<b>Total current assets . . . . .</b>		<b>778,363</b>	<b>772,709</b>
Assets classified as held for sale . . . . .	14	130	0
<b>Total assets classified as held for sale . . . . .</b>		<b>130</b>	<b>0</b>
<b>Total Assets . . . . .</b>		<b>1,378,081</b>	<b>1,344,397</b>

(in thousands of Euro)	Notes	31 December 2012	31 December 2011
<b>Shareholders' equity</b>			
Share capital . . . . .		109,150	109,150
Reserves . . . . .		144,221	139,053
Retained earnings . . . . .		23,540	20,185
Profit for the period attributable to equity holders of the parent . . . . .		32,574	11,124
<i>Equity attributable to equity holders of the parent . . . . .</i>		<i>309,485</i>	<i>279,512</i>
Capital and reserves attributable to non-controlling interests . . . . .		1,772	12,137
Profit for the period attributable to non-controlling interests . . . . .		728	1,105
<i>Equity attributable to non-controlling interests . . . . .</i>		<i>2,500</i>	<i>13,242</i>
<b>Total shareholders' equity . . . . .</b>		<b>311,985</b>	<b>292,754</b>
<b>Non-current liabilities</b>			
Employee termination indemnity . . . . .	16	31,321	31,356
Provisions for risks and charges, non-current . . . . .	17	11,797	10,786
Derivatives . . . . .	18	1,222	1,429
Long-term debt . . . . .	19	119,213	146,569
Deferred tax liabilities . . . . .		12,006	13,237
Other non-current liabilities . . . . .		7	14
<b>Total non-current liabilities . . . . .</b>		<b>175,566</b>	<b>203,391</b>
<b>Current liabilities</b>			
Provisions for risks and charges, current . . . . .	17	29,297	33,048
Trade payables and advances from customers . . . . .	20	441,551	462,823
Current tax payables . . . . .		2,922	6,398
Other current liabilities . . . . .	20	148,362	147,522
Bank borrowings, including current portion of long-term debt, and other financial liabilities . . . . .	19	268,334	198,461
<b>Total current liabilities . . . . .</b>		<b>890,466</b>	<b>848,252</b>
Liabilities directly associated with assets classified as held for sale . . . . .	14	64	0
<b>Total liabilities directly associated with assets classified as held for sale . . . . .</b>		<b>64</b>	<b>0</b>
<b>Total Shareholders' equity and Liabilities . . . . .</b>		<b>1,378,081</b>	<b>1,344,397</b>

## Consolidated statement of income for the year ended as of 31 December 2012

(in thousands of Euro)	Notes	31 December 2012	31 December 2011
<b>Revenue</b>			
Revenue from sales and services . . . . .	22	1,070,328	1,065,896
Other revenue . . . . .	23	2,301	2,857
<b>Total revenue . . . . .</b>		<b>1,072,629</b>	<b>1,068,753</b>
<b>Operating costs</b>			
Costs of raw materials and consumables . . . . .	24	(163,168)	(146,558)
Changes in inventories of finished goods and semi-finished products . . . . .		0	(215)
Costs for services and use of third party assets . . . . .	25	(419,981)	(435,068)
Personnel costs . . . . .	26	(365,285)	(352,912)
Other operating costs . . . . .	27	(10,313)	(10,260)
Capitalized internal construction costs . . . . .		531	0
Amortization, depreciation, write-downs and write-backs of assets . . . . .	28	(44,388)	(37,732)
Accrual of provisions for risks and charges . . . . .	17	(10,390)	(18,378)
<b>Total Operating Costs . . . . .</b>		<b>(1,012,994)</b>	<b>(1,001,123)</b>
<b>Operating Income . . . . .</b>		<b>59,635</b>	<b>67,630</b>
<b>Financial income and expenses</b>			
Share of net profit of associates . . . . .		3,251	1,426
Dividends and income from sale of investments . . . . .	29	669	1,348
Financial income . . . . .	30	3,280	2,083
Financial expenses . . . . .	31	(23,700)	(26,620)
Gains/(losses) on exchange rate . . . . .		(4)	(3)
<b>Profit before taxes from continuing operations . . . . .</b>		<b>43,131</b>	<b>45,864</b>
Income taxes . . . . .	32	(9,823)	(33,408)
<b>Profit from continuing operations . . . . .</b>		<b>33,308</b>	<b>12,456</b>
Loss after tax for the year from discontinued operation . . . . .	14	(6)	(227)
<b>Net profit for the year: . . . . .</b>		<b>33,302</b>	<b>12,229</b>
attributable to non-controlling interests . . . . .		(728)	(1,105)
Attributable to equity holders of the parent . . . . .		32,574	11,124
<hr/>			
(in thousands of Euro)		31 December 2012	31 December 2011
Basic earnings per share . . . . .		0.298	0.102
Diluted earnings per share . . . . .		0.298	0.102
Basic earnings per share from continuing operations . . . . .		0.298	0.104
Diluted earnings per share from continuing operations . . . . .		0.298	0.104

## Consolidated statement of comprehensive income for the year ended 31 December 2012

(in thousands of Euro)	31 December 2012	31 December 2011
<b>Profit for the year</b> . . . . .	<b>33,302</b>	<b>12,229</b>
Exchange differences on translating foreign operations . . . . .	0	0
Effects on the shareholders' equity from associates accounted for under the equity method . . . . .	(821)	(994)
Actuarial gains/(losses) on defined benefit plans . . . . .	(3,294)	(436)
Income Tax effect . . . . .	906	120
<b>Net actuarial gains/(losses) on defined benefit plans</b> . . . . . 16	<b>(2,388)</b>	<b>(316)</b>
Net movement on cash flow hedges . . . . .	207	131
Income tax effect . . . . .	(57)	(36)
<b>Net movement on cash flow hedges after taxes</b> . . . . .	<b>150</b>	<b>95</b>
<b>Other comprehensive income (loss) for the year, net of tax</b> . .	<b>(3,059)</b>	<b>(1,215)</b>
<b>Total comprehensive income for the year</b> . . . . .	<b>30,243</b>	<b>11,014</b>
<i>Attributable to:</i>		
Equity holders of the parent . . . . .	29,515	9,909
Non-controlling interests . . . . .	728	1,105

## Consolidated statement of cash flows for the year ended 31 December 2012

(thousands of Euro)	Notes	31 December 2012	31 December 2011
Profit before taxes from continuing operations . . . . .		43,131	45,864
Amortization, depreciation, write-downs and write-backs of assets . . . . .		45,649	37,732
Accrual to provisions for risks and charges . . . . .		10,390	18,378
Employee termination indemnity provision . . . . .		1,996	2,291
Share of net profit of associates . . . . .		(1,268)	107
Income taxes paid . . . . .		(29,935)	(37,369)
Decrease (increase) of inventories . . . . .		1,349	(1,987)
Decrease (increase) of trade receivables and advances to suppliers . . . . .		16,048	56,721
Decrease (increase) of other current assets . . . . .		(5,225)	4,242
Increase (decrease) of trade payables and advances from customers . . . . .		(22,302)	(23,942)
Increase (decrease) of other current liabilities . . . . .		580	6,965
Payments of employee termination indemnity . . . . .		(5,564)	(5,026)
Utilization of provisions . . . . .		(13,151)	(11,378)
<b>Net cash flow from operating activities . . . . .</b>		<b>41,698</b>	<b>92,598</b>
Purchase of intangible assets, net of sales . . . . .		(8,197)	(17,959)
Purchase of property, plant and equipment . . . . .		(35,728)	(29,895)
Proceeds from sale of property, plant and equipment . . .		1,020	688
Acquisition of investments . . . . .		(22,974)	(1,637)
Decrease (increase) of other non-current assets . . . . .		(110)	11,636
Net cash used in business combination . . . . .	3	(6,796)	(20,908)
Gain/(loss) from sale of assets classified as held for sale . .		(72)	2,596
<b>Net cash flow used in investing activities . . . . .</b>		<b>(72,857)</b>	<b>(55,479)</b>
Net proceeds from/(reimburse of) borrowings . . . . .		40,845	(45,959)
Dividends paid . . . . .		(812)	(87)
Other . . . . .		458	0
<b>Net cash flow from/(used in) financing activities . . . . .</b>		<b>40,491</b>	<b>(46,046)</b>
<b>Changes in cash and cash equivalents . . . . .</b>		<b>9,331</b>	<b>(8,927)</b>
Cash and cash equivalents at the beginning of the period		42,656	51,583
Changes in cash and cash equivalents . . . . .		9,331	(8,927)
<b>Cash and cash equivalents at the end of the period . . . . .</b>		<b>51,987</b>	<b>42,656</b>
<b>Details of cash and cash equivalents</b>			
Cash and cash equivalents . . . . .		51,987	42,656
<b>Total cash and cash equivalents . . . . .</b>		<b>51,987</b>	<b>42,656</b>
<b>Supplementary information (in thousands of Euro)</b>		<b>31 December 2012</b>	<b>31 December 2011</b>
Interest paid . . . . .		(22,769)	(25,334)
Interest received . . . . .		1,883	1,330
Dividends received . . . . .		1,983	1,647



## Consolidated statement of changes in shareholders' equity for the year ended 31 December 2012

(in thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the year	Total Group's shareholders' equity	Non- controlling interests	Total shareholders' equity
<b>01 January 2011 . . . . .</b>	<b>109,150</b>	<b>134,266</b>	<b>18,443</b>	<b>7,743</b>	<b>269,602</b>	<b>528</b>	<b>270,130</b>
Dividends distribution					0	(87)	(87)
Allocation of prior year result . . . . .		6,001	1,742	(7,743)	0		0
Other . . . . .					0	11,696	11,696
Total Comprehensive income for the year		(1,215)		11,124	9,909	1,105	11,014
<b>31 December 2011 . . .</b>	<b>109,150</b>	<b>139,053</b>	<b>20,185</b>	<b>11,124</b>	<b>279,512</b>	<b>13,242</b>	<b>292,754</b>

(in thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the year	Total Group's shareholders' equity	Non- controlling interests	Total shareholders' equity
<b>01 January 2012 . . . . .</b>	<b>109,150</b>	<b>139,053</b>	<b>20,185</b>	<b>11,124</b>	<b>279,512</b>	<b>13,242</b>	<b>292,754</b>
Dividends distribution					0	(812)	(812)
Allocation of prior year result . . . . .		8,227	2,897	(11,124)	0	0	0
Other . . . . .			458		458	(10,658)	(10,200)
Total Comprehensive income for the year		(3,059)		32,574	29,515	728	30,243
<b>31 December 2012 . . .</b>	<b>109,150</b>	<b>144,221</b>	<b>23,540</b>	<b>32,574</b>	<b>309,485</b>	<b>2,500</b>	<b>311,985</b>

# Explanatory notes

## 1. General information

Publication of the consolidated financial statements of the Manutencoop Facility Management S.p.A. Group (the Group or the MFM Group) for the year ended 31 December 2012 was authorised by means of the resolution of 25 March 2013 of the Management Board.

The Group is by 71.89% owned by Manutencoop Società Cooperativa, with registered office in Zola Predosa (BO), which exercises management and coordination activities over the Group. The remaining 28.11% of share capital is owned by other financial shareholders.

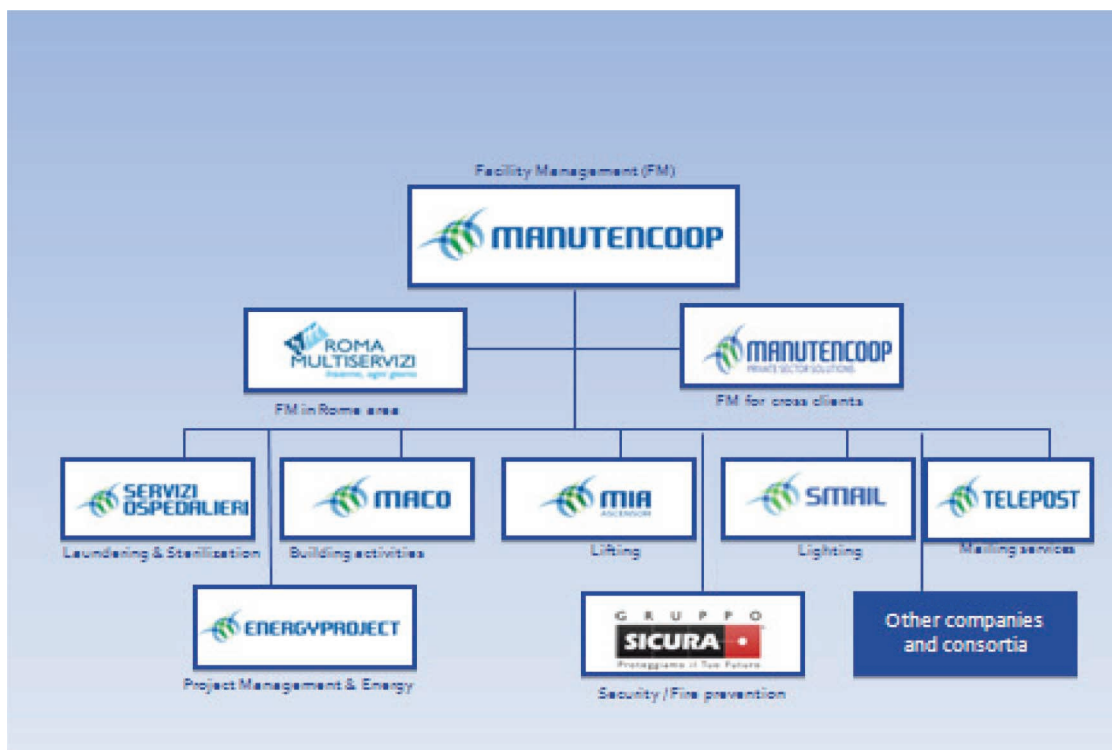
### 1.1 Activity

The Group operates in the management and delivery of integrated services, to public and private customers, targeted at the properties and the district and supporting the 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 administrations and health care facilities.

The MFM Group operates with a single operating holding company centralizing the productive resources of traditional facility management and those relating to business support services for the entire Group. At the same time, it implements a diversification strategy which, through a series of acquisitions, combines its core-business (hygiene, green areas, technical maintenance services) with other "specialist" facility management services, regarding fire prevention products and systems and for safety, elevating system maintenance services (lift and goods lifts), building activities and lighting system management, and linen rental and industrial laundering activities and sterilisation of surgical equipment at health care facilities.

The Group now operates throughout the whole country through specific companies for each sector:



Facility Management consists of offering a wide range of logistical and organisational support services targeted to users of properties with the aim of optimising the management of property-related activities.

The “traditional” Facility Management services provided by the MFM Group include the following activities:

- Cleaning.
- Technical services.
- Landscaping.

The Cleaning segment 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.

Technical Services encompassing the management, running and maintenance of property-related systems (including heating and air conditioning systems, electrical systems, lifts, fire prevention and safety systems), including:

- Design and implementation of requalification activities and adjustment to comply with updates of safety legislation.
- Design and installation of devices for energy saving and for the reduction of emissions of pollutants into the atmosphere.

Lastly, the third type of activity relating to the Facility Management service provided by the Group regards Landscaping services, which includes both the planning and implementation of maintenance of properties’ green areas, and services for the area.

Starting from 2008, as a result of its diversification and integration strategy, the Group extended its range of services offered through a series of acquisitions, combining “traditional” facility management services with certain specialist facility management services, such as:

- Installation and maintenance of lift systems.
- Services related to building security.
- Public lighting.
- Mailing services.
- Document management.

Laundering/Sterilisation is an industrial activity provided in support of health care activities. The activity, provided by the MFM Group, in particular through Servizi Ospedalieri S.p.A. and its related entities, mainly involves (i) the rental and industrial laundering of bed linens, packaged linen and Mattress Provider (linen rental and industrial laundering), (ii) Sterilisation of linen and (iii) Sterilisation of surgical equipment.

Laundering/Sterilisation services provided by the Group include the following activities:

- Collection and distribution of linen in the individual departments.
- Management of linen rooms in health care facilities.
- Supply of disposable items.
- Rental of linen with special materials for operating rooms.
- Acceptance, treatment, sterilisation and redelivery of surgical instruments.

- Rental of surgical instruments.
- Creation and management of sterilisation systems.

Project Management consists of a collection of activities involving the technical design, planning, procurement management and supervision of construction, renovation and property conversion. Energy Management consists of the range of activities involving the technical design, construction and management of photovoltaic and cogeneration systems, from feasibility study to completion, and management and maintenance of systems to provide customers with energy efficiency solutions.

Building activities consist of construction projects, not particularly significant with respect of total Group production, also carried out on behalf of other Manutencoop Group companies, as well as, sometimes, to support facility management activities where, as part of extraordinary maintenance works, small building works are required.

In any case, it should be pointed out that Energy Management, Project Management and Building are no longer considered as strategic by the management. The Group has therefore decided not to develop these segments any further and to manage only those commitments already undertaken under contracts with customers, until they expire.

## **2. Basis of presentation**

The consolidated financial statements for the year ended 31 December 2012 comprises the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in shareholders' equity and the explanatory notes.

The consolidated financial statements have been 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 for assets and liabilities distinguishing between current and non current assets and liabilities.

The statement of income classifies costs by nature and the statement of 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 is presented in accordance with IAS 7, distinguishing between cash flow from operating, investing and financing activities.

The consolidated financial statements are presented in Euro that is the functional currency of the Group and all values are rounded off to thousand of Euro, unless otherwise stated.

### **2.1 Statement of compliance with international accounting standards (IFRS)**

The consolidated financial statements for the year ended 31 December 2012 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union, as provided by article 6 of the European Regulation No. 1606/2002 issued by European Parliament and Commission on July 19, 2002. The term IFRS refers to all revised International Accounting Standards (IAS) and all IFRS interpretations by the International Financial Reporting Interpretations Committee (IFRIC), including the interpretations previously issued by the Standing Interpretation Committee (SIC).

Pursuant to Letter F of Article 2 from the Italian Legislative Decree No. 38 of 28 February 2005, which rules the exercise of the options provided for by Article 5 of European Regulation No. 1606/2002, and pursuant to Article 3, Subsection 2 of the aforesaid Italian Legislative Decree, the Group has initially applied the IFRS effective for the year ending as of December 31, 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 for the previous year, with the exception of the aspects detailed below for newly issued standards and interpretations, applicable from 01 January 2012.

### **New or revised IFRS and interpretations applicable as of 01 January 2012**

The process of drafting and approval of accounting standards constantly leads to the issuing or revision of certain documents.

The following accounting standards, amendments and interpretations are applicable for the Group for the first time starting on 01 January 2012.

*IFRS 1—First-time adoption of the International Financial Reporting Standards.* The standard was amended, introducing the operating methods to be adopted for the presentation of an entity's IFRS financial statements if the functional currency of the entity is subject to significant hyperinflation. In this case, the entity can measure the value of the assets and liabilities held before the period of normalisation of the functional currency at the fair value measured at the date of transition to IFRS.

*IFRS 7—Financial instruments: Disclosures.* The amendment requires additional qualitative and quantitative disclosures regarding the transfer of financial assets, if the asset has only been partially derecognised or if the entity maintains restrictions on the asset (e.g. options or guarantees on the asset transferred). If the assets transferred are not fully cancelled from the financial statements, the company shall disclose information that would allow users of the financial statements to understand the correlation between the assets that have not been cancelled and the liabilities associated to them. If the assets are fully cancelled, but the company maintains some involvement, information should be disclosed that allows users of the financial statements to assess the nature of the remaining involvement, the extent of the assets cancelled and the risks associated to them. Comparative data is not required. The Group does not hold any financial assets with this characteristic and so there was no significant effect on the consolidated financial statements of the Group.

*IAS 12—Income taxes.* The amendment introduces an exception to the general criteria for determining deferred taxes on assets measured at fair value. Therefore, an assumption was introduced that the carrying amount of said investments will be recovered through sale, unless the entity has a business model based entirely on the use of said assets and on the economic benefits they will guarantee. In particular, IAS 12 requires that deferred tax assets originating from an asset, not subject to amortisation/depreciation, that is valued using the revaluation model provided in IAS 16 should always reflect the tax effects of recovering the carrying value of the asset through sale. National tax legislation, however, does not provide a different tax rate in the case of sale or use of the assets. The amendment, therefore, is applicable but had no effect on the Group's consolidated financial statements.

### **New or revised IFRS and interpretations applicable from subsequent years and not adopted early by the Group**

The international accounting standards and interpretations detailed below will be effective from the year 2013, for which the effects on the Group's statement of financial position valuations are currently being assessed.

The Group did not provide for the early adoption of any other standard, interpretation or improvement issued but still not obligatorily in force.

*IAS 1—Presentation of financial statements.* The standard was amended with respect to how the items are presented in the statement of comprehensive income. The change does not affect the determination of profit items or comprehensive losses, but it requires that changes in shareholders' equity that do not entail recognition or reclassification in the statement of

income of future financial statements should be presented separately. The amendment is to be applied retroactively.

*IAS 19 revised—Employee benefits.* The new standard reorganises the disclosures to be provided in relation to employee benefits and introduces the obligation to record actuarial gains and losses in the statement of comprehensive income, eliminating the possibility of adopting the “corridor method”. Actuarial gains and losses recorded in the statement of comprehensive income will not then be charged to the statement of income. It should be pointed out that the MFM Group adopted this option (already recognised by IAS 19 in the previous version) starting from the consolidated financial statements for the year ending 31 December 2008.

*Amendment to IAS 32—Financial instruments: Presentation.* The change requires disclosure of information on assets and liabilities that are offset. In particular, it prescribes rules for when offsetting is allowed, specifying that the entity should have a legal enforceable right to set off the amounts. The Group does not feel the change entails a significant impact on Group’s net financial position or on its performance ratios.

*IFRS 10—Consolidated financial statements.* The new standard proposes a revision of the criteria for the presentation and drafting of consolidated financial statements. Its application is expected to replace SIC 12 and partially amend IAS 27, which remains in force for the accounting of 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 “proportional method”. The new standard shall be applicable retroactively. The standard is mandatory for the financial years starting on 1 January 2014, but it can be applied to the financial years starting on 1 January 2013.

*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. Its application is expected to involve the replacement of IAS 31 and SIC 13. The new standard establishes that a “joint arrangement” exists where an entity has rights and obligations linked to net total assets, while a joint operation is where these are connected to specific assets and liabilities. The accounting method used for the consolidation of joint-ventures is the equity method. The new standard shall be applicable retroactively. The standard is mandatory for the financial years starting on 1 January 2014, but it can be applied to the financial years starting on 1 January 2013.

*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, investments in subsidiaries, associates and other interests not falling within the scope of consolidation. The main objective of the new standard is to define uniform information on the risks and rewards associated with equity investment relations, as regards the nature and significance of said relationship. Disclosures are also required on the valuations of the substance of joint control agreements, for which operating guidelines are provided. As a consequence of the new IFRS 11 and IFRS 12, IAS 28—*Investments in Associates* was renamed to IAS 28—*Investments in Associates and Joint Ventures*. The new standard shall be applicable retroactively. The standard is mandatory for the financial years starting on 1 January 2014, but it can be applied to the financial years starting on 1 January 2013.

*IFRS 13—Fair value measurement.* The document is the result of an important process of development for the definition of a body of rules for valuations and disclosures regarding items recorded in the financial statements at fair value. The new standard does not extend the adoption of fair value accounting, but defines a single system, providing some general assumptions relating to the macro areas of the financial statements, also indicating some valuation techniques (“market approach”, “income approach” and “cost approach”).



Information broken down into three levels is also presented, in relation to the reliability of the data source. The new standard shall be applicable retroactively. The standard is mandatory for the financial years starting on 1 January 2014, but it can be applied to the financial years starting on 1 January 2013.

*IFRIC 20—Stripping Costs in the Production Phase of a Surface Mine.* The interpretation provides guidelines on how to treat initial costs incurred during the start-up phase of a surface mine. Application of the interpretation shall be on a prospective basis. There are no significant effects on the Group's consolidated financial statements.

In addition, in May 2012 the IASB issued another group of changes to current standards under the annual process of improving them by clarifying certain aspects or by providing specifications on the standards themselves.

These changes do not have an impact on the Group's consolidated financial statements. The concern the following standards:

- *IFRS 1—First-time Adoption of IFRS:* The change clarifies that an entity which ceased to apply IFRS in the past and chooses (or is required) to resume application of IFRS has the option to re-apply IFRS 1. Alternatively, the entity can restate its financial statements retrospectively as if it had never ceased to apply IFRS.
- *IAS 1—Presentation of financial statements:* The IASB clarifies the difference between additional comparative information disclosed on a "voluntary" basis and "minimum" information requirements. In general, minimum information comprises that which pertains to the previous accounting period.
- *IAS 16—Property, Plant and Equipment:* The change specifies that replacement parts entailing a high amount are not considered as inventories, but are part of the fixed asset they refer to.
- *IAS 34—Interim Financial Reporting:* It should be noted that the total of assets and liabilities pertaining to operating segments should also be presented in the interim reports, in accordance with *IFRS 8—Operating Segments*.
- *IAS 32—Financial instruments: Presentation:* The change specifies that taxes emerging from distribution to shareholders are accounted for in accordance with *IAS 12—Income Taxes*.

**New or revised IFRS and interpretations issued by the IASB or IFRIC, which have still not completed the approval process at the competent EU bodies.**

The IASB is reviewing, with a view to publishing, an additional set of standards and amendments to the IFRS, applicable to subsequent years. However, at the date of publication of the consolidated financial statements, the competent EU bodies have still not completed the approval process necessary for the application of the standards and improvements described below.

The provisions are in any case effective for financial years starting after 1 January 2013. The Group is currently analysing the standards indicated and assessing their impact on its consolidated financial statements.

In particular, the new standard known as IFRS 9—Financial Instruments is undergoing approval. This standard, as issued and amended by the IASB, is the first step of a broader process of revising IAS 39. The standard was supposed to be adopted for financial years starting on or after 1 January 2013, but the mandatory application date was postponed to 1 January 2015. In subsequent phases the IASB will review hedge accounting and impairment processes for financial assets. The Group will assess the impact of the new rules when the final version of the standard has been issued.

### 2.3 Discretionary assessments and significant judgments, estimates and assumptions

The preparation of consolidated financial statements and related notes in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of 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 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 statement of financial position values are the following:

- The adoption, starting from 2007, of the *continuity of values* principle for the recognition of business combinations under common control.

Application of this principle gives rise to the recognition in the statement of financial position of values equal to those that would be recorded if the companies involved in the business combination had always been combined. The net assets of the acquired entity and the acquiring entity, are therefore recorded on the basis of the carrying amounts included in their respective accounts before the transaction.

- The application, effective from 2005 which is the first year in which the Group drafted the consolidated financial statements in compliance with IAS/IFRS, of the proportional consolidation method to companies held under a joint-venture with other shareholders, in accordance with IAS 31.

#### Significant judgments, estimates and assumptions

The key assumptions regarding the future and other significant sources of uncertainty relating to estimates at the consolidated reporting date are detailed below.

#### *Impairment tests*

Goodwill is subject to impairment testing at least annually, or more frequently if there is an indication of potential impairment losses 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.

As at 31 December 2012, the carrying amount of goodwill stood at € 418,724 thousand (31 December 2011: € 411,995 thousand). Further details are provided under note 5.

#### *Recognition of Put Options granted to non controlling interests and of earn-out on acquisitions*

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 a reliable valuation.

Similarly, the contract for the purchase of certain majority interest in subsidiaries included certain provision related to the recognition to the acquiree, currently minority shareholders, of an earn-out pursuant to the realization 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 statement items*

In addition, management was required to make estimates in determining:

- Prepaid tax assets, with regard to the the likelihood of their future recoverability.

- Accruals to bad debt provision and provisions for risks and charges.
- Main assumptions applied to the actuarial recalculation of the TFR provision (employee benefits), such as the turnover rate, inflation rate and expected future discount 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 consolidated financial statements include the financial statements of Manutencoop Facility Management S.p.A. (hereinafter: "the Parent Company", "MFM S.p.A." or simply "MFM") and its subsidiaries, prepared as at 31 December 2012. The financial statements of the subsidiaries are prepared adopting the same accounting standards as those used for the parent company.

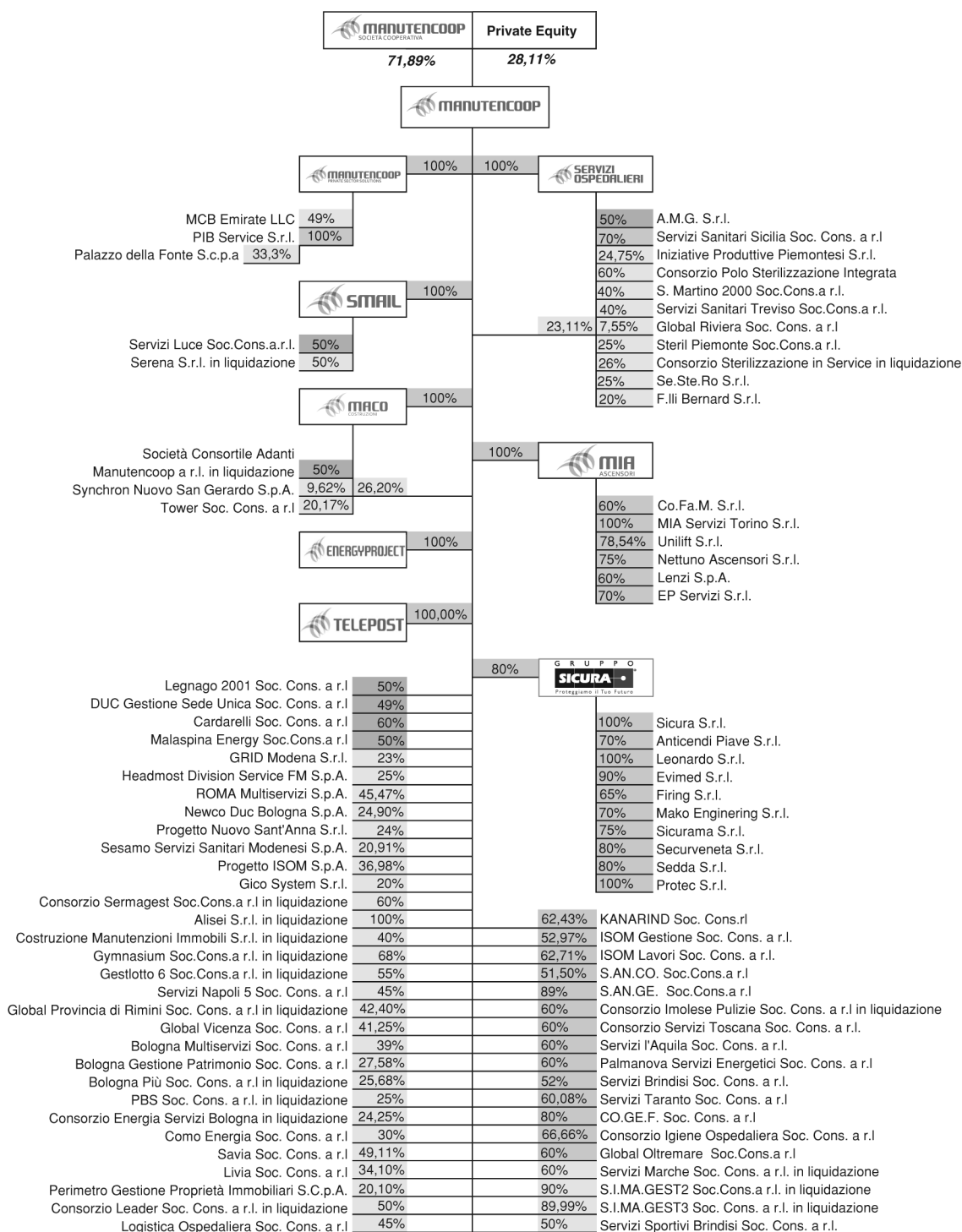
All intra-Group balances and intercompany transactions, including unrealised profits and losses arising from intra-Group transactions are eliminated in full.

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-ventures with other shareholders are consolidated proportionally, whereas associates are accounted for under equity method.

Non-controlling interests represent the portion of profits or losses and net assets not held by the Group and are disclosed separately in the consolidated statement of income and in the consolidated statement of financial position.

The scope of consolidation as at 31 December 2012 is shown below.



Legend:

	Subsidiaries consolidated by full consolidation method
	Subsidiaries consolidated by full proportional method
	Subsidiaries consolidated by equity method

During the year ended 31 December 2012, MP Facility S.p.A. was renamed Manutencoop Private Sector Solutions S.p.A..

The following changes occurred in the consolidation area of the Group during the year ended 31 December 2012:

- On 24 January, the shareholders' meeting of SERENA S.r.l. resolved to wind the company up and place it in liquidation.
- On 6 February, CMA Pentade S.r.l. was renamed MIA Servizi Torino S.r.l. and transferred its registered office from Rivalta di Torino (TO) to Turin.
- On 8 February, the sub-holding MIA S.p.A. acquired a 76.6% interest in ABM S.r.l., with registered office in Cadoneghe (PD).
- On 14 February, MIA S.p.A. acquired the 100% of the share capital of MIND S.r.l., with registered office in Rome (RM), and on 5 June acquired the 100% of SIE S.r.l., with registered office in Aci Catena (CT). Lastly, on 2 October MIA S.p.A. acquired the 70% of the share capital of EP Servizi S.r.l., which moved its registered office from Prato (PO) to Modena (MO).
- On 25 September 2012 the project company Synchron Nuovo San Gerardo S.p.A. was established. The company object is the execution of a concession to build and manage the San Gerardo hospital in Monza project. Its share capital is by 26.16% held by MFM S.p.A., by 9.62% by MACO S.p.A., and by 0.04% by Servizi Ospedalieri S.p.A..
- On 20 December Manutencoop Private Sector Solutions S.p.A. established PIB Service S.r.l., a fully owned subsidiary, which on 27 December, acquired the 33.3% of the share capital of Fonte S.c.p.a..

It should be noted that, in accordance with an investment agreement stipulated 2011, MIA S.p.A. exercised a call option on an additional 11% of the share capital of the subsidiary Lenzi S.p.A..

Lastly, certain business combinations and mergers within the Group took place during the financial year. In particular:

- On 5 October the merger of ABM S.r.l. in Unilift S.r.l. became effective.
- On 8 October the merger of MIND S.r.l. in MIA S.p.A. became effective.
- On 3 December the interests held by Sicura S.r.l. in Antincendi Piave S.r.l., Leonardo S.r.l. and Evimed S.r.l. were sold to the parent company Gruppo Sicura S.r.l..
- On 18 December the merger of SIE S.r.l. in MIA S.p.A. became effective.

## **2.4 Summary of the significant accounting policies**

### ***Investments in joint ventures***

The Group holds in investments in several joint ventures which are jointly controlled entities. A joint venture is a contractual agreement whereby two or more parties undertake an economic activity subject to joint control and a jointly controlled company is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The joint control is assumed for investment held for 50%.

The Group recognizes its interest in joint ventures using the proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint ventures are prepared for the same reporting year as the Company's, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When the Group contributes or sells assets to its joint venture, any portion of gain or loss from the transaction is recognized based on the substance of the transaction. When the Group purchases assets or services from its joint ventures, the Group does not recognize its share of the profits of the joint venture from the transaction until it resells the assets or the service to a third party.

The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

#### ***Conversion of foreign currency items***

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

Statement of financial position and statement of income items in foreign currency are translated to Euro using the reporting date exchange rates for statement of financial position items and average exchange rates of the reporting period for statement of income items.

Differences arising from the translation of opening shareholders' equity at reporting date exchange rates are charged to the currency translation reserve as well as the difference emerging from the translation of the result for the period at reporting date exchange rate compared with the average exchange rate. On disposal of the investment in the foreign company, the cumulative translation differences recorded in net equity related to that particular foreign company are recorded in the statement of income.

#### ***Property, plant and equipment***

Property, plant and equipment are stated 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 equipment and plants at the moment they are incurred if certain criteria are met.

Depreciation is calculated on a straight line basis in line with the estimated useful life of the asset, starting from the date on which the assets are available for use, until the date of sale or disposal.

The carrying amount of the properties, plant and equipment is subject to impairment testing when events or changes suggest that the carrying amount may not be recoverable.

A tangible asset is derecognized from the financial statements upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

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



The following table presents the estimated useful lives:

Types of plant and equipment	Useful Life
Plant and equipment for maintenance and creation of green areas . . . . .	11 years
Plant and equipment for maintenance and construction of buildings . . . . .	From 6.5 to 10 years
Telephone systems . . . . .	4 years
Equipment for cleaning and gardening services . . . . .	6.5 years
Equipment for facility infrastructure management services . . .	3 years
Equipment for building construction and maintenance services . . . . .	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
Furniture and office equipment . . . . .	From 5 to 8 years
Leasehold improvements . . . . .	The lower of the useful life and the contractual duration

Plant and equipment category includes equipment, motor vehicles, office machines and furniture.

Borrowing costs related to the acquisition of the asset are directly recognized in the statement of income. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. Assets that qualify for such capitalization are those that require certain period of time before they are available for use.

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 and repair expenses increase the carrying amount of the asset only if the company is likely to receive the associated economic benefits in the future and the cost can be reliably measure, ordinary maintenance and repair expenses are charged in the statement of income as incurred.

Leasehold improvement are classified as property, plant and equipment based on the nature of the cost incurred, when they meet the capitalization criteria required by IAS 16. Depreciation period is the lower of the useful life of the asset and the contractual duration of the lease.

### **Goodwill**

Goodwill, acquired in a business combination, is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets and liabilities (including contingent liabilities). After the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

At the acquisition date, any goodwill acquired is allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the business combination's synergies apart from the allocation of other assets and liabilities to these cash generating units. Each cash-generating unit or group of cash-generating units represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than a segment based on either the Group's primary

or the Group's secondary reporting format determined in accordance with IFRS 8—Operating Segments.

Impairment is determined by assessing the recoverable amount of a cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Impairment losses on goodwill are not reversed.

### ***Other intangible assets***

An intangible asset is recognized if it is probable that the expected future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Intangible assets are measured at cost, including all direct attributable costs relating to their acquisition or their utilization. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

All intangible assets have either definite or indefinite useful lives. Intangible assets with definite useful lives are amortized on a systematic basis reflecting the pattern of use over their estimated useful life; where the pattern of use cannot be determined reliably, a straight-line basis is used. The amortization period and method is reviewed at least once at each financial year-end, or more frequently if necessary. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is recognized in the statement of income in the related expense category.

The carrying values of intangible assets with definite useful lives are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are reversed in case of changes in circumstances that determined the initial impairment.

Apart from goodwill, the Group does not have any intangible assets with indefinite useful lives.

A summary of the policies applied to the Group's intangible assets is as follows:

	<b>Concessions, licences, brands and patents</b>	<b>Other intangible assets</b>
Breakdown . . . . .	Software and Trademarks	Contractual relationship with customers
Useful Life . . . . .	Defined	Defined
Amortization method used . .	Straight line basis over the period, the shortest of: <ul style="list-style-type: none"> <li>• legal duration of the right.</li> <li>• expected period of utilization.</li> </ul>	Proportionally based on consumption of related backlog.
Internally generated or acquired . . . . .	Acquired	Acquired as par of a business combination.
Impairment tests . . . . .	Annually or more frequently if there are indicators of impairment.	Annually or more frequently if there are indicators of impairment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the statement of income when the asset is derecognized.

### ***Investments in associates***

Investments in associates refer to those investments where the Group exercises significant influence, but not control, over financial and operating policies. An associate is an entity which is neither a subsidiary nor a joint venture. The significant influence is assumed for those interest equal or higher than 20%.

The Group's investment in an associate is accounted for under the equity method of accounting. Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of income reflects the Group's share in the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any such changes and discloses those, when applicable, in the consolidated statements of changes in the shareholder equity.

The reporting (or closing) dates for the financial statements of associates are in most cases identical to the Group's reporting date. When such reporting dates differ, the associates prepare accounting statements as of the closing date of the Group's financial year. The accounting principles used by the associates are consistent with those used by the Group for similar transactions.

### ***Impairment of assets***

The Group assesses at each reporting date whether there are indicators of asset impairment. If any such indicators exist, or when an annual impairment testing for an asset is required the Group estimates the asset's recoverable amount and when the asset's carrying amount exceeds its recoverable amount the asset is written down to its recoverable amount. The recoverable amount is the greater of the fair value of an asset or cash generating unit net of selling costs and value in use. The recoverable amount is determined for each asset except when an asset that does not generate independent cash inflows, in this case the recoverable amount is determined for the cash-generating unit to which the asset has been allocated. Impairment test on goodwill is based on the cash flows generated by the cash-generating units to which it has been allocated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

At each reporting date the Group also assesses if there are indicators that any previously recognized impairment losses (except for goodwill impairments) have disappeared or are reduced, and if this is the case the Group determines the recoverable amount of assets to quantify the reversal which cannot exceed the carrying amount that would have been recorded had no impairment loss been recognized initially. A reversal of an impairment loss is recognized as gain in the statement of income in the same category in which the write down was recorded except where the asset is recognized in a revalued amount, in which case the reversal is treated as a revaluation. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### ***Financial assets***

IAS 39—"Financial Instruments: recognition and measurement" identifies the following categories for the classification of the financial assets:

- "Financial assets valued at fair value through profit or loss" include the securities held for trading in the short-term period.
- "Loans and receivables" defined as financial instruments, excluding derivatives, with fixed or determinable payments which are not listed.
- "Financial assets held-to-maturity" include financial instruments, excluding derivatives, with fixed maturity and fixed or determinable payments which the entity intends to, and is able to, hold to maturity.
- "Financial assets available-for-sale", include securities, excluding derivatives, that have been identified for this purpose or are not classified in the previous categories.

When financial assets are recognized initially, they are measured at fair value and, in the case of investments not at fair value through profit or loss, increased for the directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The financial assets held by the Group in the year ended 31 December 2012 relate exclusively to the categories '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 non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

#### ***Available-for-sale financial assets***

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income.

For the year ended 31 December 2012, as in the previous fiscal year, the Group classified as available for sale financial assets the investments with shareholdings less than 20%, which are accounted for at cost if there is no reliable measurement to determine their fair value. In particular, investments in consortiums that are not traded on regulated markets and whose primary purpose is to manage and regulate legal and business relationships among the consortium member-owners, are evaluated at cost, represented by the share in the equity, as there is no reliable measurement to determine their fair value.

#### ***Inventories***

Inventories are valued at the lower of cost and net realizable value based on cost of replacement.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

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Raw materials (excluding fuel) . . . . .	Weighted average cost method
Fuel . . . . .	First in First out (FIFO) method

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***Trade receivables***

Trade receivables whose terms are consistent with market conditions (generally 30 to 90 days) are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. A provision is made when there is objective evidence that the Group will not be able to collect the receivables, bad debts are written off when identified.

Customers of the Group are mainly public administrations (including municipalities, provinces, groups of municipalities, regions, municipal utilities or former municipal utilities, ministries and related entities, universities, and healthcare facilities) whose payments can significantly exceed their contractual terms. Expired trade receivables are discounted using a risk-free rate (the risks of non-collectability are already considered in the establishment of the provision for uncollectible amounts) for the period between the expected collection date calculated based on the weighted average of the Group's historical client data and the average extension of payment granted to similar customers operating in the same sector.

Trade receivables and payables denominated in a currency other than the functional currency are translated using the spot rate of exchange ruling at the reporting date.

***Contracts for construction work and plant building***

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contract revenue include the initial amount of revenue agreed in the contract; and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and that they are capable of being reliably measured.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. An expected loss on the construction contract shall be recognized in the statement of income as an expense immediately.

The gross amount due from customers for contract work is the net amount of costs incurred plus recognized profits; less the sum of recognized losses and progress billings for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceeds progress billings. The gross amount due from customers shall be classified as trade receivable.

The gross amount due to customers for contract work is the net amount of: costs incurred plus recognized profits; less the sum of recognized losses and progress billings for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses). The gross amount due to customers shall be classified as liability.

***Cash and cash equivalents***

Cash and cash equivalents consist of cash at banks and on hand and short-term deposits with the original maturity of three months or less.

***Interest-bearing loans and borrowings***

All loans and borrowings are initially recognized at fair value of consideration received less directly attributable transaction costs. After the initial recognition, interest-bearing loans and

borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the amortization process.

### ***Derecognition of financial assets and liabilities***

#### ***Financial assets***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The contractual rights to receive cash flows from the asset have expired.
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
- The Group has transferred substantially all the risks and rewards of the asset.

If, as a result of a transfer, a financial asset is derecognized in its entirety but the transfer results in the transferor obtaining a new financial asset or servicing assets or assuming a new financial liability or servicing liability, the Group recognizes the new financial asset, servicing asset, financial liability or servicing liability at fair value.

#### ***Financial liabilities***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or when it expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

### ***Impairment of financial assets***

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

#### ***Assets carried at amortized cost***

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e, the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment



loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### *Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### *Financial assets available-for-sale*

If a financial asset available-for-sale is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of income, is transferred from equity to the statement of income. Reversals relating to equity instruments classified as available-for-sale are not recognized in the statement of income. Reversals of impairment losses on debt instruments are recognized through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was initially recognized.

#### *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.

#### *Provision for severance indemnity*

A provision for severance indemnity is recorded when the Group has a present legal or constructive obligation to: (a), terminate an employee or a group of employees before the end of their service contract or before they are eligible for pensions in accordance with local labor law, or (b) grant economic benefits to an employee or a group of employees in connection with their voluntary termination. The Group has a present obligation only when a detailed termination plan exists and a withdrawal is not practicable.

#### *Employee termination indemnities*

Italian legislation (Article 2120 of the Italian Civil Code) stipulates that when an employee terminates their employment contract with a company, the employee receives a termination indemnity referred to as "Trattamento di Fine Rapporto" (TFR). This indemnity is calculated based on several items, including the annual wages of the employee for each employment year (appropriately reassessed) and the length of employment. According to the Italian Civil Code, this indemnity should be reflected in the accounting records using a calculation method based on the indemnity matured by each employee at a date of the financial statements, as if all employees would hypothetically terminate their employment on that date.

IFRIC of the IASB investigated TFR accounting in Italy and concluded that IAS 19 Employee Benefits should be applied, IAS 19 was applied using the projected unit credit actuarial valuation method in which the benefit liabilities are determined reflecting the expected date of employee resignation and are discounted. As a consequence of the changes of the national legislation that regulates the employee termination indemnities for companies with more than 50 employees, the employee termination indemnities maturing from 1 January 2007 are considered as a defined contribution plan, and the related payments are directly recognized in the statement of income as a cost. The employee termination indemnity due up to 31 December 2006 remains a defined benefits plan, without future contributions. Accordingly, its valuation is carried out by independent actuaries on the basis of the expected average residual working life of the employees only, no longer considering the remuneration that they earned over a predetermined period of service.

The actuarial gains and losses related to the TFR accounting, accumulated up to the previous year and reflecting the effects arising from changes in the actuarial projections used are fully recognized in the shareholders' equity.

The Group did not opt to apply the "corridor" mechanism on actuarial gains or losses, related to defined benefit plans which allows to recognise in the statement of income only the portion of net actuarial gains and losses at the end of the previous period in excess of the greater of 10% of the present value of the obligations and 10% of the fair value of the possible assets serving the plan at the same date, divided by the remaining working life of the employee.

The actuarial valuation of the termination indemnity is performed by an independent actuary, TFR liability is unfunded.

The Group does not have in place any other significant benefit plan.

### ***Leasing***

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement.
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term.
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is a substantial change in the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b) above.

For arrangements entered into prior to January 1, 2005, the date of inception is deemed to be January 1, 2005 in accordance with the transitional requirements of IFRIC 4.

Finance leases, which transfer to the Group substantially all of the risks and benefits connected to ownership of a leased item, are capitalized at the inception of the lease at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the financial expenses and reduction of the lease liability

so as to achieve a constant interest rate on the remaining balance of the liability. Financial expenses are directly recognized in the statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognized as expense in the statement of income on a straight-line basis over the lease term.

### ***Revenue recognition***

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 main types of services provided, separately or as part of integrated service contracts, are:

- Operation and maintenance of buildings and property complexes, often associated with the administration of heat and cold management (energy service).
- Cleaning and environmental hygiene services.
- Maintenance of green space, often outside of a real estate property.
- Project management services.
- Linen rental, industrial laundering and sterilization services.

Rendering of services revenues are recognized by the stage of completion at the reporting date. Stage of completion is measured by the percentage of completion method according to the services provided and the contracts agreed with the clients (e.g, square meters, hours and costs incurred, hospital days). 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. Services not finished at the date of the financial statements represent "Work in Progress on order" category and are classified under trade receivables.

At the date of the financial statements, any revenues that have been invoiced in excess of actual work performed based on the percentage of completion method are accounted for under customer advances and are classified under trade payables. If an arrangement includes multiple elements, 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. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses incurred that are recoverable.

#### ***Building activities***

The Group recognizes revenue 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***

Revenue is recognized when the significant risks and rewards of ownership relating to the goods are transferred to the buyer, which is usually when such goods are sold.

### *Interest income*

Interest income are recognized as the interest accrues on the net carrying amount of the financial asset or liability using the effective interest method.

### *Dividends*

Revenues are recognized when the Group's right to receive the payment has occurred, coinciding with when they are approved.

### **Government grants**

Government grants are recognized when there is reasonable assurance that the grant will be received and all grant conditions will be met. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of income over the expected useful life of the relevant asset through the reduction of its depreciation.

### **Income taxes**

#### *Current taxes*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

#### *Deferred taxes*

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with other investments where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with other investments, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized

deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### *Value Added Tax*

Revenues, expenses and assets are recognized net of the amount of value added tax (or "VAT") except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### ***Derivative financial instruments and hedging***

According with IFRS 39 derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to statement of income for the year.

In particular, the transaction is considered as hedging if documentation exists on the relationship between the hedging instrument and the liability hedged showing the aim of risk management, the hedging strategy and methods used to verify the effectiveness of the hedging strategy. A transaction is considered as hedging if the effectiveness of hedging is verified at the beginning of the transaction and, going forward, it is confirmed throughout the entire life.

These instruments are classified as derivative financial instruments under the IFRS.

These derivative financial instruments are initially recognized at fair value upon their inception; subsequently, the fair value is periodically re-measured. They are accounted as assets when the fair value is positive and adversely as liabilities if fair value is negative.

Any gain or loss arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to statement of income for the year.

#### ***Service concession arrangements***

The Group, through some entities (the operators), entered into contractual service agreements to provide public services on the condition that the grantor (a) controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and (b) controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

The operator shall not recognize the infrastructure as property, plant and equipment because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator as required by IFRIC 12. The contractual service arrangement gives to the operator the right to use the infrastructure to provide the public service and to receive a consideration.

This right to receive payments shall be recognized as a financial asset if the operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor regardless the effective use of the infrastructure or as an intangible asset if the operator receives a right (a license) to charge users of the public service.

If the operator is paid for the construction services partly by a financial asset and partly by an intangible asset it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognized initially at the fair value of the consideration received or receivable.

The operator shall recognize and measure revenue in accordance with IASs 11 and 18 for the services it performs. If the operator performs more than one service (ie construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

In accordance with IAS 23, borrowing costs attributable to the arrangement shall be recognized as an expense in the period in which they are incurred unless the operator has a contractual right to receive an intangible asset (a right to charge users of the public service). In this case borrowing costs attributable to the arrangement shall be capitalized during the construction phase of the arrangement. Differently if the amount due from the grantor is accounted for as a financial asset, IAS 39 requires interest calculated using the effective interest method to be recognized in the statement of income.

### ***Earnings per share***

The basic earnings per share is calculated dividing the net income attributable to the owners of the parent by the average weighted number of shares in circulation during the year. The diluted earnings per share is calculated dividing the net income attributable to the owners of the parent by the average weighted number of shares in circulation during the year.

The Company discloses the consolidated earnings per share information on a voluntary basis.

### ***Operating segments***

An operating segment is a clearly identifiable component of an entity which provides a range of related products and services, subject to different risks and awards from 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.

For the purpose of the segment information disclosure any operating segments have been aggregated and their performance is measured on the operating income.

The Group's Management look at the results of 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 management of borrowing costs and revenues) and the income taxes are managed at Group level and are not allocated to operating segments.

The Group disclosures on operating segments in accordance with IFRS 8, is presented on a voluntary basis.



*Methods of calculation of the costs allocated to the segments.*

Direct and indirect production costs are directly allocated to each operating segment.

Starting from the consolidated financial statements for the year ended 31 December 2007, it was deemed appropriate to allocate to the segments also commercial costs and other general overheads on the basis of the appropriate allocation drivers.

Revenues and charges generated by financial management and current and deferred taxes remain unallocated to the segments, whereas income from investments accounted for under the equity method is attributed to the segments.

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

The assets and liabilities were allocated to the segments consistently with the allocation method used for statement of income items.

### **3. Business combinations**

#### **Introduction**

In 2012, the MFM Group, in particular through the sub-holding MIA S.p.A., completed certain business combinations in the market of installation and maintenance of elevating systems, lifts and goods lifts, through the acquisition of small-sized entities located in Italy.

As a result of these acquisitions, the Group performed the allocation of the prices paid for the acquisitions ("Purchase Price Allocation"), in accordance with IFRS, allocating the cost of the combination through the recognition of the identifiable assets, liabilities (including contingent liabilities of the acquiree which meet the recognition criteria set out in paragraph 37) at the relative fair values and recognizing goodwill on a residual basis.

In addition, the agreements related to the acquisition of majority interests performed by the sub-group MIA in previous years included certain clauses which should, in future years, lead to the acquisition of additional interests through the exercise of put/call options between the parties, as detailed below. The purchase of these minority interests also occurred as a result of commercial and governance agreements which allow the Group holding company to have the control over the assets and liabilities and over the performance of the production activities of each individual entity, notwithstanding the existence of minority interests. Given the above and in compliance with the provisions of IFRS 3, management decided to account for assets and liabilities acquired under business combinations using the "full goodwill approach" method, as an alternative to the "standard" method. This method requires, upon the acquisition of control, to recognize the fair value of the non-controlling interest. Based on to this approach, the value of minority interests may be higher than the portion of net assets, with goodwill relating to minority interests also recognised under statement of financial position.

The international accounting standard provides that the non-controlling interest should be measured at fair value in an active market. In the cases under review, given the lack of an active capital market, the fair value of the minority interest was identified proportionally to the fair value of the controlling interest.

During the year ended 31 December 2012, it was resolved to exercise the call option, which was granted by the seller for the acquisition of the 11% of share capital of Lenzi S.p.A..

Accordingly, a liability for the call option and for the subsequent put option granted to the buyers was recognized. The Group recognized these liabilities and eliminated the minority interests (amounting to € 10,654 thousand), and accounted for an income in the Group net equity related to the difference (€ 458 thousand).

#### **Acquisition of a 76.6% interest in ABM S.r.l.**

On 8 February 2012, MIA S.p.A. acquired the 76.6% of the share capital of ABM S.r.l., a company based in Cadoneghe (PD), operating in the lift installation and maintenance business.

The consideration transferred for the acquisition amounted to € 1,149 thousand.

*Accounting effects of the acquisition*

The consideration for the purchase of the shareholding (€ 1,034 thousand) was paid to sellers on the date at which the operation was completed, whereas for the remaining part (€ 115 thousand) an escrow account was set up to guarantee the contract obligations.

The contract also provides for:

- Paying the sellers a possible earn-out for the 76.6% share purchased, to be paid within 30 months from the closing date and valued according to tests performed on plants and on contracts in place at February 2014. This price adjustment shall be calculated on the basis of a monthly amount determined on the date of calculation for each plant.
- The issuance of a call option (from sellers to buyer, exercisable between 1 January 2016 and 31 October 2016) and a put option (from buyer to sellers, exercisable between 1 November 2016 and 31 January 2017) for the sale of additional share capital. In accordance with applicable principles, the fair value of the strike price of the options (calculated in accordance with the same formula) was accounted for as a financial liability in the financial statements. The purchase price will be determined at an amount equal to the sum of the shareholders' equity of the company at the date of the exercise of the option and the average fee of the maintenance contracts in force at the same date multiplied for an amount contractually defined.

The acquisition is a business combination, therefore, the Group accounted for the acquisition in accordance with IFRS 3.

The following table sets forth the value of assets and liabilities transferred as at the acquisition date, their book value, the goodwill and the net cash flow used in the acquisition:

	Value at acquisition date	Book value
<b>Assets</b>		
Property, plant and equipment . . . . .	99	99
Other intangible assets . . . . .	2	2
Inventory . . . . .	92	92
Trade receivables and advances to suppliers . . . . .	438	438
Other current receivables . . . . .	36	36
Cash and cash equivalents . . . . .	3	3
Assets classified as held for sale . . . . .	241	241
<b>Total assets . . . . .</b>	<b>911</b>	<b>911</b>
<b>Liabilities</b>		
Employee termination indemnities . . . . .	37	37
Long-term debt . . . . .	32	32
Deferred tax liabilities . . . . .	1	1
Borrowings and other current financial liabilities . . . . .	109	109
Provision for risks and charge, current . . . . .	13	13
Trade payables and advances from customers . . . . .	208	208
Income tax payables . . . . .	32	32
Other current liabilities . . . . .	131	131
Liabilities directly associated with assets classified as held for sale . . . . .	182	182
<b>Total liabilities . . . . .</b>	<b>745</b>	<b>745</b>
<b>Fair value of net assets . . . . .</b>	<b>166</b>	<b>166</b>
<b>Goodwill . . . . .</b>	<b>1,551</b>	
<b>Total considerations transferred . . . . .</b>	<b>1,717</b>	
<b>Total consideration:</b>		
Consideration paid . . . . .	1,034	
Amount in escrow . . . . .	115	
Earn-out . . . . .	217	
Fair value (option of non-controlling interest) . . . . .	351	
<b>Total value of the business combination . . . . .</b>	<b>1,717</b>	
<b>Cash flow of the transaction::</b>		
Cash and cash equivalents from the acquire . . . . .	3	
Consideration paid and amount in escrow . . . . .	(1,149)	
<b>Net cash flow used in the transaction . . . . .</b>	<b>(1,146)</b>	

The fair value of net assets acquired through the business combination was determined at € 166 thousand, whereas the total value of the business combination was € 1,717 thousand.

The difference between the consideration transferred and the fair value of net assets acquired through the business combination equal to € 1,551 thousand, was recognized as "Goodwill".

The net cash flow used in the transaction amounted to € 1,146 thousand.

Starting from the date of acquisition until 30 September 2012, ABM S.r.l. contributed by € 269 thousand to Group revenues and with a net positive result of € 31. Unilift S.r.l. was subsequently merged by incorporation.

**Acquisition of 100% interest in MIND S.r.l.**

On 14 February 2012, MIA S.p.A. acquired the 100% ownership interest in MIND S.r.l., a company based in Rome (RM), operating in the local lift installation and maintenance business.

The consideration transferred for the acquisition amounted to € 1,557 thousand.

*Accounting effects of the acquisition*

Following the acquisition by MIA S.p.A.'s of the 100% interest, the MFM Group is the sole shareholder of the company.

Under the agreement, the sellers are granted with the payment of a possible earn-out is foreseen within 24 months from the closing date which will be valued in accordance with tests that will be performed on plants and on contracts existing at August 2013. This price adjustment will be calculated on the basis of a monthly fee determined for each plant at the date of calculation.

The acquisition is a business combination, therefore, the Group accounted for the acquisition in accordance with IFRS 3.

The following table sets forth the value of assets and liabilities transferred as at the acquisition date, their book value, the goodwill and the net cash flow used in the acquisition:

	Value at acquisition date	Book value
<b>Assets</b>		
Property, plant and equipment . . . . .	9	9
Other intangible assets . . . . .	13	13
Other investments . . . . .	1	1
Other non-current assets . . . . .	5	5
Deferred tax assets . . . . .	5	5
Inventory . . . . .	25	25
Trade receivables and advances to suppliers . . . . .	344	344
Current tax receivables . . . . .	31	31
Other current assets . . . . .	8	8
Cash and cash equivalents . . . . .	5	5
<b>Total assets . . . . .</b>	<b>446</b>	<b>446</b>
<b>Liabilities</b>		
Employee termination indemnities . . . . .	21	21
Provision for risks and charges . . . . .	8	8
Deferred tax liabilities . . . . .	1	1
Short term borrowings . . . . .	35	35
Trade payables and advances from customers . . . . .	269	269
Income tax payables . . . . .	17	17
Other current liabilities . . . . .	11	11
<b>Total liabilities . . . . .</b>	<b>362</b>	<b>362</b>
<b>Fair value of net assets . . . . .</b>	<b>84</b>	<b>84</b>
<b>Goodwill . . . . .</b>	<b>1,764</b>	
<b>Total considerations transferred . . . . .</b>	<b>1,848</b>	
<b>Total considerations transferred:</b>		
Consideration paid . . . . .	1,557	
Earn-out . . . . .	291	
<b>Total value of the business combination . . . . .</b>	<b>1,848</b>	
<b>Cash flow of the transaction:</b>		
Cash and cash equivalents from the acquiree . . . . .	5	
Consideration paid . . . . .	(1,557)	
<b>Net cash flow used in the transaction . . . . .</b>	<b>(1,552)</b>	

The fair value of net assets acquired through the business combination was determined at € 84 thousand, whereas the total value of the business combination was € 1,848 thousand.

The difference between the consideration transferred and the fair value of net assets acquired through the business combination equal to € 1,764 thousand, was recognized as "Goodwill".

The net cash flow used in the transaction amounted to € 1,552 thousand.

Starting from the date of acquisition until 30 September 2012, Mind S.r.l. contributed by € 223 thousand to Group revenues and incurred in a loss of € 41 thousand. Mind S.r.l. was subsequently merged by incorporation.

### Acquisition of fire prevention business unit ("DO-CI business unit")

On 27 February 2012 the company DO-CI Antincendio S.n.c. sold to the sub-holding Gruppo Sicura S.r.l., a business unit operating in the installation, expansion and maintenance of fire prevention and the wholesale of extinguishers and fire prevention material.

On 1 March 2012 the business unit was transferred Gruppo Sicura. It included the tangible assets and inventories used in company operations and employees' contracts.

The consideration transferred for the acquisition amounted to € 442 thousand, fully paid within the end of the financial year.

#### *Accounting effects of the acquisition*

The acquisition is a business combination, therefore, the Group accounted for the acquisition in accordance with IFRS 3.

The following table sets forth the value of assets and liabilities transferred as at the acquisition date, their book value, the goodwill and the net cash flow used in the acquisition:

	Value at acquisition date	Book value
<b>Assets</b>		
Property, plant and equipment . . . . .	18	18
Inventory . . . . .	24	24
<b>Total assets</b> . . . . .	<b>42</b>	<b>42</b>
<b>Liabilities</b>		
Employee termination indemnity . . . . .	28	28
<b>Total liabilities</b> . . . . .	<b>28</b>	<b>28</b>
<b>Fair value of net assets</b> . . . . .	<b>14</b>	<b>14</b>
<b>Goodwill</b> . . . . .	<b>428</b>	
<b>Consideration transferred</b> . . . . .	<b>442</b>	
<b>Total value of business combination</b> . . . . .	<b>442</b>	
<b>Total cost of business combination</b>		
Consideration paid . . . . .	442	
Acquisition related costs . . . . .	0	
<b>Total cost</b> . . . . .	<b>442</b>	
<b>Cash flow of the transaction</b>		
Cash and cash equivalents from the acquiree . . . . .	0	
Acquisition related costs . . . . .	0	
Consideration paid . . . . .	(442)	
<b>Net cash flow used in the transaction</b> . . . . .	<b>(442)</b>	

The fair value of net assets acquired through the business combination was determined at € 14 thousand, whereas the total value of the business combination was € 442 thousand.

The difference between the consideration transferred and the fair value of net assets acquired through the business combination equal to € 428 thousand, was recognized as "Goodwill".

The net cash flow used in the transaction amounted to € 442 thousand.

### Acquisition of 100% interest in SIE S.r.l.

On 5 June 2012, MIA S.p.A. acquired the 100% ownership interest in SIE S.r.l., a company based in Aci Catena (CT), operating in the local business of installation, maintenance and repair of lifts, goods lifts and elevating systems.



The consideration transferred for the acquisition amounted to € 2,216 thousand.

#### *Accounting effects of the acquisition*

The consideration amounting to € 1,776 thousand was paid to sellers upon the finalization of the transaction, whereas for the remaining part (€ 440 thousand) an escrow account was set up to guarantee the contract obligations.

Under the contract the payment of a possible earn-out to the sellers is foreseen within 48 months from the closing date on the basis of tests performed on the plants sold by that date.

The acquisition is a business combination, therefore, the Group accounted for the acquisition in accordance with IFRS 3.

The following table sets forth the value of assets and liabilities transferred as at the acquisition date, their book value, the goodwill and the net cash flow used in the acquisition:

	Value at acquisition date	Book value
<b>Assets</b>		
Property, plant and equipment . . . . .	9	9
Other intangible assets . . . . .	4	4
Trade receivables and advances to suppliers . . . . .	873	873
Current tax receivables . . . . .	9	9
Other current assets . . . . .	14	14
Cash and cash equivalents . . . . .	9	9
<b>Total assets . . . . .</b>	<b>918</b>	<b>918</b>
<b>Liabilities</b>		
Employee termination indemnity . . . . .	86	86
Short term borrowings . . . . .	383	383
Trade payables and advances from customers . . . . .	205	205
Income tax payables . . . . .	39	39
Other current liabilities . . . . .	88	88
<b>Total liabilities . . . . .</b>	<b>801</b>	<b>801</b>
<b>Fair value of net assets . . . . .</b>	<b>117</b>	<b>117</b>
<b>Goodwill . . . . .</b>	<b>2,136</b>	
<b>Total value of business combination . . . . .</b>	<b>2,253</b>	
<b>Total value of business combination:</b>		
Consideration paid . . . . .	1,776	
Earn out . . . . .	37	
Amount in Escrow . . . . .	440	
<b>Total value of business combination . . . . .</b>	<b>2,253</b>	
<b>Cash flow of the transaction</b>		
Cash and cash equivalents from the acquiree . . . . .	9	
Consideration paid . . . . .	(2,216)	
<b>Net cash flow used in the transaction . . . . .</b>	<b>(2,207)</b>	

The fair value of net assets acquired through the business combination was determined at € 117 thousand, whereas the total value of the business combination was € 2,253 thousand.

The difference between the consideration transferred and the fair value of net assets acquired through the business combination equal to € 2,136 thousand, was recognized as "Goodwill".

The net cash flow used in the transaction amounted to € 2,207 thousand.

Starting from the date of acquisition until 30 September 2012, SIE S.r.l. contributed by € 25 thousand to Group revenues. SIE S.r.l. was subsequently merged by incorporation.

#### **Acquisition of "San Camillo" business unit**

On 7 June 2012 Fondazione San Camillo sold a business unit to the Parent Company, MFM S.p.A., consisting of assets organised to provide Sanitation and cleaning services for its own properties and equipment located at San Camillo hospital.

The consideration transferred for the acquisition amounted to € 5 thousand.

The acquisition is a business combination, therefore, the Group accounted for the acquisition in accordance with IFRS 3.

The following table sets forth the value of assets and liabilities transferred as at the acquisition date, their book value, the goodwill and the net cash flow used in the acquisition:

	Value at acquisition date	Book value
<b>Assets</b>		
Property, plant and equipment . . . . .	5	5
Cash and cash equivalents . . . . .	90	90
<b>Total assets . . . . .</b>	<b>95</b>	<b>95</b>
<b>Liabilities</b>		
Employee termination indemnity . . . . .	67	67
Other current liabilities . . . . .	23	23
<b>Total liabilities . . . . .</b>	<b>90</b>	<b>90</b>
<b>Fair value of net assets . . . . .</b>	<b>5</b>	<b>5</b>
<b>Goodwill . . . . .</b>	<b>0</b>	
Consideration transferred . . . . .	5	
<b>Total value of business combination . . . . .</b>	<b>5</b>	
<b>Total value of business combination:</b>		
Consideration paid . . . . .	5	
<b>Total value of business combination . . . . .</b>	<b>5</b>	
<b>Cash flow of the transaction</b>		
Cash and cash equivalents from the acquiree . . . . .	90	
Consideration paid . . . . .	(5)	
<b>Net cash flow from the transaction . . . . .</b>	<b>85</b>	

The fair value of net assets acquired through the business combination was determined at € 5 thousand. The transfer price was determined on the basis of the book values of assets and liabilities, and no difference with fair value emerged.

The net cash flow from the transaction amounted to € 85 thousand.

#### **Acquisition of a 70% interest in E.P. Servizi S.r.l.**

On 2 October 2012, MIA S.p.A. acquired a 70% interest in E.P. Servizi S.r.l., a company based in Prato, operating in the lift installation and maintenance business.

The initial consideration transferred for the acquisition amounted to € 2,019 thousand.

### Accounting effects of the acquisition

The consideration for the purchase of the interest was paid (€ 1,537 thousand) to sellers upon the finalization of the transaction, whereas the remaining part (€ 482 thousand) has been accounted for a liability toward the sellers in the financial statements.

Starting on 1 January 2018, a Call option will be available for MIA S.p.A., exercisable within 6 days, on an interest of 6% of the company's total share capital. Should MIA S.p.A. not exercise the call option within that period, the company shareholders will be given right to sell. However, should MIA S.p.A. has exercised the first call option, a second call option will be given on the remaining share capital that could be exercised between 1 January 2019 and 31 December 2019, followed by a possible put option granted to the sellers on the entire share capital they hold, which can be exercised between 1 January 2020 and 31 December 2025. Given that the decision to exercise the put option by minority interests is at the discretion of MIA S.p.A., the management didn't recognize the options in the financial statements, in accordance with IAS/IFRS.

The acquisition is a business combination, therefore, the Group accounted for the acquisition in accordance with IFRS 3.

The following table sets forth the value of assets and liabilities transferred as at the acquisition date, their book value, the goodwill and the net cash flow used in the acquisition:

	Value at acquisition date	Book value
<b>Assets</b>		
Other intangible assets . . . . .	411	411
Other non-current assets . . . . .	2	2
Other current assets . . . . .	8	8
Cash and cash equivalents . . . . .	3	3
<b>Total assets . . . . .</b>	<b>424</b>	<b>424</b>
<b>Liabilities</b>		
Short term borrowings . . . . .	6	6
Trade payables and advances from customers . . . . .	348	348
Income tax payables . . . . .	59	59
Other current liabilities . . . . .	1	1
<b>Total liabilities . . . . .</b>	<b>414</b>	<b>414</b>
<b>Fair value of net assets . . . . .</b>	<b>10</b>	<b>10</b>
<b>Goodwill . . . . .</b>	<b>2,009</b>	
<b>Total value of business combination . . . . .</b>	<b>2,019</b>	
<b>Total value of business combination:</b>		
Consideration paid . . . . .	1,537	
Residual debt for acquisition . . . . .	482	
<b>Total value of business combination . . . . .</b>	<b>2,019</b>	
<b>Cash flow of the transaction</b>		
Cash and cash equivalents from the acquire . . . . .	3	
Consideration paid . . . . .	(1,537)	
<b>Net cash flow used in the transaction . . . . .</b>	<b>(1,534)</b>	

The fair value of net assets acquired through the business combination was determined at € 10 thousand, whereas the total value of the business combination was € 2,019 thousand.

The difference between the consideration transferred and the fair value of net assets acquired through the business combination equal to € 2,009 thousand, was recognized as "Goodwill".

The net cash flow used in the transaction amounted to € 1,534 thousand.

Starting from the date of acquisition, E.P. Servizi S.r.l. contributed by € 221 thousand to Group revenues and with € 92 thousand to the net result.

#### 4. Property, plant and equipment

The table below shows the movements in property, plant and equipment during the year ended 31 December 2012:

(in thousands of Euro)	Properties	Plant and equipment	Properties under lease	Plant and equipment under lease	Total
<b>As of 1 January 2012, net of accumulated depreciation and impairment</b>	1,494	66,962	254	6,658	75,368
Additions due to business combination	0	140	0	0	140
Additions from acquisition	4,022	31,790	0	0	35,812
Impairment losses	0	0	0	0	0
Disposal	0	(1,020)	0	0	(1,020)
Depreciation for the year	(267)	(22,792)	(11)	(874)	(23,944)
Other	0	(53)	0	(31)	(84)
<b>As of 31 December 2012</b>	<b>5,249</b>	<b>75,027</b>	<b>243</b>	<b>5,753</b>	<b>86,272</b>
<b>As of January 1, 2012</b>					
Cost	3,387	248,688	375	11,208	263,658
Accumulated depreciation and impairment losses	(1,893)	(181,726)	(121)	(4,550)	(188,290)
<b>Net Book Value</b>	<b>1,494</b>	<b>66,962</b>	<b>254</b>	<b>6,658</b>	<b>75,368</b>
<b>As of 31 December 2012</b>					
Cost	7,409	277,833	375	9,969	295,586
Accumulated depreciation and impairment losses	(2,160)	(202,806)	(132)	(4,216)	(209,314)
<b>Net Book Value</b>	<b>5,249</b>	<b>75,027</b>	<b>243</b>	<b>5,753</b>	<b>86,272</b>

Business combination increases related to Property, Plant and Equipment, amounting to € 140 thousand, refer to assets of the companies acquired in the year, mainly by the subsidiary MIA S.p.A..

Increases for purchases in the year (€ 31,868 thousand) refer to investments made by Servizi Ospedalieri, mainly for the purchase of linen to be used in laundering activities (€ 17,545 thousand) and for plant, equipment and specific equipment (including surgical instruments) related to said activities (€ 11,046 thousand). During the year this company also bought a building in Lucca with the aim of supporting the linen rental and industrial laundering services provided in the area. Renovation was started on the building for a total investment of € 3,956 thousand, at consolidated level.

The remaining amount of € 3,944 thousand mainly refers to the purchase of equipment used for facility management.

Decreases in plant and equipment by € 609 thousand refer principally to the sale of linen and equipment by the subsidiary Servizi Ospedalieri S.p.A..

Other minor variation are related to reclassifications between assets, especially as a result of the redemption of leased assets and equipment.

The table below shows the movements in property, plant and equipment during the year ended 31 December 2011.

(in thousands of Euro)	Properties	Plant and equipment	Properties under lease	Plant and equipment under lease	Total
<b>As of 1 January 2011, net of accumulated depreciation and impairment</b> . . . . .	1,657	61,070	266	5,213	68,206
Additions due to business combination . . . . .	0	250	0	0	250
Additions from acquisition . . . . .	0	27,528	0	2,475	30,003
Impairment losses . . . . .	0	0	0	0	0
Disposal . . . . .	(12)	(676)	0	0	(688)
Depreciation of the year . . . . .	(150)	(21,171)	(10)	(944)	(22,275)
Other . . . . .	(1)	(39)	(2)	(86)	(128)
<b>As of 31 December 2011</b> . . . . .	<b>1,494</b>	<b>66,962</b>	<b>254</b>	<b>6,658</b>	<b>75,368</b>
<b>As of January 1, 2011</b>					
Cost . . . . .	3,520	225,981	375	9,735	239,611
Accumulated depreciation and impairment losses . . . . .	(1,863)	(164,911)	(109)	(4,522)	(171,405)
<b>Net Book Value</b> . . . . .	<b>1,657</b>	<b>61,070</b>	<b>266</b>	<b>5,213</b>	<b>68,206</b>
<b>As of 31 December 2011</b>					
Cost . . . . .	3,387	248,688	375	11,208	263,658
Accumulated depreciation and impairment losses . . . . .	(1,893)	(181,726)	(121)	(4,550)	(188,290)
<b>Net Book Value</b> . . . . .	<b>1,494</b>	<b>66,962</b>	<b>254</b>	<b>6,658</b>	<b>75,368</b>

## 5. Intangible assets

The table below shows the movements occurred in intangible assets during the year ended 31 December 2012:

(in thousands of Euro)	Other intangible assets	Goodwill	Total
<b>As of 1 January 2012, net of accumulated amortization and impairment</b>			
As of 1 January 2012, net of accumulated amortization and impairment	26,622	411,995	438,617
Additions due to business combination	430	7,887	8,317
Additions from acquisition	8,537	0	8,537
Amortization of the year	(8,724)	0	(8,724)
Impairment losses	(27)	(16)	(43)
Other	81	(1,142)	(1,061)
<b>As of 31 December 2012</b>	<b>26,919</b>	<b>418,724</b>	<b>445,643</b>
<b>As of January 1, 2012</b>			
Cost	62,702	414,372	477,074
Accumulated amortization and impairment losses	(36,080)	(2,377)	(38,457)
<b>Net Book Value</b>	<b>26,622</b>	<b>411,995</b>	<b>438,617</b>
<b>As of 31 December 2012</b>			
Cost	73,069	421,117	494,186
Accumulated amortization and impairment losses	(46,150)	(2,393)	(48,543)
<b>Net Book Value</b>	<b>26,919</b>	<b>418,724</b>	<b>445,643</b>

Goodwill is tested annually for impairment, as described in note 6.

The increase in the item relates mainly to business combinations performed by the sub-holding MIA S.p.A. and Gruppo Sicura S.r.l., as summarised below:

	Acquisition	Earn-out	Put options	Total
Acquisition of fire prevention business unit	428	0	0	428
Acquisition of ABM S.r.l.	983	217	351	1,551
Acquisition of MIND S.r.l.	1,473	291	0	1,764
Acquisition of SIE S.r.l.	2,099	37	0	2,136
Acquisition of EP Servizi S.r.l.	2,009	0	0	2,009
<b>Total business combinations</b>	<b>6,991</b>	<b>545</b>	<b>351</b>	<b>7,887</b>

All the above business combinations were related to the Facility Management SBU.

In addition, the Group accounted for other movements during the year due to the recognition of liabilities measured at fair value related to put options and earn-outs, recognized as part of the business combinations finalized in previous years, for € 1,142 thousand.

The item Other intangible assets, amounting to € 26,919 thousand as at 31 December 2012, is mainly composed by investments in software made to upgrade company IT systems. Increases for purchases during the year (€ 8,537 thousand) are mainly due to software investments.

The other intangible assets acquired under the business combinations are mainly customer relationship acquired by MIA S.p.A. as part of the business combination with EP Servizi S.r.l. (€ 411 thousand). Subsequently, MIA S.p.A. acquired additional maintenance contracts for elevating systems for a total of € 384 thousand, through the subsidiaries Lenzi S.p.A. and COFAM S.r.l..



The amortisation charges of intangible assets amounted to € 8,724 thousand in 2012, compared to € 10,165 thousand in the previous year. Amortisation of backlog amounted to € 3,699 thousand, of which € 1,021 thousand related to the acquisitions performed by MIA S.p.A..

The table below shows the movements occurred in intangible assets in the year ended 31 December 2011.

(in thousands of Euro)	Other intangible assets	Goodwill	Total
<b>As of 1 January 2011, net of accumulated amortization and impairment</b>			
As of 1 January 2011, net of accumulated amortization and impairment	25,379	391,755	417,134
Additions due to business combination	3,776	23,952	27,728
Additions from acquisition	7,752	0	7,752
Amortization of the year	(10,165)	0	(10,165)
Impairment losses	(120)	(41)	(161)
Other	0	(3,671)	(3,671)
<b>As of 31 December 2011</b>	<b>26,622</b>	<b>411,995</b>	<b>438,617</b>
<b>As of January 1, 2011</b>			
Cost	53,182	394,091	447,273
Accumulated amortization and impairment losses	(27,803)	(2,336)	(30,139)
<b>Net Book Value</b>	<b>25,379</b>	<b>391,755</b>	<b>417,134</b>
<b>As of 31 December 2011</b>			
Cost	62,702	414,372	477,074
Accumulated amortization and impairment losses	(36,080)	(2,377)	(38,457)
<b>Net Book Value</b>	<b>26,622</b>	<b>411,995</b>	<b>438,617</b>

## 6. Impairment testing of goodwill

The widespread restructuring process implemented by the Group over the last few years, leading to a simplification in the number of legal entities through business combinations, has strengthened the business model, whose goal is to manage all services offered, no longer by legal entity. This has also led to a redefinition of the Cash-Generating Units, which are now equal to the SBUs in which the Group operates, regardless of the legal entities.

This approach is the result of development of the business view adopted by the MFM Group's management, which is increasingly targeted to the integration of the offer, without any restriction by the legal entity or service offered.

The SBUs identified and their composition, by corporate, is as follows:

### ***SBU—Facility management***

The SBU includes:

- Manutencoop Facility Management S.p.A.
- Manutencoop Private Sector Solutions S.p.A.
- SMAIL S.p.A. and the groups controlled by Gruppo Sicura S.r.l. and by MIA S.p.A., operating in the facility management sector as suppliers of dedicated services.
- Telepost S.p.A., which provides internal mailing services for the Telecom Italia Group.
- Other minor companies operating in the same sector.

### ***SBU—Laundering & sterilisation***

The SBU includes:

- Servizi Ospedalieri S.p.A., operating in the linen rental and industrial laundering sector for hospitals and the sterilisation of linen and surgical instruments.
- A.M.G. S.r.l., a joint venture (50%) with Servizi Ospedalieri S.p.A..
- Other minor companies operating in the same sector.

### ***SBU—Other***

The SBU includes:

- Energyproject S.p.A., operating in the business of construction and marketing of photovoltaic plants, which, starting from 2011, has been left gradually.
- MACO S.p.A., the company to which the business unit relating to Group “building” activities was allocated in 2009. The management is also assessing whether to leave this activity, which is no longer considered strategic.
- Other minor companies operating in the same sector.

The MFM Group’s management believe that the above-mentioned SBU structure is consistent with the provisions of the accounting standards, with regard to the identification of the CGUs used for impairment testing purposes.

This breakdown into CGUs is compliant with the requirements set forth in IAS 36, which requires the impairment tests calculation to be consistent with the reports used by the key decision makers monitoring the company performances and determining future development strategies.

The carrying amounts of goodwill accounted for in the consolidated financial statements as at 31 December 2012 are shown below, detailed by each CGUs, compared with the figures for the year ended 31 December 2011.

Carrying amount of consolidated goodwill (in thousands of Euro)	At 31 December 2012	At 31 December 2011
Goodwill CGU Facility Management . . . . .	405,914	399,185
Goodwill CGU Laundering/Sterilization . . . . .	12,810	12,810
Goodwill CGU Other . . . . .	0	0
<b>Total goodwill . . . . .</b>	<b>418,724</b>	<b>411,995</b>

Goodwill is subject to impairment testing on an annual basis or more frequently if there are indications that the carrying value may be impaired.

The impairment test is performed by comparing the carrying amount of each CGUs with its value in use, determined through the discounting of expected future cash flows obtained, over a reasonable period of time (no more than four years), from the business plans prepared by top management and approved by the Parent Company’s Management Board.

Where possible, in order to support the impairment test analysis, the carrying amount of the CGUs was also compared with estimated fair value determined on the basis of multiples of competitors quoted on regulated capital markets and on the basis of implicit multiples determined on the basis of recent transactions related to companies operating in the same business.

The business plans used for the analysis described in this note were reviewed and approved by Manutencoop Facility Management S.p.A.’s Management Board on 19 December 2012.

In order to determine the cash flows for periods exceeding the explicit estimation period, a constant growth rate of 1% for the Facility Management CGU and 0.5% for the Laundering & Sterilisation CGU was prudentially assumed .

#### ***Facility management CGU goodwill***

The goodwill allocated to the facility management CGU, amounting to € 405,914 thousand as at 31 December 2012, was recorded as a result of several business combinations from 2004, the most important of which are listed below:

- Operation 'Palladio', which took place on 29 December 2003, where the Group acquired the control of the business unit related 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...). During 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., merged by incorporation in 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 balance the customer portfolio towards large private customers. In 2010 the main companies in the Altair sub-group were incorporated in Manutencoop Facility Management S.p.A..
- Acquisition of Gruppo Sicura S.r.l., which started the increase in the range of specialist facility management services in the fire prevention and accident prevention business.
- Acquisitions made by MIA S.p.A., leading to a network of companies operating over the whole Italian territory operating in the business of elevating system (goods lifts and lifts) installation and maintenance services.

In 2012 the value of goodwill related to the Facility Management CGU increased by € 6,729 thousand, as described in note 5.

The recoverable amount of the goodwill allocated to the Facility Management CGU was calculated on the basis of the value in use. The expected cash flows included in the latest financial plan approved by the Group's Management Board was used for the calculation, covering a period of three years. The discount rate applied to the expected cash flows was 7.46% (2011: 7.86%) and cash flows beyond three years were calculated using a growth rate of 1%, which is equal to the growth rate used in 2011.

#### ***Laundering & Sterilisation CGU goodwill***

The goodwill allocated to the Laundering & Sterilisation CGU emerged not only as a result of the acquisition occurred in 2007 of Omasa S.p.A., a company operating in the business of sterilisation of surgical instruments and linen, and as a result of the acquisition of an interest in the joint-venture AMG S.r.l., but also following further minor acquisitions, made by Servizi Ospedalieri S.p.A., a company operating in the linen rental and industrial laundering and sterilisation business.

The company 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 & Sterilisation CGU, unchanged with respect to the previous year, amounted to € 12,810 thousand as at 31 December 2012, and was tested for impairment purposes losses, using the following assumptions:

- The expected cash flows are included in the financial plan approved by the Group's Management Board, covering a period of three years.
- Cash flows beyond three years were calculated on the basis of a growth rate of 0.5%, which is equal to the one used in 2011.
- Discount rate applied to expected cash flows was 6.19% (2011: 6.94%).

#### **Assumptions used to calculate the value in use of the Group's CGUs as at 31 December 2012**

The main assumptions underlying cash flow projections for impairment testing of goodwill purposes are the following:

- Forecast operating margins: the basis used to determine the value of the expected gross margins is the projection of the backlog of existing service contracts, increased by the assumption of new portfolio acquisitions.
- Changes in net working capital: calculated on the basis of estimated target days of stock rotation, the payment of amounts due and collection of receivables.

The discount rate used for the various CGU's is related to the interest rates used to determine the WACC.

For all CGUs analysed, the analysis confirmed that the recoverable value exceeds the related carrying amount, therefore no write-down was required.

## **7. Investments accounted for under the equity method**

The Group holds some investments in associates which in the consolidated financial statements are accounted for under the equity method.

A list of these companies is provided in the section, *consolidation principles*, and in Annex I to the Consolidated Financial Statements.

As at 31 December 2012, the investments accounted for under equity method amounted to € 27,881 thousand, compared to € 15,931 thousand in the previous year.

	Net assets at 31 December 2012	Net assets at 31 December 2011
Investments accounted for under the equity method . . . . .	27,881	15,931
Provision for risks on investments accounted for under the equity method . . . . .	(153)	(408)
	<b>27,728</b>	<b>15,523</b>

Details of changes occurred during the year are shown in Annex II.

During 2012, the valuation of investments accounted for under the equity method led to the recognition of a positive result amounting to € 3,252 thousand, with regard to the Group's share, as a result of the recognition of share of net profit of associates of € 3,325 thousand and write-downs of € 142 thousand. Furthermore, losses were directly recognized in the shareholders' equity of associates for a total amount of € 995 thousand.

It should be noted that during the year was established the company Synchron Nuovo S. Gerardo S.p.A. for a value amounting to € 2,923 thousand (35.82%) and an interest in the company Palazzo della Fonte S.c.p.a. was acquired (33.3%) at a value of € 8,000 thousand.

## 8. Other investment and non-current financial assets

The table below sets forth the details of non-current financial assets as at 31 December 2012 and 31 December 2011:

(in thousands of Euro)	At 31-Dec-12	At 31-Dec-11
Other investments . . . . .	3,041	2,239
Non-current financial assets . . . . .	11,455	14,796
	<b>14,496</b>	<b>17,035</b>

The financial assets accounted for as 'Other investments' refer to investments in companies which are not subsidiaries nor associates made for strategical-production purposes. In addition, the caption includes investments in National Cooperative Consortia, as well as investments in production sites, or in other minor activities, such as industrial laundry services, performed by minor companies that can also act as sub-contractors.

Other investments are valued at purchase or establishment cost given that there is no active market for the associated securities, which for the most part cannot be freely transferred to third parties due to limitations and restrictions preventing their free circulation.

It should be mentioned that in 2012 the company Arena Sanità S.p.A. was established. Its aim is the management of the concession in project financing of hospital facilities of Integrated University Hospital in Verona. The share capital was also subscribed by the parent company MFM S.p.A. (10.69%) and Servizi Ospedalieri S.p.A. (5.20%) for a total amount of € 953 thousand.

The item *non-current financial assets* amounting to € 11,455 thousand as at 31 December 2012, is composed by:

- Non-current financial receivables due from associates and affiliates amounting to € 9,402 thousand (€ 10,275 thousand as at 31 December 2011). Some of these do not bear interest as they were allocated proportionally by each associated shareholder and, therefore, they are discounted on the basis of the expected residual duration, by applying as a reference the Eurirs rate plus a spread. The nominal value of these receivables amounted to € 9,890 thousand, whereas the provision for discount amounted to € 489 thousand.
- Non-current financial receivables due from third parties amounting to € 1,890 thousand (€ 4,366 thousand as at 31 December 2011).
- Securities held until maturity for € 163 thousand (€ 154 thousand as at 31 December 2011).

## 9. Other investment (additional information)

As at 31 December 2012, the Group holds 7 investments in joint-ventures, as detailed in the *consolidation principles* section above.

These are related mainly to companies and consortium companies not listed on regulated capital markets and established for the purpose of managing relations under temporary associations of companies set up for certain facility management service contracts.

The total amount for assets and liabilities, revenues and results pertaining to the Group's for the year ended 31 December 2012, as included in the consolidated financial statements, compared with the same figures for the year ended 31 December 2011 are shown below:

(in thousands of Euro)	At 31-Dec-12	At 31-Dec-11
Non-current assets . . . . .	2,420	2,290
Current assets . . . . .	8,657	7,882
<b>Total Assets . . . . .</b>	<b>11,077</b>	<b>10,172</b>
Non-current liabilities . . . . .	1,051	1,201
Current liabilities . . . . .	8,926	7,916
<b>Total Liabilities . . . . .</b>	<b>9,977</b>	<b>9,117</b>

(in thousands of Euro)	FY 2012	FY 2011
Revenues . . . . .	6,621	7,303
Operating costs . . . . .	(6,412)	(7,225)
<b>Operating income . . . . .</b>	<b>209</b>	<b>78</b>
Net financial expenses . . . . .	(59)	(76)
<b>Profit before taxes . . . . .</b>	<b>150</b>	<b>2</b>
Income taxes . . . . .	(82)	(29)
<b>Net profit (loss) for the year . . . . .</b>	<b>68</b>	<b>(27)</b>

## 10. Other non-current assets

Other non-current assets amounted to € 1,746 thousand as at 31 December 2012 (€ 1,772 thousand as at 31 December 2011), composed mainly of security deposits related to long-term production contracts (€ 1,010 thousand) and long-term referrals relating to certain job orders (€ 646 thousand).

## 11. Inventories

The Group inventories accounted to € 11,240 thousand as at 31 December 2012, a decrease of € 1,208 thousand compared to the previous year.

(in thousands of Euro)	At 31-Dec-12	At 31-Dec-11
Raw materials and consumables . . . . .	12,210	13,263
Works in progress . . . . .	0	0
Finished goods . . . . .	0	0
Inventory reserve . . . . .	(970)	(815)
<b>Total inventories . . . . .</b>	<b>11,240</b>	<b>12,448</b>

Raw materials and consumables amount is composed of materials stored in the warehouses, waiting to be used at work sites, valued under the average weighted purchase cost, and by goods (mainly safety and fire prevention devices) stored in the warehouses of the Sicura Group, by components for photovoltaic systems stored at Energyproject S.p.A., and stocks of fuel in tanks stored by integrated service customers.



## 12. Trade receivables, advances to suppliers and other current assets

The following table includes the details of the breakdown of trade receivables and advances to suppliers and other current assets:

(in thousands of Euro)	At 31-Dec-12	At 31-Dec-11
Work in progress on order . . . . .	27,421	26,404
Third party trade receivables, gross . . . . .	643,599	658,150
Allowance for doubtful accounts . . . . .	(33,083)	(24,386)
Provision for discounting of trade receivables . . . . .	(220)	(1,204)
<b>Trade receivables due from third parties . . . . .</b>	<b>637,717</b>	<b>658,964</b>
Work in progress on order from associates . . . . .	20	27
Receivables from parent company . . . . .	80	70
Trade receivables from associates . . . . .	15,033	20,109
Trade receivable from affiliates . . . . .	380	668
<b>Trade receivables due from related parties . . . . .</b>	<b>15,513</b>	<b>20,874</b>
Advances to suppliers . . . . .	2,267	2,433
<b>Total receivables and advances to suppliers . . . . .</b>	<b>655,497</b>	<b>682,271</b>
Current taxes assets . . . . .	10,286	7,724
Other current assets due from third parties . . . . .	8,256	6,691
Due from social security institutions . . . . .	2,856	1,983
Due from employees . . . . .	535	443
<b>Other current assets due from third parties . . . . .</b>	<b>21,933</b>	<b>16,841</b>
Due from parent company . . . . .	16	22
Due from associates . . . . .	78	0
<b>Other current assets from related parties . . . . .</b>	<b>94</b>	<b>22</b>
Accrued income . . . . .	2	15
Prepaid expenses . . . . .	1,661	1,488
<b>Accrued income and prepaid expenses . . . . .</b>	<b>1,663</b>	<b>1,503</b>
<b>Other current assets . . . . .</b>	<b>23,690</b>	<b>18,366</b>

See note 35 for the terms and conditions applicable to receivables due from related parties.

The balance of trade receivables and advances to suppliers, which also includes inventories of contract work in progress, amounted to € 655,497 thousand as at 31 December 2012, a decrease of € 26,774 thousand compared to the balance of € 682,271 thousand as at 31 December 2011. The item includes non interest-bearing loans which generally have contractual maturities between 30 and 90 days.

The variation is mainly due to the decrease in gross trade receivables, which amounted to € 643,599 thousand as at 31 December 2012 (31 December 2011: € 658,150 thousand), reduced by higher allowances, amounting to € 33,083 thousand as at 31 December 2012 (31 December 2011: € 24,386 thousand).

In 2012, non-recourse factoring on a revolving basis, continued with Crédit Agricole Corporate & Investment Bank and Intesa San Paolo, for a total nominal value of € 459.1 million. Given the characteristics of the transactions, the receivable were derecognized and credit discount costs (€ 1,515 thousand) as well as interest discount costs (€ 7,460 thousand) were accounted for.

As at 31 December 2012, the amount of receivables transferred to factoring by the Group and still not collected by the factor amounted to € 146.3 million (€ 176.4 million as at 31 December 2011).

During the year there were also non-recourse factoring transactions performed on a non-recurrent basis on trade receivables due from Telecom Italia for a total amount of € 52,703 thousand (€ 36,736 thousand in 2011). These receivables were fully paid by the customer on 15 January 2013. The transactions generated interest discount costs for a total amount of € 190 thousand (€ 143 thousand as at 31 December 2011) and credit discount charges for € 79 thousand (€ 73 thousand as at 31 December 2011).

Based on the historical performance of the debtors involved in the factoring transactions, the incidence of the credit risk is extremely low, whereas the risk of delay in payment is higher given that said receivables are mainly due from Public Administrations.

As part of the non-recourse factoring transactions the Group issued sureties for a total nominal value of € 9,576 thousand. Given the characteristics of the transactions and the protections to which the enforcement of the sureties is subject, the fair value of the underlying financial guarantees is estimated at € 237 thousand (31 December 2011: € 211 thousand), accounted for by the Group under Loans and other current financial liabilities. The fair value difference compared to 31 December 2011 was recorded as a reduction of financial charges.

*Trade receivables due from Group companies* include, in particular, receivables due from Se.sa.mo. S.p.A., amounting to € 4,056 thousand, receivables due from San Martino 2000 Soc.Cons. a r.l., amounting to € 1,079 thousand, and amounts due from Bologna Multiservizi Soc.Cons. a r.l. amounting to € 1,967 thousand.

Given that the main part of the Group's customers is represented by Public Administrations, which are slow payers, it was necessary to discount trade receivables.

Changes in the provision for discounting of trade receivables in 2012 are shown below:

	At 31 December 2011	Increases	Releases	Other	At 31 December 2012
Provision for the discounting of trade receivables . . . . .	1,204	84	(1,067)	0	221

The decrease in the provision for discounting receivables is primarily due to the significant fall in rates, in addition to a trend showing improvements in collection time.

With respect to doubtful accounts receivables, a specific provision for bad debts was accrued, which is deemed suitable with respect to ongoing disputes at the reporting date and amounting to € 33,083 thousand as at 31 December 2012 (31 December 2011: € 24,386 thousand).

Details of movements in the allowance for doubtful accounts for the year ended 31 December 2012 are provided below:

(in thousands of Euro)	At 31-Dec-11	Increases	Utilization	Release	Business combination	Other	At 31-Dec-12
Allowance for doubtful accounts . . . . .	24,386	12,902	(3,811)	(649)	15	240	33,083

Other movements include the increase in the consolidated provision for penalty interest charged to customers.

An analysis of trade receivables as at 31 December 2012 and as at the end of the previous year is provided below, broken down by maturity.

(in thousands of Euro)	Total	Not yet due	Past due trade receivables				
			< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	after 120 days
At 31-Dec-12 . . . . .	610,517	381,487	29,422	22,248	15,145	15,472	146,743
At 31-Dec-11 . . . . .	633,763	415,802	29,420	20,451	17,681	15,913	134,496

The balances shown are net of the allowance for doubtful accounts but include the effect of discounting.

*Current taxes receivables*, amounting to € 10,286 thousand as at 31 December 2012 (€ 7,724 as at 31 December 2011), increased mainly for the recognition of a receivable accounted for as a result of a request for the reimbursement submitted for the deduction of IRAP from the IRES tax calculation basis issued by the companies not included to the National Tax Consolidation agreement with Manutencoop Società Cooperativa (€ 2,595 thousand). The balance also includes VAT receivables accounted for in the financial statements of Group Companies.

*Other current assets due from third parties* (€ 8,256 thousand) are composed by the 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 provided by a property management contract in place with the aforementioned authority. Some restrictions have been placed on said accounts by the Courts as a result of the dispute ongoing with INPDAP (Social Security Institute for employees in public administration). Therefore, for the purposes of an accurate presentation, it was deemed appropriate to disclose these accounts under *Other current assets due from third parties*.

### 13. Cash and cash equivalents and current financial assets

The table sets forth the breakdown of cash and cash equivalents and current financial assets as at 31 December 2012 and 31 December 2011:

(in thousands of Euro)	31-Dec-12	31-Dec-11
Bank deposits on demand . . . . .	39,557	33,952
Cash on hand . . . . .	115	235
Deposit with consortia . . . . .	12,315	8,469
<b>Cash and cash equivalents . . . . .</b>	<b>51,987</b>	<b>42,656</b>
Financial assets . . . . .	10,067	6,551
Financial assets from associates . . . . .	1,133	1,200
Dividends . . . . .	2	—
<b>Current financial assets . . . . .</b>	<b>11,202</b>	<b>7,751</b>

*Cash and cash equivalents* increased by € 9,331 thousand, from € 42,656 thousand as at 31 December 2011 to € 51,987 thousand as at 31 December 2012.

Bank deposits are interests bearing on the basis of the respective short-term interest rates.

Deposit with consortia relate to amounts deposited at Consorzio Cooperativo Finanziario Per Lo Sviluppo (C.C.F.S.) and Consorzio Cooperative Costruzioni (C.C.C.) and they are comparable to bank deposit on demand and bears interests.

Current financial assets amounted to € 11,202 thousand as at 31 December 2012. The item mainly include receivable for short-term loans granted to non-consolidated companies (€ 1,133 thousand), pledged current accounts related to the collection service of the receivables transferred without recourse to Banca IMI (€ 7,666 thousand), receivables from joint-ventures (€ 606 thousand), and escrow amounts paid as part of business combinations (€ 597 thousand).

#### **14. Assets classified as held for sale and liabilities directly associated with assets classified as held for sale**

In 2012 MIA S.p.A. acquired ABM S.r.l., subsequently merged in Unilift S.r.l. (see note 3 for details). The agreement between the parties provides the sale to third parties or sellers at a set price by the beginning of 2013 of a building located in Noventa Vicentina (VI), and it is subject to a mortgage loan. The agreement also provides the sale of leased property used as office and located in the same municipality. In accordance with IFRS 5 these assets and related liabilities are classified as held for sale.

On 27 September the leased property was sold to third parties, whereas the sale of the owned building is still ongoing.

##### ***Assets classified as held for sale***

The table below shows an analytical breakdown of the assets classified as held for sale:

	Recognised value as at 31 December 2012
Property, plant and equipments . . . . .	130
<b>Assets classified as held for sale . . . . .</b>	<b>130</b>

A comparison of the carrying amount of assets classified as held for sale recognized in the financial statements with the market value or sale price set by contract, net of transaction costs, has been performed.

##### ***Liabilities directly associated with assets classified as held for sale***

The table below shows an analytical breakdown of liabilities directly associated with assets classified as held for sale as at 31 December 2012:

	Recognised value as at 31 December 2012
<b>(in thousands of Euro)</b>	
Loans and other current financial liabilities . . . . .	64
<b>Liabilities directly associated with assets classified as held for sale . . . . .</b>	<b>64</b>

##### ***Loss after taxes from discontinued operations***

The table below sets forth the details of losses from discontinued operations:

	31 December 2012	31 December 2011
<b>(in thousands of Euro)</b>		
Gain on discontinued operations . . . . .	0	16
Losses on discontinued operations . . . . .	(6)	(243)
Income taxes on discontinued operations . . . . .	0	0
<b>Loss after taxes from discontinued operations . . . . .</b>	<b>(6)</b>	<b>(227)</b>

Loss after taxes from discontinued operations in 2012 is entirely related to the loss recognised for the sale of the leased property.

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

(in thousands of Euro)	31 December 2012	31 December 2011
<b>Cash flow generated from disposal</b>		
Consideration received . . . . .	119	210
Net cash transferred . . . . .	0	(61)
Other cash flows . . . . .	0	(238)
<b>Net cash flow from/(used in) discontinued operations . . . . .</b>	<b>119</b>	<b>(89)</b>

Discontinued operations generated a net cash flow for € 119 thousand, due to the payment received for the sale of the leased property located in Vicenza.

**15. Share capital and reserves**

(in thousands of Euro)	At 31 December 2012	At 31 December 2011
Ordinary shares of with a nominal value Euro 1 each . . . . .	109,150	109,150

Ordinary shares have a nominal value of € 1 each.

Ordinary shares issued and fully paid up as at 31 December 2012 amounted to 109,149,600. The parent company does not hold own shares.

**Reserves and retained earnings**

The table below shows movements in shareholders' equity reserves and retained earnings:

(in thousands of Euro)	Share premium reserve	Legal reserve	SE reserves companies valued at SE	Cash flow hedge reserve	SORIE reserve	Other reserves	Total reserves
<b>1 January 2011 . . . . .</b>	<b>145,018</b>	<b>15,571</b>	<b>(495)</b>	<b>(1,130)</b>	<b>(2,661)</b>	<b>(22,037)</b>	<b>134,266</b>
Allocation of profit of previous years . . . . .		240	494			5,268	6,002
Other . . . . .						0	0
Economic effects on shareholders' equity . . . . .			(994)	95	(316)		(1,215)
<b>31 December 2011 . . . . .</b>	<b>145,018</b>	<b>15,811</b>	<b>(995)</b>	<b>(1,035)</b>	<b>(2,977)</b>	<b>(16,769)</b>	<b>139,053</b>
Allocation of profit of previous years . . . . .		346	1,326			6,555	8,227
Other . . . . .						0	0
Economic effects on shareholders' equity . . . . .			(521)	(150)	(2,388)		(3,059)
<b>31 December 2012 . . . . .</b>	<b>145,018</b>	<b>16,157</b>	<b>(190)</b>	<b>(1,185)</b>	<b>(5,365)</b>	<b>(10,214)</b>	<b>144,221</b>

The item *Other reserves* includes the following items:

- *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 December 2012.*

- The parent company's *extraordinary reserve* (€ 30,928 thousand).

Movements in the item *Retained Earnings* are detailed below.

(in thousands of Euro)	Accumulated profits (losses) of the parent company	Consolidation reserve	Total retained earnings
<b>1 January 2011</b> . . . . .	<b>3,809</b>	<b>14,634</b>	<b>18,443</b>
Allocation of profit of previous years . . . . .		1,742	1,742
Other . . . . .		0	0
<b>31 December 2011</b> . . . . .	<b>3,809</b>	<b>16,376</b>	<b>20,185</b>
Allocation of profit of previous years . . . . .		2,897	2,897
Other . . . . .		458	458
<b>31 December 2012</b> . . . . .	<b>3,809</b>	<b>19,731</b>	<b>23,540</b>

## 16. Employee termination indemnity

Movements in liabilities relating to employee termination indemnity in 2012 are shown below, compared with movements occurred in the previous year.

(in thousands of Euro)	For the the year ended	
	31 December 2012	31 December 2011
<b>Employee termination indemnity at the beginning of the year</b> . . . .	<b>31,356</b>	<b>29,537</b>
Increases for personnel acquired in business combinations . . . . .	239	3,894
Current service costs . . . . .	560	351
Interest costs on benefit obligation . . . . .	1,110	1,399
Curtailment . . . . .	0	443
Settlements . . . . .	11	0
Benefits paid . . . . .	(5,249)	(4,912)
Net actuarial loss recognised in the year . . . . .	3,294	436
Other . . . . .	0	208
<b>Employee termination indemnity at the end of the year</b> . . . . .	<b>31,321</b>	<b>31,356</b>

The increases for business combinations mainly refer to acquisitions made by the sub-group MIA S.p.A. (€ 239 thousand).

Settlements includes the differences accounted for in the statement of income between the value of TFR recognised in the financial statements at the time of the transfer of employment agreements, for the transfer or assignment, and the value of TFR effectively transferred, calculated in accordance with statutory Italian legislation and, therefore, reflecting the actual indemnities accrued for each employee.

During the year ended 31 December 2012 the Group accounted for actuarial losses amounting to € 3,294 thousand (€ 436 thousand as at 31 December 2011), due to a significant decrease in the actuarial rates used for the valuation of the liability.



Details of the net cost of the benefit relating to employee termination indemnity are shown below:

(in thousands of Euro)	Financial year ended	
	31 December 2012	31 December 2011
Curtailment . . . . .	0	443
Current service costs . . . . .	560	351
Interest costs on benefit obligation . . . . .	1,110	1,399
Net actuarial loss recognised in the year . . . . .	3,294	436
<b>Total . . . . .</b>	<b>4,964</b>	<b>2,629</b>

The main financial and demographic assumptions used in the actuarial valuation of the obligation relating to employee termination indemnity are detailed below:

	FY 2012	FY 2011
Discount rate . . . . .	2.90%	4.25%
Inflation rate . . . . .	2.00%	2.00%
Estimated employee turnover . . . . .	From 1.5% to 11.50%	From 1.5% to 11.50%

The estimated turnover rate is presented in a range as the actuarial expert appointed by Group Companies for the actuarial estimate of TFR used different estimated employee turnover rates for each company.

The data related to the average number of Group employees and temporary personnel leased to the Group by Manutencoop Società Cooperativa are detailed below:

	2012	2011
Executives . . . . .	64	66
Employees . . . . .	1,652	1,598
Working men . . . . .	12,876	12,022
<b>Total personnel . . . . .</b>	<b>14,592</b>	<b>13,686</b>

In 2012, the average number of temporary personnel employed, including those shown in the table, was 604 (2011: 588).

## 17. Provisions for risks and charges

The breakdown and movements in the provisions for risks and charges occurred in 2012 are shown below:

(in thousands of Euro)	Provision for risk on investment	Risk on job order	Pending litigation	Tax disputes	Agents' indemnity leave	Severance provision	Provision for bonus	Other provision	Total
<b>As at January 1, 2012 . . . . .</b>	<b>408</b>	<b>9,581</b>	<b>7,988</b>	<b>1,065</b>	<b>119</b>	<b>20,181</b>	<b>4,288</b>	<b>204</b>	<b>43,834</b>
Additions due to business combination . . . . .	0	0	0	0	0	0	0	0	0
Accruals . . . . .	115	5,213	2,743	155	22	1,256	2,589	116	12,209
Utilization (payments) . . . . .	(370)	(2,246)	(1,578)	(108)	0	(7,063)	(1,718)	(79)	(13,162)
Unused and reversed . . . . .	0	(493)	(1,044)	0	0	0	(196)	(53)	(1,787)
Other . . . . .	0	0	0	0	0	0	0	0	0
<b>As of December 31, 2012 . . . . .</b>	<b>153</b>	<b>12,055</b>	<b>8,109</b>	<b>1,112</b>	<b>141</b>	<b>14,374</b>	<b>4,963</b>	<b>188</b>	<b>41,094</b>
<b>As at 31 December 2012:</b>									
Short-term 2012 . . . . .	153	10,873	586	1,112	0	14,374	2,105	94	29,297
Long-term 2012 . . . . .	0	1,182	7,523	0	141	0	2,858	94	11,797
<b>As at 31 December 2011:</b>									
Short-term 2011 . . . . .	408	8,468	1,295	1,065	0	20,181	1,631	0	33,048
Long-term 2011 . . . . .	0	1,113	6,693	0	119	0	2,657	204	10,786

### **Provision for risk on investment**

The item, amounting to € 153 thousand as at 31 December 2012, includes the provision for unrecoverable future losses of Group companies related to the consortium company Co.S.I.S. in liquidation (€ 1 thousand), GRID S.r.l. (€ 105 thousand), and to the subsidiary Alisei S.r.l. in liquidation (€ 47 thousand).

### **Provision for risk on job orders**

The provision includes:

- Estimated risks relating to potential disputes with customers regarding work reports.
- The estimate of any penalties chargeable by customers.
- Estimated costs to complete job orders, against which no additional revenues are paid.

The value of the provision at year-end amounted to € 12,055 thousand, with accruals of € 5,213 thousand and utilisation and releases for a total of € 2,739 thousand.

The accruals were mainly accounted for job orders performed by MFM S.p.A. (€ 3,551 thousand), Energyproject S.p.A. (€ 966 thousand) and MACO S.p.A. (€ 468 thousand).

### **Provision for pending litigation**

At the reporting date, an assessment on the risk of unsuccessful legal proceedings with customers, suppliers and employees was performed. In 2012 the provision increased by € 2,743 thousand.

The accruals were mainly accounted for to cover the risks of MFM S.p.A. (€ 2,114 thousand) and Manutencoop Private Sector Solutions S.p.A. (€ 262 thousand).

Utilisation and releases for the period, amounting to € 2,622 thousand, refer to the utilization of the provisions recorded in previous years due to the settlement of disputes with suppliers and end legal proceedings with other parties.

### **Tax dispute provision**

In 2012, an utilisation amounting to € 108 thousand was required as a result of the conclusion of certain tax assessments. The provision was however increased by € 155 thousand.

***Provision for employee termination benefits***

The provision was set up to include amounts due for termination benefits and employee mobility costs, as part of the various reorganisation projects involving certain group companies over the last few years.

As at 31 December 2011, the group accounted for provisions amounting to € 20,181 thousand, of which € 7,145 thousand related to Telepost S.p.A., € 9,970 related to Manutencoop Private Sector Solutions S.p.A., € 34 related to MFM S.p.A. and € 3,033 thousand related to Energyproject S.p.A.. During 2012, an utilisation was made amounting to € 7,063 thousand, which was by € 2,301 thousand related to Energyproject S.p.A., by € 1,508 thousand related to Telepost S.p.A., and by € 3,220 related to Manutencoop Private Sector Solutions S.p.A..

As at 31 December 2012, the group started another reorganizational plan in the subsidiary MACO S.p.A. and an accrual amounting to € 1,256 thousand was required.

The above mentioned plans should be completed within the next two years.

***Provision for bonus***

The provision includes the accruals for bonuses recognised to the group's management in accordance with the medium and long-term bonus system adopted by the group.

Movements during 2012 includes the accruals for € 2,589 thousand and the utilisation and releases for € 1,914 thousand.

**18. Derivatives**

The group currently has 3 interest rate swap hedging contracts for a total notional value of € 42,000 thousand as at 31 December 2012, on which it pays a fixed rate in exchange of a variable rate, which is in turn paid on the hedged loan.

The fair value (mark-to-market) measurement of the associated liability amounted to € 1,222 thousand as at 31 December 2012, compared to € 1,429 thousand at the end of the previous year.

Derivative instruments were designated for hedging from the inception and tests to demonstrate their effectiveness as at 31 December 2012 was performed. Based on this, the variation of fair value is directly booked in a reserve under equity, net of the tax effect.

## 19. Bank borrowings including current portion of long-term debt and other financial liabilities

The items *Bank borrowings including current portion of long-term debt and other financial liabilities* include respectively the current and non-current portions of loans from financial institutions, and from syndicated shareholders and liabilities due to other lenders accounted for in accordance with accounting standards for leasing transactions, as well as other current financial liabilities, such as liabilities for the purchase of investments or business units and payables for dividends.

The table below sets forth the breakdown of bank borrowings including current portion of long-term debt and other financial liabilities:

(in thousands of Euro)	At 31December 2012	within 1 year	from 1 to 5 years	after 5 years
BNL/BNP loan . . . . .	42,000	21,000	21,000	
C.C.F.S. loan . . . . .	29,993	29,993		
Unicredit loan . . . . .	5,568	5,568		
BPCI-UBI Group loan . . . . .	8,972	2,986	5,986	
BPV loan . . . . .	37,888	12,394	25,494	
MPS loan . . . . .	23,949	4,788	19,161	
BPER loan . . . . .	12,713	3,626	9,087	
Banco San Geminiano e San Prospero loan . . . . .	3,852	3,852		
Other bank loans . . . . .	391	158	233	
S. Paolo IMI loan . . . . .	353	72	281	
Banca Bologna—photovoltaic . . . . .	447	18	82	347
Financial leasing obligations . . . . .	2,387	800	1,560	27
Current bank overdrafts . . . . .	147,100	147,100		
Loans from syndicated shareholders . . . . .	2,316	703	1,530	83
Loan from parent company (Manutencoop Cooperativa) . . . . .	66	66		
Other current financial liabilities . . . . .	384	384		
Due to factoring agencies . . . . .	31,371	31,371		
Escrow accounts . . . . .	2,442	500	1,942	
Debt for the acquisition of non-controlling interests . . . . .	32,728	328	32,400	
Capital contribution to be paid . . . . .	2,197	2,197		
Financial liabilities measured at fair value through profit and loss . . . . .	237	237		
Prepaid expenses on financial interest . . . . .	(104)	(104)		
Accrued interest expense . . . . .	103	103		
Dividends to be paid . . . . .	194	194		
<b>Total financial liabilities . . . . .</b>	<b>387,547</b>	<b>268,334</b>	<b>118,756</b>	<b>457</b>

(in thousands of Euro)	At 31 December 2011	within 1 year	from 1 to 5 years	after 5 years
BNL/BNP loan . . . . .	99,000	99,000		
C.C.F.S. loan . . . . .	29,981		29,981	
Unicredit loan . . . . .	10,829	5,223	5,606	
BPCI-UBI Group loan . . . . .	11,954	2,981	8,973	
BPV loan . . . . .	49,820	11,870	37,950	
MPS loan . . . . .	17,191		13,745	3,446
BPER loan . . . . .	12,694		12,694	
Banco San Geminiano e San Prospero loan . . . . .	11,468	7,607	3,861	
B.Pop. VR mortgage loan . . . . .	31	31		
Other bank loans . . . . .	199	158	41	
S. Paolo IMI loan . . . . .	460		424	36
Banca Bologna—photovoltaic . . . . .	465	17	101	347
Financial leasing obligations . . . . .	3,240	845	2,178	217
Current bank overdraft . . . . .	42,341	42,341		
Loans from syndicated shareholders . . . . .	2,272	662	1,531	79
Loan from parent company (Manutencoop Cooperativa) . . . . .	25	25		
Due to factoring agencies . . . . .	21,101	21,101		
Obligations to factoring agencies . . . . .	1,565	1,565		
Escrow accounts . . . . .	5,447	4,147	1,300	
Debt for the acquisition of non-controlling interests . . . . .	24,059		24,059	
Capital contribution to be paid . . . . .	5	5		
Financial liabilities measured at fair value through profit and loss . . . . .	211	211		
Prepaid expenses on financial interest . . . . .	(46)	(46)		
Accrued interest expense . . . . .	459	459		
Dividends to be paid . . . . .	259	259		
<b>Total financial liabilities . . . . .</b>	<b>345,030</b>	<b>198,461</b>	<b>142,444</b>	<b>4,125</b>

#### **BNL/BNP loan (MFM S.p.A.)**

In order to meet the financial requirements resulting from the purchase of Pirelli IFM S.p.A. (then Altair IFM S.p.A. and now merged into MFM S.p.A.), in December 2008, MFM S.p.A. finalized a pooled loan with Banca Nazionale del Lavoro as Agent Bank, with repayment in half-yearly instalments until 23 December 2014, with residual debt amounting to € 42,000 thousand as at 31 December 2012 (€ 99,000 thousand as at 31 December 2011).

As at 31 December 2010 the value of one of the financial covenants was breached. In 2011 and 2012 no request was made to pay back the loan, however, as there is no formal evidence that the bank will not exercise its right to claim back the immediate payment of the loan, the Company disclosed the entire amount of the loan as a short-term liability, in accordance with current accounting standards.

In December 2012, MFM S.p.A. submitted a proposal of waiver letter to the lending banks. They accepted the proposals and redefined certain contract terms and granted exceptions to the original agreement. Among others, the financial parameters were redefined and partial advance payment was made on a credit line (€ 30 million). Afterwards, the group restated the amount of the loan under non-current liabilities for € 21 million.

As at 31 December 2012, the financial parameters were respected.

#### **CCFS loan (MFM S.p.A.)**

In 2008, as part of a wider operation to rationalise the MFM Group's financial indebtedness, the parent company MFM entered into a loan agreement for € 30,000 thousand with Consorzio

Cooperativo Finanziario per lo Sviluppo (abbreviated CCFS). The loan has variable interest rates plus a spread, and expires on 29 July 2013.

***Unicredit loan (MFM S.p.A.)***

As part of the acquisition of the company Teckal S.p.A. (2007), the Group extinguished an existing loan, granted by Unicredit to the acquired company, for € 18,437 thousand, and a vendor loan previously in place amounting to € 11,438 thousand, by raising a loan with Unicredit for an amount of € 25,000 thousand.

As at 31 December 2012, the carrying amount of the loan was € 5,568 thousand.

***BPCI-UBI Group loan (MFM S.p.A.)***

On 30 November 2010, the Group obtained a loan of € 15 million by Banca Popolare del Commercio e Industria of the UBI Banca Group. The loan has variable interest rates equal to the one month Euribor plus a spread and expires on 30 November 2015, with a half-yearly instalment repayment plan. The loan agreement also includes financial covenants to be calculated on an annual basis on the consolidated financial statements. As at 31 December 2012, the financial covenants were respected.

As at 31 December 2012, the residual debt amounted to € 8,972 thousand.

***Banca Popolare di Vicenza loan (MFM S.p.A.)***

The loan of € 50 million was obtained by Banca Popolare di Vicenza and expired on 31 December 2015, and envisages repayments in half-yearly instalments. The loan has variable interest rates equal to the one month Euribor plus a spread.

As at 31 December 2012, the residual debt amounted to € 37,888 thousand.

***MPS loan (MFM S.p.A.)***

The loan with Banca Monte Paschi includes 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 loan agreement also includes financial covenants to be calculated on an annual basis on the consolidated financial statements. As at 31 December 2012, the financial covenants were respected.

As at 31 December 2012, the residual debt was € 23,949 thousand.

***Banca Popolare Emilia Romagna loan (MFM S.p.A.)***

The loan of € 12,750 thousand was obtained by Banca Popolare Emilia Romagna and expires on 23 June 2016. The repayment plan envisages half-yearly instalments at variable interest rates. The loan agreement also includes financial covenants to be calculated on an annual basis on the consolidated financial statements. As at 31 December 2012, the financial covenants were respected.

As at 31 December 2012, the residual debt was € 12,713 thousand.

***Banco San Geminiano e San Prospero loan (Servizi Ospedalieri S.p.A.)***

The unsecured loan from Banco San Geminiano e San Prospero was granted to Servizi Ospedalieri S.p.A. on 13 March 2008 and is repayable in 8 half-yearly instalments, deferred with twelve months of prepayment at the 3-month Euribor, plus a spread, with the possibility to provide for coverage of interest rate changes through a fixed rate equal to the I.R.S. plus a spread. The expected maturity is 30 June 2013 and, as at 31 December 2012, the balance was € 3,852 thousand.

***Current bank overdrafts***

Current bank overdrafts are not secured by guarantees.



***Loan from parent company (Manutencoop Società Cooperativa)***

This is a financial account on which transactions with the Parent Company Manutencoop Società Cooperativa are settled. As at 31 December 2012, the balance was € 66 thousand.

The account bears 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.

***Financial leasing obligations***

The leasing contracts stipulated are not secured and refer to the companies MFM S.p.A., Servizi Ospedalieri S.p.A. and sub-group Sicura S.r.l.. Some contracts refer to motor vehicles and plant and equipment used by Servizi Ospedalieri S.p.A. in the laundering and sterilisation production processes.

***Loans from syndicated shareholders***

This item refers to financing provided by syndicated shareholders, third parties 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 interest-bearing and repayable on request. In other cases, they have a contractually defined maturity and, in other cases, 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.

***Due to factoring agencies***

The debt balance relates to receivables transferred under pro-soluto factoring transactions performed on a revolving basis by the Group, collected on behalf of the bank in the last few days of 2012 and still not paid as at 31 December 2012.

As at 31 December 2012, the balance was € 31,371 thousand (€ 21,101 thousand as at 31 December 2011).

***Obligation to Factoring agencies***

As of 31 December 2011, amounts due to Factoring companies, amounting to € 1,565 thousand, were booked as liabilities when certain trade receivables previously transferred to a factoring company as part of a pro-soluto factoring transaction were re-opened in the financial statements of the company SMAIL S.p.A.. This recognition was due to customer disputes regarding services provided by the company SMAIL before it was acquired by the MFM Group. On 26 September 2012, the parent company MFM S.p.A. and the subsidiary SMAIL S.p.A. entered into an agreement with Acea S.p.A. (also as the agent of Acea Reti e Servizi Energetici S.p.A.) to settle the disputes that arose following the acquisition and to define resulting liabilities. The liability was then extinguished.

***Capital contributions to be paid***

The Group recognised obligation for capital contributions to paid to associatess for € 2,197 thousand, whose € 2,192 thousand relates to the incorporation of Synchron Nuovo San Gerardo S.p.A..

***Escrow accounts***

Escrow accounts amounting to € 2,442 thousand at 31 December 2012 (€ 5,447 thousand at 31 December 2011), relate to amounts of consideration still not paid to the transferor in the business combinations occurred during the year.

In particular, MIA S.p.A. holds commitments to deposit amounts in escrow for a total of € 2,380 thousand, against which it already deposited € 587 thousand as indicated by contract.

At 31 December 2011, the loan for the acquisition of the "SEC business unit" was finalized for a total consideration of € 2,990 thousand in 2009, which was not yet paid as a result of the disputes that arose. In 2012, the liability was settled by the parties.

Furthermore, commitments were recorded for acquisitions of business units by Manutencoop Private Sector Solutions S.p.A. for € 60 thousand.

*Debt for acquisition of non-controlling interests*

Debt for acquisition of non-controlling interests amounted to € 32,728 thousand, and relate to:

- The present value of the earn-out to be paid to non-controlling shareholders of the Gruppo Sicura S.r.l., that has been assessed to € 11,948 thousand.
- The present value of the put option granted to non-controlling interest of the Gruppo Sicura S.r.l., in relation to the 20% stake in share capital they still own, that has been assessed to € 7,835 thousand.
- The present value of the put option granted to non-controlling interest of Cofam S.r.l. (acquired by MIA S.p.A. at the beginning of 2009), relating to the 40% interest in share capital they still owned, that has been assessed to € 3,459 thousand.
- The present value of the earn-out to be paid for the acquisition of ABM S.r.l. by MIA S.p.A. (subsequently merged by incorporation in Unilift S.r.l. in 2012) that was assessed to € 217 thousand.
- The present value of the put option granted to non-controlling interest of Unilift S.r.l. (acquired by MIA S.p.A. at the beginning of 2011 and incorporated in ABM S.r.l.) assessed to € 924 thousand.
- The present value of the put option granted to the non-controlling interest of Lenzi S.p.A., assessed to € 8,018 thousand. Following the resolution by virtue of which, in June 2012, MIA S.p.A. exercised its call option on 11% of the share capital of the subsidiary for € 2,205 thousand, the liability for the put option recognised on the remaining 40% was carried, in accordance with the investment agreement underlying the business combination.
- The present value of the earn-out to be paid for the acquisition of SIE S.r.l. by MIA S.p.A. in 2012 and subsequently merged by incorporation assessed to € 37 thousand.
- The present value of the earn-out (€ 290 thousand) to be paid for the acquisition of MIND S.r.l. by MIA S.p.A. in 2012 and subsequently merged by incorporation.

The Group recognised net financial charges against the fair value of the items described for Euro 1,231 thousand.

## 20. Trade payables and advances from customers and other current liabilities

The table below sets forth the breakdown of trade payables and advances from customers as at 31 December 2012 and 31 December 2011:

(in thousands of Euro)	At 31 December, 2012	31 December, 2011
Trade payables to third parties . . . . .	408,549	416,633
<b>Trade payables to third parties . . . . .</b>	<b>408,549</b>	<b>416,633</b>
Trade payables to parent company . . . . .	5,470	10,434
Trade payables to associates . . . . .	21,167	28,621
<b>Trade payables to related parties . . . . .</b>	<b>26,637</b>	<b>39,055</b>
Advances from customers . . . . .	6,365	7,135
<b>Trade payables and advances from customers . . . . .</b>	<b>441,551</b>	<b>462,823</b>
Payables to directors and statutory auditors . . . . .	495	430
Tax payables . . . . .	66,420	59,980
Payables to social security . . . . .	9,326	9,682
Collections on behalf of third parties to be remitted to them . . . . .	17,802	23,069
Payables to employees . . . . .	44,662	42,515
Other payables . . . . .	4,297	5,836
Property collection . . . . .	2,176	2,177
<b>Other current payables to third parties . . . . .</b>	<b>145,178</b>	<b>143,689</b>
Other payables to parent company . . . . .	0	99
Other payables to associates . . . . .	171	702
<b>Other current payables to related parties . . . . .</b>	<b>171</b>	<b>801</b>
Accrued expenses . . . . .	106	619
Prepaid income . . . . .	2,906	2,415
<b>Accrued expenses and prepaid income . . . . .</b>	<b>3,012</b>	<b>3,034</b>
<b>Other current liabilities . . . . .</b>	<b>148,361</b>	<b>147,524</b>

See note 35 for the terms and conditions applied to related party transactions.

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

Other current payables are non-interest bearing and are settled, on average, after 30 days, excluding payables due to employees for accrued wages and vacation leave paid at 6 months on average, and the amounts due to the Tax Authorities for deferred VAT payments settled at the moment of collection of the related trade receivables.

Trade payables and advances from customers recorded a decrease as at 31 December 2012 of € 21,272 thousand compared to 31 December 2011.

*Trade payables to related parties*, amounting to € 26,637 as at 31 December 2012, mainly includes payables due to Roma Multiservizi S.p.A. for € 6,617 thousand, to Bologna Multiservizi for € 4,821 thousand and to Servizi Napoli 5 Soc. Cons. a r.l. for € 1,304 thousand.

Collections on behalf of temporary associations of companies relate to sums collected by the Group, on behalf of third parties, relating mostly to special "Consip" job orders.

## 21. 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 SBUs identified coincide with the CGU where the group's activities are conducted. See note 1.1 for details.

The Group discloses information on operating segments on a voluntary basis.

Information on the operating segments for the years ended 31 December 2012 and 31 December 2011 is shown below:

*Revenues and results by operating segment for the year ended 31 December 2012*

31 December 2012	Facility management	Laundering sterilization	Other	Intersegment eliminations	Total
<b>Revenues and results for the year ended 31 December 2012</b>					
Revenues . . . . .	925,330	134,352	14,622	(1,675)	1,072,629
Operating costs . . . . .	(868,766)	(122,547)	(23,356)	1,675	(1,012,994)
<b>Operating income/(loss) . . . . .</b>	<b>56,564</b>	<b>11,805</b>	<b>(8,734)</b>	<b>0</b>	<b>59,635</b>
Share of net profit of associates . . .	3,119	132			3,251
Net financial expense . . . . .					(19,755)
<b>Profit before taxes from continuing operations . . . . .</b>					<b>43,131</b>
Income taxes . . . . .					(9,823)
Loss after tax for the year from discontinued operations . . . . .					(6)
<b>Net profit for the year . . . . .</b>					<b>33,302</b>

*Assets and liabilities by operating segment as at 31 December 2012*

31-Dec-12	Facility management	Laundering sterilization	Other	Infragroup eliminations	Total
<b>Assets and liabilities as at 31 December 2012</b>					
Segment assets . . . . .	626,598	149,815	19,966	(4,771)	791,608
Goodwill . . . . .	405,914	12,810			418,724
Investments accounted for under the equity method and other investments . . . . .	27,282	2,815	826		30,922
Assets classified as held for sale . . . .					130
Other assets not allocated and related taxes . . . . .					136,697
<b>Assets . . . . .</b>	<b>1,059,794</b>	<b>165,440</b>	<b>20,792</b>	<b>(4,771)</b>	<b>1,378,081</b>
Segment liabilities . . . . .	558,061	80,065	15,728	(4,721)	648,580
Liabilities directly associated with assets classified as held for sale . . .					64
Other liabilities not allocated and related taxes . . . . .					417,451
<b>Liabilities . . . . .</b>	<b>558,061</b>	<b>80,065</b>	<b>15,728</b>	<b>(4,721)</b>	<b>1,066,096</b>

*Other information by operating segment for the year ended 31 December 2012*

31-Dec-12	Facility management	Laundering sterilization	Other	Total
<b>Other segment information as of 31 December 2012</b>				
Investments in segment assets . . . . .	10,858	33,334	243	44,435
Amortisation/depreciation and write-downs of segment assets . . . . .	12,362	19,560	85	32,007

*Revenues and results by operating segment for the year ended 31 December 2011*

31-Dec-11	Facility management	Laundering sterilization	Other	Intersegment eliminations	Total
<b>Revenues and results for the year ended 31 December 2011</b>					
Revenues . . . . .	916,081	128,013	27,127	(2,468)	1,068,753
Operating costs . . . . .	(854,697)	(114,704)	(34,189)	2,468	(1,001,123)
<b>Operating income/(loss) . . . . .</b>	<b>61,384</b>	<b>13,309</b>	<b>(7,062)</b>	<b>0</b>	<b>67,630</b>
Share of net profit of associates	1,334	92			1,426
Net financial income . . . . .					(23,192)
<b>Profit before taxes from continuing operations . . . . .</b>					<b>45,864</b>
Income taxes . . . . .					(33,408)
Loss after tax for the year from discontinued operations . . . . .					(227)
<b>Net profit for the year . . . . .</b>					<b>12,229</b>

*Sector assets and liabilities as at 31 December 2011*

31-Dec-11	Facility management	Laundering sterilization	Other	Intersegment eliminations	Total
<b>Assets and liabilities as of 31 December 2011</b>					
Segment assets . . . . .	652,960	120,210	34,645	(4,322)	803,493
Goodwill . . . . .	399,185	12,810			411,995
Investments accounted for under the equity method and other investments . . . . .	15,775	2,361	34		18,170
Assets classified as held for sale Other assets not allocated and related taxes . . . . .					110,739
<b>Assets . . . . .</b>	<b>1,067,921</b>	<b>135,381</b>	<b>34,678</b>	<b>(4,322)</b>	<b>1,344,397</b>
Segment liabilities . . . . .	584,749	69,122	22,740	(4,315)	672,296
Liabilities directly associated with assets classified as held for sale Other liabilities not allocated and related taxes . . . . .					379,347
<b>Liabilities . . . . .</b>	<b>584,749</b>	<b>69,122</b>	<b>22,740</b>	<b>(4,315)</b>	<b>1,051,643</b>

*Other information by operating segment for the year ended 31 December 2011*

31-Dec-11	Facility management	Laundering sterilization	Other	Total
<b>Other segment information as of 31 December 2011</b>				
Investments in segment assets . . . . .	11,026	26,685	44	37,755
Amortisation/depreciation and write-downs of segment assets . . . . .	19,031	18,084	617	37,732

### Geographical areas

The Group operates in Italy. As at 31 December 2012 the activities conducted abroad were entirely marginal for the Group and generated revenues amounting to € 375 thousand (€ 430 thousand as at 31 December 2011).

The information by geographical area required by IFRS 8 is shown below for the years ended 31 December 2012 and 2011.

31 December 2012	Italy	Outside Italy	Intersegment eliminations	Total
<b>Information by Geographical Area as at 31 December 2012</b>				
Revenues . . . . .	1,072,254	375		<b>1,072,629</b>
Non-current operating assets . . . . .	533,660			<b>533,660</b>

31 December 2011	Italy	Outside Italy	Intersegment eliminations	Total
<b>Information by Geographical Area as at 31 December 2011</b>				
Revenues . . . . .	1,068,323	430		<b>1,068,753</b>
Non-current operating assets . . . . .	515,757			<b>515,757</b>

11% of consolidated revenues was generated by a key customer in the private market (12.5% in 2011).

## 22. Revenue from sales and services

The breakdown of the revenues from sales and services is shown below for the years ended 31 December 2012 and 31 December 2011:

(in thousands of Euro)	For the year ended	
	31 December 2012	31 December 2011
Sales of Products . . . . .	15,985	14,807
Service . . . . .	904,702	881,510
Building activities and machinery construction . . . . .	122,986	142,536
Other sales . . . . .	26,655	27,043
<b>Total revenues for sales and services . . . . .</b>	<b>1,070,328</b>	<b>1,065,896</b>

As at 31 December 2012, the revenue from sales and services amounted to € 1,070,328 thousand (€ 1,065,896 thousand as at 31 December 2011).

However, the trend in turnover is linked to external factors which affected the Group's performance.

It should be pointed out that there were certain changes in the scope of consolidation in terms of each entity's contribution to consolidated results. There certain business combinations during the year that led to the acquisition of controlling interests in the companies MIND S.r.l., ABM S.r.l., SIE S.r.l. and EP Servizi S.r.l. by the sub-holding MIA S.p.A.. However, in 2011 Nettuno Ascensori S.r.l, and Telepost S.p.A. were acquired, and they contributed results to the Group only starting in Q3 and Q4 of 2011 respectively. Moreover, the subsidiary Lenzi S.p.A., acquired in the first months of 2011, was initially consolidated using the "proportional" method, and it contributed only 49% of its period results until 30 June 2011.

Bearing this in mind, the positive contribution of these acquisitions to consolidated revenues of the MFM Group in 2012 amounted to about € 13,694 thousand.



## 23. Other revenue

The breakdown of the other revenues item is shown below for the years ended 31 December 2012 and 2011:

	For the year ended	
	31 December 2012	31 December 2011
Grants . . . . .	729	47
Gains on sales of property, plant and equipment . . . . .	352	231
Recovery of cost- seconded personnel . . . . .	85	26
Recovery of other costs . . . . .	48	0
Reimbursement of damages . . . . .	449	262
Revenues for leases and rentals . . . . .	20	3
Other . . . . .	618	2,288
<b>Other revenues . . . . .</b>	<b>2,301</b>	<b>2,857</b>

As at 31 December 2012, the balance of *Other revenues* was € 2,301 thousand, compared to € 2,857 thousand in 2011.

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

The item also includes additional revenues deriving from the energy management of some facilities.

## 24. Costs of raw materials and consumables

The breakdown of costs of raw materials and consumables item is shown below for the years ended 31 December 2012 and 31 December 2011:

(in thousands of Euro)	For the year ended	
	31 December 2012	31 December 2011
Change in inventories of fuel and raw materials . . . . .	1,237	(2,088)
Fuel consumption . . . . .	76,980	64,858
Consumption of raw materials . . . . .	58,907	57,046
Purchase of semi-finished and finished products . . . . .	6,529	7,634
Purchase of raw materials and consumables . . . . .	14,428	13,659
Packaging . . . . .	1,955	2,182
Other purchases . . . . .	3,132	3,267
<b>Total cost of raw material and consumables . . . . .</b>	<b>163,168</b>	<b>146,558</b>

As at 31 December 2012 the item amounted to € 163,168 thousand compared to € 146,558 thousand as at 31 December 2011. The rise in consumption (€ 16,610 thousand) is mainly due to increasing fuel costs for integrated service contracts. The item was affected by the general rise in market prices the previous year, in addition to significant contracts for integrated services and heat management started up the previous year, primarily in project financing.

## 25. Costs for services and use of third party assets

The breakdown of the item is shown below for the years ended 31 December 2012 and 31 December 2011:

(in thousands of Euro)	For the year ended	
	31 December 2012	31 December 2011
Costs of services rendered by third parties . . . . .	276,831	288,785
Costs of services rendered by consortia . . . . .	11,800	13,471
Equipment maintenance and repair . . . . .	10,090	7,643
Professional services . . . . .	37,629	45,561
Statutory Auditors' fees . . . . .	816	867
Transport . . . . .	9,310	8,098
Advertising and marketing . . . . .	1,309	2,058
Bonuses and commissions . . . . .	1,926	2,178
Insurance and guaranties . . . . .	6,723	6,466
Bank services . . . . .	456	396
Utilities . . . . .	18,387	17,316
Travel expenses and cost reimbursement . . . . .	3,962	4,153
Other personnel expenses . . . . .	8,003	8,084
Other services . . . . .	7,640	6,120
<b>Costs for services . . . . .</b>	<b>394,882</b>	<b>411,196</b>
Buildings' rentals . . . . .	22,782	21,825
Operating leasing of equipments . . . . .	2,317	2,047
<b>Costs for use of third parties assets . . . . .</b>	<b>25,099</b>	<b>23,872</b>
<b>Total Cost of services and use of third party assets . . . . .</b>	<b>419,981</b>	<b>435,068</b>

For the year ended 31 December 2012, costs for services and use of third party assets totalled € 419,981 thousand, marking a decrease of € 15,087 thousand compared to the previous year.

The change is mainly due to lower costs for third party services (€ 11,954 thousand) and for professional services (€ 7,932 thousand).

Already in the previous year the Group started to insource certain activities, which resulting in a change in the mix of production factors in favour of the cost of labour, as described in note 26 below. At the same time, the Group aims to reduce and limits general costs and overhead, also by reducing recourse to professional services.

## 26. Personnel costs

The table below sets forth the breakdown of personnel costs for the years ended 31 December 2012 and 31 December 2011:

	For the year ended	
	31 December 2012	31 December 2011
Wages and salaries . . . . .	230,128	224,519
Social security charges . . . . .	73,347	71,617
Personnel lease costs . . . . .	37,259	34,546
Accruals to INPS (National Social Security Institute), and other funds . . . . .	13,874	13,430
Directors' fees . . . . .	3,207	3,111
Other personnel costs . . . . .	1,466	887
<b>Current benefits . . . . .</b>	<b>359,281</b>	<b>348,110</b>
Termination indemnity provision . . . . .	1,961	2,430
Other post-employment benefits . . . . .	35	9
<b>Subsequent benefits . . . . .</b>	<b>1,996</b>	<b>2,439</b>
Incentives and severance . . . . .	4,008	2,363
<b>Employment termination Benefits . . . . .</b>	<b>4,008</b>	<b>2,363</b>
<b>Personnel costs . . . . .</b>	<b>365,285</b>	<b>352,912</b>

For the year ended 31 December 2012, personnel costs rose by € 12,373 thousand compared to the previous year.

This change is the combined effect of several factors, such as:

- The progressive recovery of efficiency following the company reorganisation policies started in the previous years.
- The rise in the average number of workers, though with different qualifications, partly due to the insourcing process described in note 25.
- The effect of workers from acquired companies entering the group's workforce, only starting from the second half of 2012 (in particular, Telepost S.p.A. and newly acquired companies in the group relating to MIA S.p.A.).
- Additional reorganisation efforts for certain companies in the Group, which also in 2012 entailed costs for mobility, extraordinary lay-off schemes and voluntary redundancy incentives.

The general change in the Group personnel costs is related 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 revenue from sales and services and the amount of such costs (total costs for personnel, costs for services rendered by third-party, cost of services rendered by consortia and professional services) rose from 1.52 in 2011 to 1.55 in 2012, improving the overall profit margins.

## 27. Other operating costs

The table below sets forth the breakdown of the other operating costs for the years ended 31 December 2012 and 31 December 2011:

	For the year ended	
	31 December 2012	31 December 2011
Losses on assets sales . . . . .	66	46
Accounts receivables write-offs . . . . .	260	4
Other miscellaneous levies . . . . .	2,005	1,676
Penalties and fines . . . . .	2,279	2,358
Credit discount on transfers of receivables . . . . .	1,594	1,399
Other miscellaneous operating costs . . . . .	4,109	4,777
<b>Total other operating costs . . . . .</b>	<b>10,313</b>	<b>10,260</b>

The balance of the *other operating costs* is in line with the balance for the previous year.

## 28. Amortization/depreciation, write-downs and write-backs of assets

The table below sets forth the breakdown of amortisation/depreciation, write-downs and write-backs of assets for the years ended 31 December 2012 and 31 December 2011:

	For the year ended	
	31 December 2012	31 December 2011
Amortisation of intangible assets . . . . .	8,724	10,165
Depreciation of property, plant and equipment . . . . .	23,944	22,275
Write-backs of assets . . . . .	(1,260)	(4)
Impairment of assets . . . . .	327	0
Write-down of trade receivables . . . . .	12,253	4,650
Write-down of other current assets . . . . .	128	0
Write-downs on intangible assets . . . . .	38	308
Other write-downs . . . . .	234	338
<b>Amortisation/depreciation, write-downs and write-backs .</b>	<b>44,388</b>	<b>37,732</b>

For the year ended 31 December 2012, *amortisation/depreciation, write-downs and write-backs of assets* rose to € 44,388 thousand, from € 37,732 thousand for the year ended 31 December 2011.

This increase is mainly due to the higher write-downs on trade receivables, that the Group recognised as a result of certain major credit positions with customers in bankruptcy, and the general worsening of solvency conditions of certain Group customers.

The write-backs of assets were recognised following the transaction concluded on 22 February 2012 between the Parent Company MFM S.p.A. and Servizi Energia Calore S.r.l., that signed an agreement in 2008 for the purchase of a business unit handling the management and maintenance of technological systems in a number of health care facilities in Sicily. The transfer was settled at € 2,960 thousand, which, however, MFM S.p.A. did not pay to the counterparty following certain disputes that arose. Following the transaction, which settled the dispute, the transfer price was recalculated at € 1,700 thousand, in addition to € 212 thousand as reimbursement for operating expenses. Thus, the previous write-downs performed on the business unit transferred were restored.

## 29. Dividend and income from sale of investments

The table below sets forth the breakdown of Dividends, income and losses from investments for the years ended 31 December 2012 and 31 December 2011:

(in thousands of Euro)	For the year ended	
	31 December 2012	31 December 2011
Dividends . . . . .	669	114
Gains on sales of investments . . . . .	0	1,234
<b>Total dividends and income from sale of investments . . .</b>	<b>669</b>	<b>1,348</b>

In 2012, dividends were collected from associates not included under the scope of consolidation. The dividends amounted to € 669 thousand, whose € 552 thousand from subsidiaries of the Parent Company MFM S.p.A. and € 117 thousand from subsidiaries of Servizi Ospedalieri S.p.A..

In 2011, Servizi Ospedalieri S.p.A realised gains on sales of investments amounting to € 1,230 thousand as a result of the sale of ZBM Lavanderia Industriale S.r.l., in which it held a non-strategic non-controlling interest.

## 30. Financial income

The table below sets forth the breakdown of financial income for the years ended 31 December 2012 and 31 December 2011:

	For the year ended	
	31 December 2012	31 December 2011
Interest on bank accounts . . . . .	156	196
Interest on non-proprietary and intercompany current accounts . . . . .	272	427
Interest on trade receivables . . . . .	1,180	699
Interest from discounting of non-interest bearing loans . .	1,373	682
Interest and other income from securities . . . . .	24	71
Other financial income . . . . .	275	8
<b>Financial income . . . . .</b>	<b>3,280</b>	<b>2,083</b>

*Financial income* increased by € 1,197 thousand compared to the previous year, mainly due to the increase in the interest from discounting non-interest bearing loans and higher interest on trade receivables.

### 31. Financial expenses

The table below sets forth the breakdown of financial charges for the years ended 31 December 2012 and 31 December 2011:

	For the year ended	
	31 December 2012	31 December 2011
Bank loans and overdraft interest . . . . .	674	493
Other loan interests . . . . .	12,827	13,050
Financial expenses on financial leasing . . . . .	64	79
Financial expenses on loans from Group . . . . .	105	42
Financial charges on transfer of receivables . . . . .	7,650	9,563
Interest on trade receivables . . . . .	66	50
Financial charges on derivatives . . . . .	73	415
Other financial expenses . . . . .	2,241	2,928
<b>Total Financial expenses . . . . .</b>	<b>23,700</b>	<b>26,620</b>

*Financial charges* decreased by € 2,920 thousand in 2012, compared to the previous year.

For the year ended 31 December 2012, the group recognised charges related to potential liabilities for the purchase of shareholdings (Earn-outs and PUT options) for € 1,231 thousand (€ 1,725 thousand for the year ended 31 December 2011).

As at 31 December 2012, the Group recorded interest discount costs on transactions involving the non-recourse factoring of trade receivables for a total of € 7,650 (€ 9,563 as at 31 December 2011).

In 2012, factoring transactions were made for a total of € 511.8 million, against € 435.3 million in 2011.

### 32. Income taxes

The table below sets forth the breakdown of the item for the years ended 31 December 2012 and 31 December 2011:

	For the year ended	
	31 December 2012	31 December 2011
IRES . . . . .	16,119	22,911
IRAP . . . . .	12,257	14,104
Income and charges from tax consolidation . . . . .	(2,317)	(937)
Prior fiscal years income taxes . . . . .	(15,337)	1,592
<b>Current income taxes . . . . .</b>	<b>10,722</b>	<b>37,670</b>
Prepaid/(deferred) IRES . . . . .	(1,050)	(3,085)
Prepaid/(deferred)IRAP . . . . .	(114)	(331)
Prepaid/(deferred) taxes relating to previous years . . . . .	265	(846)
<b>Deferred income taxes . . . . .</b>	<b>(899)</b>	<b>(4,262)</b>
<b>Total income taxes . . . . .</b>	<b>9,823</b>	<b>33,408</b>

The Group recorded taxes totalling € 9,823 thousand in 2012, marking a decrease of € 23,585 thousand in the net balance compared to the year ended 31 December 2011.

More specifically, the main changes are as follows:

- An increase of € 6,792 thousand for IRES taxes.



- An increase of € 1,847 thousand for IRAP taxes.
- An increase of € 1,380 thousand in income from tax consolidation.
- Positive adjustments on prior years income taxes for € 15,337 thousand (€ 1,592 negative adjustments for the year ended 31 December 2011), mainly pertaining to recognition of lower IRES for previous years as a result of the claim submitted for IRAP deductions from taxable IRES.
- Recognition of a net income amounting to € 899 thousand, relating to the total balance of prepaid and deferred taxes. Net income totalled € 4,262 thousand in the previous year.

The reconciliation between current income taxes recorded and theoretical tax resulting from application of the IRES tax rate in force for the years ended 31 December 2012 and 31 December 2011 to profit before taxes from continuing operations is as follows:

	31 December 2012		31 December 2011	
Reconciliation between theoretical and effective IRES rate	%		%	
<b>Profit before taxes</b> . . . . .	<b>43,131</b>		<b>45,864</b>	
IRES Tax rate . . . . .	27.50%		27.50%	
<i>Effect of increases (decreases):</i>				
—Temporary differences . . . . .	6,327	4.03%	13,227	7.93%
—Permanent differences . . . . .	729	0.46%	20,818	12.48%
<b>IRES taxable income</b> . . . . .	<b>50,187</b>		<b>79,909</b>	
<b>Actual rate / tax</b> . . . . .	<b>13,802</b>	<b>32.00%</b>	<b>21,974</b>	<b>47.91%</b>

The value shown as effective current IRES (€ 13,802 thousand) is represented by the current IRES shown in the previous table, amounting to € 16,119 thousand, net of income from tax consolidation of € 2,317 thousand.

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

	31 December 2012	31 December 2011
Reconciliation between theoretical and actual IRAP rate	%	%
<b>Profit before taxes</b> . . . . .	<b>43,131</b>	<b>45,778</b>
Ordinary rate applicable . . . . .	2.98%	2.98%
	3.44%	3.44%
	3.90%	3.90%
	4.60%	
	4.73%	4.73%
	4.82%	4.82%
	4.97%	4.97%
	5.57%	
<i>Effect of increases (decreases):</i>		
—Cost of labour . . . . .	365,285	352,912
—Net financial expense . . . . .	19,751	23,189
—Other differences between taxable base and profit before taxes . . . . .	(135,689)	(84,227)
<b>IRAP taxable income</b> . . . . .	<b>292,478</b>	<b>337,652</b>
—of which at 2,98% . . . . .	5,081	1,373
—of which at 3,44% . . . . .	4,576	4,447
—of which at 3,90% . . . . .	181,971	229,083
—of which at 4,60% . . . . .	12,190	
—of which at 4,73% . . . . .	6,546	8,425
—of which at 4,82% . . . . .	67,648	73,243
—of which at 4,97% . . . . .	14,350	21,081
—of which at 5,57% . . . . .	116	
<b>Actual rate / tax</b> . . . . .	<b>12,257 28.42%</b>	<b>14,103 30.81%</b>

In 2012, as in 2011, group companies did not pay income taxes in areas other than Italy.

### Deferred and prepaid taxes

As at 31 December 2012, the Group recorded prepaid tax assets of € 23,732 thousand, net of deferred tax liabilities of € 12,006 thousand, as shown below:

Prepaid and deferred taxes (amounts in thousands of Euro)	Equity Tax Effect		Economic Tax Effect	
	31 Dec. 2012	31 Dec. 2011	31 Dec. 2012	31 Dec. 2011
<i>Prepaid taxes:</i>				
Multi-year costs . . . . .	353	560	207	175
Financial leasing . . . . .	5	22	17	—
Maintenance exceeding deductible limit . . . . .	9	10	6	9
Presumed losses on receivables . . . . .	7,248	4,909	(2,338)	(655)
Provisions for risks and charges . . . . .	9,882	11,005	1,092	(1,076)
Write-downs on asset items . . . . .	587	279	(279)	(85)
Discounting of receivables . . . . .	3	28	26	7
Fees of Directors, Statutory Auditors and Independent Auditors . . . . .	615	559	(108)	(342)
Services not completed . . . . .	—	19	—	6
Amortisation . . . . .	1,597	1,983	398	(181)
Adjustments to job order margin . . . . .	—	73	73	160
Interest payable . . . . .	154	181	84	(92)
Employee benefits and length of service bonuses . . . . .	138	249	106	(15)
Substitute tax . . . . .	1,385	1,385	—	—
Employee incentives . . . . .	1,010	901	0	(844)
Tax losses relating to previous years . . . . .	9	20	13	—
Up-front fees on contracts for the transfer of receivables . . . . .	90	32	(47)	(32)
IRAP reimbursement claim . . . . .	—	—	—	—
Consolidation adjustment to Cross business unit . . . . .	—	—	—	95
Cash flow hedge valuation . . . . .	336	393	466	36
Cash cost deduction . . . . .	65	23	125	5
Other temporary differences . . . . .	65	335	30	(359)
Other consolidation adjustments . . . . .	—	—	—	—
<b>Total prepaid taxes . . . . .</b>	<b>23,550</b>	<b>22,966</b>	<b>(127)</b>	<b>(3,190)</b>
<i>Deferred taxes:</i>				
Tax amortisation . . . . .	(218)	(254)	74	(62)
IFRS work in progress valuation . . . . .	(52)	(58)	(20)	(1)
Leasing for tax purposes . . . . .	(87)	(219)	(167)	(57)
Employee benefit discounting . . . . .	(381)	(1,319)	(650)	35
Goodwill amortisation . . . . .	(7,340)	(6,546)	794	847
Purchase Price Allocation . . . . .	(2,398)	(4,409)	(1,051)	(1,776)
Capital gains—deferred taxation . . . . .	(9)	—	—	—
Undistributed profit . . . . .	(1)	(256)	1	160
Other temporary differences . . . . .	(1,366)	(176)	123	(218)
Cash cost deduction . . . . .	(154)	—	125	—
Other consolidation adjustments . . . . .	—	—	—	—
<b>Total deferred taxes . . . . .</b>	<b>(12,006)</b>	<b>(13,238)</b>	<b>(771)</b>	<b>(1,072)</b>
<b>Net prepaid/(deferred) taxes . . . . .</b>	<b>11,544</b>	<b>9,728</b>	<b>(898)</b>	<b>(4,262)</b>

Temporary differences excluded from calculation of taxes	31 Dec. 2012	31 Dec. 2011
<b>prepaid/(deferred):</b>		
—Tax losses that can be carried forward . . . . .	400	143
<b>Total temporary differences excluded . . . . .</b>	<b>400</b>	<b>143</b>

### 33. Earnings per share

Basic earnings per share are calculated by dividing the consolidated net profit for the year attributable to the Parent Company's ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. There were no dilutive effects arising from stock options, convertible bonds or other instruments and therefore the diluted earnings per share corresponded with the basic earnings per share. Income and information on the shares used for the purpose of calculating consolidated basic earnings per share are shown below:

	Year ended 31 December	
	2012	2011
Net income attributable to the Group equity holders of the parent (in thousand of Euro) . . . . .	32,574	11,124
Number of ordinary shares . . . . .	109,149,600	109,149,600
<b>Basic and diluted earnings per share (in Euro) . . . . .</b>	<b>0.298</b>	<b>0.102</b>

	Year ended 31 December	
	2012	2011
Net profit from continuing operations (in thousand of Euro) . . . . .	33,308	12,456
Net profit from continuing operations attributable to non-controlling interests (in thousand of Euro) . . . . .	(728)	(1,105)
Net profit from continuing operations attributable to the equity holders of the parent (in thousand of Euro) . . . . .	32,580	11,351
Number of ordinary shares . . . . .	109,149,600	109,149,600
<b>Basic and diluted earnings per share (in Euro) . . . . .</b>	<b>0.298</b>	<b>0.104</b>

No other transactions were performed regarding ordinary shares or potential ordinary shares between the reporting date and the date of preparation of financial statements.

#### *Dividends*

The parent company did not distribute dividends in 2011 or 2012.

### 34. Commitments and contingent liabilities

#### *Financial leasing*

The Group signed financial leases primarily for plant and equipments used in the production processes of the Laundering/Sterilisation SBU and for motor vehicles. The table below details

the amount of the liabilities in connection with future financial lease fees and the current value of these fees:

	31 December 2012		31 December 2011	
	Rental fees	Current value of financial lease fees	Rental fees	Current value of financial lease fees
Within one year . . . . .	862	800	963	845
After one year, but not more than five years . . . . .	1,644	1,560	2,342	2,178
Over five years . . . . .	29	27	221	217
<b>Total minimum lease payments . . . . .</b>	<b>2,535</b>	<b>2,388</b>	<b>3,526</b>	<b>3,240</b>
Less amount representing financial expenses . . . . .	(147)		(286)	
<b>Present value of minimum lease payments . . . . .</b>	<b>2,388</b>	<b>2,388</b>	<b>3,240</b>	<b>3,240</b>

#### *Guarantees given*

As at 31 December 2012, the Group granted sureties to third parties for:

- Guarantees in favour of associates amounting to € 12,631 thousand (2011: € 15,095 thousand).
- Other sureties granted to third parties: i) to ensure the correct fulfilment of contract obligations in place with customers amounting to € 206,132 thousand (2011: € 205,762 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 € 1,077 thousand (2011: € 1,182 thousand).
- Guarantees in favour of Factoring Agencies amounting to € 9,576 thousand (2011: € 18,995 thousand), to ensure correct fulfilment of factoring contracts.

The sureties are issued on non-recourse factoring transactions to cover financial risk. For this reason the risk was carried at fair value and recorded as a financial liability for € 237 thousand.

#### *Contingent liabilities*

There were no contingent liabilities recognised at the reporting date, with the exception of those already recognised in the Consolidated financial statements and described in the explanatory notes.

## **35. Related party transactions**

#### *Terms and conditions of transactions between related parties*

Related party transactions were performed under normal market conditions, i.e. in line with conditions that would be applied between knowledgeable 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-rata 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 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 2012, the Group did not make any allocation to the bad debt provision for amounts due from related parties.

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

- On 1 September 2008, MFM signed a contract with the associate Roma Multiservizi S.p.A., according to which it is committed to providing a IT services. The contract, expiring on 31 December 2014, provides for a yearly payment of € 1,000 thousand.
- Manutencoop Società Cooperativa sub-leased to MFM S.p.A. office space located in Zola Predosa, via Poli 4 (BO). The duration of the lease is renewable, except in the event of termination by one of the parties. Annual rent is € 1,685 thousand, to be paid in 12 monthly instalments.
- The affiliate Manutencoop Immobiliare S.p.A. leased to MFM S.p.A. office space located in Mestre (VE), via Porto di Cavergnago no. 6. The lease expires on 30 June 2013, except in the event of termination by one of the parties. Annual rent is € 345 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 renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a final contract that does not provide rights to third parties, MFM and the parent company Manutencoop Cooperativa laid down the conditions that regulate any future contracts for the leasing of member employees 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 employee pay packets.
- MFM S.p.A. signed agreements with Manutencoop Cooperativa and its subsidiaries for the provision of tax consultancy services.

Details of the balances relating to the Parent Company's transactions with related parties are provided in annex III to the consolidated financial statements.



### *Management and coordination activities*

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

(in thousands of Euro)	31 December 2011	31 December 2010
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
A) Subscribed capital, unpaid . . . . .	203	151
B) Fixed assets . . . . .	295,018	300,420
C) Working capital . . . . .	31,438	41,175
D) Accruals and Deferrals . . . . .	2,704	2,968
<b>TOTAL ASSETS . . . . .</b>	<b>329,363</b>	<b>344,714</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
A) Shareholders' equity:		
Share capital . . . . .	16,674	13,523
Reserves . . . . .	250,533	252,398
Profit/(Loss) for the year . . . . .	(24)	1,903
B) Provision for risks and charges . . . . .	3,166	3,380
C) Employee Severance Indemnity . . . . .	2,840	3,067
D) Payables . . . . .	55,421	69,666
E) Accruals and Deferrals . . . . .	753	777
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY . . . . .</b>	<b>329,363</b>	<b>344,714</b>
<b>MEMORANDUM ACCOUNT . . . . .</b>	<b>78,823</b>	<b>86,355</b>
<b>STATEMENT OF INCOME</b>		
A) Value of production . . . . .	39,342	39,103
B) Cost of production . . . . .	(38,419)	(42,884)
C) Financial income and charges . . . . .	(1,135)	4,207
D) Financial asset value adjustments . . . . .	(26)	(338)
E) Extraordinary income and charges . . . . .	106	1,252
Income taxes for the year . . . . .	108	563
<b>Profit/(Loss) for the year . . . . .</b>	<b>(24)</b>	<b>1,903</b>

**Remuneration of members of the Management Board, executives with strategic responsibilities and members of the Supervisory Board.**

Fees paid to members of administration 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 2012	31 December 2011
<i>Board of Directors/Management Board</i>		
Short-term benefits . . . . .	2,260	2,382
Subsequent benefits . . . . .	0	0
<b>Total Board of Directors/Management Board . . . . .</b>	<b>2,260</b>	<b>2,382</b>
<i>Executives with strategic responsibilities</i>		
Short-term benefits . . . . .	3,134	2,758
Subsequent benefits (T.F.R.) . . . . .	104	102
<b>Total Other strategic executives . . . . .</b>	<b>3,238</b>	<b>2,860</b>
<i>Board of Statutory Auditors / Supervisory Board</i>		
Short-term benefits . . . . .	450	491
<b>Total Board of Statutory Auditors / Supervisory Board . . . . .</b>	<b>450</b>	<b>491</b>

Since 2008, Manutencoop Facility Management S.p.A.'s Corporate Governance has been structured under a "two-tier" administration and control system, through the appointment of the Management Board and Supervisory Board.

Fees paid to the Group's independent auditors, Reconta Ernst & Young S.p.A., amounted to € 790 thousand in the 2012 consolidated statement of income.

### 36. Management of financial risks: objectives and criteria

Management of financial requirements and the relative risks (mainly interest rate and liquidity risk) is performed centrally at the Group's Treasury 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 assets in the financial statements, in order to maintain a high level of capital strength.

The most used financing instruments are:

- Short-term loans and revolving non-recourse factoring transactions targeted at funding working capital.
- 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 negotiate financial instruments.

Group financial instruments are measured at fair value and are classed into three levels provided by IFRS 7. In particular, the hierarchy of fair value is defined in the following levels:

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

The table below shows the hierarchy for each class of financial asset measured at fair value as at 31 December 2012 and 31 December 2011:

	31 December 2012	Hierarchy			31 December 2011	Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<i>Financial liabilities carried at fair value in the statement of income</i>								
Financial receivables, securities and other non-current financial assets . . . . .	163		163		154		154	
securities . . . . .	163		163		154		154	
<i>Available-for-sale financial assets</i>								
Financial receivables and other current financial assets . . . . .	0		0		35		35	
hedging derivatives . . . . .	0		0		35		35	
non-hedging derivatives . . . . .	0		0		0		0	
<b>Total financial assets . . . . .</b>	<b>163</b>		<b>163</b>		<b>189</b>		<b>189</b>	

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 as at 31 December 2012 and 31 December 2011:

	31 December 2012	Hierarchy			31 December 2011	Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<i>Non-current financial liabilities</i>	1,222		1,222		1,429		1,429	
hedging derivatives . . . . .	1,222		1,222		1,429		1,429	
non-hedging derivatives . . . . .	0		0		0		0	
<i>Current financial liabilities . . . . .</i>	237		237		211		211	
hedging derivatives . . . . .	0		0		0		0	
non-hedging derivatives . . . . .	0		0		0		0	
other liabilities . . . . .	237		237		211		211	
<b>Total financial liabilities . . . . .</b>	<b>1,459</b>		<b>1,459</b>		<b>1,640</b>		<b>1,640</b>	

In 2012 there were no transfers between fair value measurement levels.

There were no changes in allocation of financial assets that led to a different class of 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, as required by IFRS 7, in the consolidated financial statements of the MFM Group and the associated economic effects for the year closed as at 31 December 2012:

Financial assets	31 December 2012	Available-for-sale financial assets	Loans and receivables
<b>Non-current financial assets</b>			
Other investments . . . . .	3,041	3,041	
Non-current financial assets . . . . .	11,455		11,455
Other non-current assets . . . . .	1,746		1,746
<b>Total non-current financial assets . . . . .</b>	<b>16,242</b>	<b>3,041</b>	<b>13,201</b>
<b>Current financial assets</b>			
Trade receivables and advances to suppliers .	655,497		655,497
Current taxes receivables . . . . .	24,712		24,712
Other current assets . . . . .	23,690		23,690
Current financial assets . . . . .	11,202		11,202
Cash and cash equivalents . . . . .	51,987		
<b>Total current financial assets . . . . .</b>	<b>767,088</b>	<b>0</b>	<b>715,101</b>
<b>Total financial assets . . . . .</b>	<b>783,330</b>	<b>3,041</b>	<b>728,302</b>
<b>Financial income (charges) . . . . .</b>	<b>3,949</b>	<b>669</b>	<b>3,280</b>
<hr/>			
Financial liabilities	31 December 2012	Financial liabilities at fair value in the statement of income	Financial liabilities measured at amortised cost
<b>Non-current financial liabilities</b>			
Long term debt . . . . .	119,213		119,213
Derivatives . . . . .	1,222		1,222
Other non-current liabilities . . . . .	7		7
<b>Total non-current financial liabilities . . . . .</b>	<b>120,442</b>	<b>0</b>	<b>120,442</b>
<b>Current financial liabilities</b>			
Trade payables and advances from customers . . . . .	441,551		441,551
Current tax payables . . . . .	2,922		2,922
Other current liabilities . . . . .	148,362		148,362
Loans and other liabilities Bank			
Borrowings and current portion of long-term debt . . . . .	268,334	237	268,097
<b>Total current financial liabilities . . . . .</b>	<b>861,169</b>	<b>237</b>	<b>860,932</b>
<b>Total financial liabilities . . . . .</b>	<b>981,611</b>	<b>237</b>	<b>981,374</b>
<b>Financial income (charges) . . . . .</b>	<b>(16,050)</b>	<b>(73)</b>	<b>(15,977)</b>

The same information for the year ended 31 December 2011 is shown below:

Financial assets	31 December 2011	Available-for-sale financial assets	Loans and receivables
<b>Non-current financial assets</b>			
Other investments . . . . .	2,239	2,239	
Non-current financial receivables . . . . .	14,796		14,796
Other non-current assets . . . . .	1,772		1,772
<b>Total non-current financial assets . . . . .</b>	<b>18,807</b>	<b>2,239</b>	<b>16,568</b>
<b>Current financial assets</b>			
Trade receivables and advances to suppliers . . . . .	682,271		682,271
Current taxes receivables . . . . .	9,182		9,182
Other current assets . . . . .	18,366		18,366
Current financial assets . . . . .	7,786		7,786
Cash and cash equivalents . . . . .	42,656		
<b>Total current financial assets . . . . .</b>	<b>760,261</b>	<b>0</b>	<b>717,605</b>
<b>Total financial assets . . . . .</b>	<b>779,078</b>	<b>2,239</b>	<b>734,173</b>
<b>Financial income (charges) . . . . .</b>	<b>3,431</b>	<b>1,348</b>	<b>2,083</b>

Financial liabilities	31 December 2011	Financial liabilities at fair value in the statement of income	Financial liabilities measured at amortised cost
<b>Non-current financial liabilities</b>			
Long Term Debt . . . . .	146,569		146,569
Derivatives . . . . .	1,429		1,429
Other non-current liabilities . . . . .	14		14
<b>Total non-current financial liabilities . . . . .</b>	<b>148,012</b>	<b>0</b>	<b>148,012</b>
<b>Current financial liabilities</b>			
Trade payables and advances from customers . . . . .	462,823		462,823
Current tax payables . . . . .	6,398		6,398
Other current liabilities . . . . .	147,522		147,522
Loans and other liabilities Bank Borrowings and current portion of long- term debt . . . . .	198,461	211	198,250
<b>Total current financial liabilities . . . . .</b>	<b>815,204</b>	<b>211</b>	<b>814,993</b>
<b>Total financial liabilities . . . . .</b>	<b>963,216</b>	<b>211</b>	<b>963,005</b>
<b>Financial income (charges) . . . . .</b>	<b>(17,056)</b>	<b>(73)</b>	<b>(16,983)</b>

#### *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), financial leasing 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 administrations, 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 and/or the transfer of receivables.

Also in 2011, the general economic crisis involved payment delays, also from some major private customers.

#### *Price risk*

Risks of this nature which the Group are 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 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 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.

Acquisitions in previous years involved the entry of large Italian industrial groups (especially with the acquisition of the Altair Group) to the private sector portfolio mix and, although to a lesser extent, to the retail sector portfolio mix (through the acquisition of the Sicura Group and MIA Group companies).

There are no significant credit concentration risks to report, which are carefully monitored by the Group.

#### *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 disposal. Market interest rates were applied to financial assets and liabilities as at the reporting 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 2012	31 December 2011	31 December 2012	31 December 2011
<i>Financial assets</i>				
Cash and cash equivalents . . . . .	51,987	42,656	51,987	42,656
Current financial assets . . . . .	11,202	7,751	11,202	7,751
Other investments . . . . .	3,041	2,239	3,041	2,239
Non-current financial assets . . . . .	11,455	14,796	11,455	14,796
<i>Financial liabilities</i>				
Loans:				
Variable interest loan . . . . .	349,979	314,295	349,979	314,295
Fixed interest loan . . . . .	447	465	447	465
Other current financial liabilities . . . . .	37,121	30,270	37,121	30,270
Derivatives . . . . .	1,222	1,429	1,222	1,429



### *Interest rate risk*

The Group's current policy has a preference, for the management of financial charges, for variable rate loans and possession of quite a marginal share of fixed rate loans.

In 2008, the MFM Group's management deemed it appropriate to perform a debt restructuring transaction as a result, in particular, of the acquisitions made at the end of 2008, rebalancing the mix of short- and medium/long-term debt.

In order to hedge interest rate risk, on 19 June 2009, the parent company MFM S.p.A. stipulated the following "Interest rate Swaps":

	Unicredit Corporate Banking	BNP Paribas	Banca Akros
From 23/12/2012 to 23/6/2013 . . . . .	16,000,000	18,000,000	8,000,000
Start date . . . . .	23/6/2009	23/6/2009	23/6/2009
End date . . . . .	23/12/2014	23/12/2014	23/12/2014
Variable rate . . . . .	Euribor 6 months	Euribor 6 months	Euribor 6 months
Fixed rate . . . . .	2.65%	2.65%	2.65%

The notional value refers to the 8th half-yearly period of hedging.

The financial instruments of the Group exposed to interest rate risk are those listed in note 19 (see for details) such as *Loans*, as well as financial statement items recorded under *Cash and cash equivalents*, and *Receivables and other current financial assets* (note 13) and other investments and non-current financial assets (note 8).

### *Table of interest rate sensitivity analysis*

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

	Increase/decrease	Effect on profit before taxes
Financial year ended 31 December 2012 . . . . .	+150 bps	(8,825)
	– 30 bps	1,869
Financial year ended 31 December 2011 . . . . .	+150 bps	(10,087)
	– 30 bps	2,032

### *Exchange rate risk*

The Group operates predominantly in the national market, where it is not exposed to exchange rate 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. The Group includes in net debt, interest-bearing loans, trade payables, other payables and provisions for employee severance indemnity net of cash and cash equivalents.

	31 December 2012	31 December 2011
Employee termination indemnities . . . . .	31,321	31,356
Interest-bearing loans . . . . .	350,232	314,760
Trade payables and advances from customers . . . . .	441,551	462,823
Other financial liabilities . . . . .	148,362	147,522
Other current liabilities . . . . .	37,315	30,270
Cash and cash equivalents . . . . .	(51,987)	(42,656)
Current financial assets . . . . .	(11,202)	(7,751)
Net debt . . . . .	945,592	936,324
Equity attributable to equity holders of the parent . . . . .	309,485	279,512
Profit for the period attributable to equity holders of the parent . .	(32,574)	(11,124)
Total Capital . . . . .	276,911	268,388
<b>Equity and net debt . . . . .</b>	<b>1,222,503</b>	<b>1,204,712</b>
Indebtedness ratio . . . . .	77%	78%

No significant change was recorded in the debt ratio compared to 31 December 2011.

### 37. Events after the reporting date

There are no significant events to report after the close of the year.

The Chairman of the Management Board  
Claudio Levorato

# Annexes

## 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
Antincendi Piave S.r.l. . . . .	Via Zamenhof n. 363	Vicenza	70%	Subsidiary
MIA Servizi Torino S.r.l. . . .	Via Pianezza . 123	Turin (TO)	100%	Subsidiary
CO.GE.F. Soc. Cons. a r.l. . . .	Via Poli n. 4	Zola Predosa (BO)	80%	Subsidiary
COFAM S.r.l. . . . .	Via A. Pica n. 160	Modena	60.00%	Subsidiary
Consorzio Igiene Ospedaliera Soc. Cons. a r.l. . . . .	Via Poli n. 4	Zola Predosa (BO)	66.66%	Subsidiary
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation . . . . .	Via Poiano n. 22	Imola (BO)	60%	In liquidation
Consorzio Servizi Toscana Soc. Cons. a r.l. . . . .	Via Poli n. 4	Zola Predosa (BO)	60%	Subsidiary
EnergyProject S.p.A. . . . .	Via Poli n. 4	Zola Predosa (BO)	100%	Subsidiary
EP Servizi S.r.l. . . . .	Via A. Pica n. 170	Modena	70%	Subsidiary
Evimed S.r.l. . . . .	Via Zamenhof n. 363	Vicenza	90%	Subsidiary
Firing S.r.l. . . . .	Via Luigi Meraviglia n. 31	Lainate (MI)	65%	Subsidiary
Global Oltremare Soc.Cons. r.l. . . . .	Via Poli n. 4	Zola Predosa (BO)	60%	Subsidiary
Gruppo Sicura S.r.l. . . . .	Via Zamenhof n. 363	Vicenza	80%	Subsidiary
ISOM Lavori Soc. Cons.rl . . .	Via Poli n. 4	Zola Predosa (BO)	62.71%	Subsidiary
ISOM Gestione Soc. Cons.rl .	Via Poli n. 4	Zola Predosa (BO)	52.97%	Subsidiary
KANARIND Soc. Cons.rl . . . .	Via Poli n. 4	Zola Predosa (BO)	62.43%	Subsidiary
Lenzi S.p.A. . . . .	Via Kravogl n. 6	Bolzano	60%	Subsidiary
Leonardo S.r.l. . . . .	Via Zamenhof n. 363	Vicenza	100%	Subsidiary
Mako Engineering S.r.l. . . .	Via Ferruccio Parri n. 7	Treviglio (BG)	70%	Subsidiary
Manutencoop Costruzioni S.p.a. . . . .	Via Poli n. 4	Zola Predosa (BO)	100%	Subsidiary
Manutenzione Installazione Ascensori S.p.A. . . . .	Via A. Pica n. 170	Modena	100%	Subsidiary
Manutencoop Private Sector Solutions S.p.A. . . . .	Via Poli n. 4	Zola Predosa (BO)	100%	Subsidiary
Nettuno Ascensori S.r.l. . . .	Via Marzabotto 11	Quarto inferiore (BO)	75%	Subsidiary
Palmanova Servizi Energetici Soc. Cons. a r.l. . . . .	Via Poli n. 4	Zola Predosa (BO)	60%	Subsidiary
PIB Service S.r.l. . . . .	Via Poli n. 4	Zola Predosa (BO)	100%	Subsidiary
Protec S.r.l. . . . .	Via Zamenhof n. 363	Vicenza	100%	Subsidiary
S.AN.CO S.c.a.r.l. . . . .	Viale Piero e Alberto Pirelli n. 21	Milan	51.50%	Subsidiary
S.AN.GE S.c.a.r.l. . . . .	Viale Piero e Alberto Pirelli n. 21	Milan	89%	Subsidiary
Securveneta S.r.l. . . . .	Via Zamenhof n. 363	Vicenza	80%	Subsidiary
Sedda S.r.l. . . . .	Via Zamenhof n. 363	Vicenza	80%	Subsidiary
Servizi Brindisi Soc. Cons. a r.l. . . . .	Via Poli n. 4	Zola Predosa (BO)	52%	Subsidiary
Servizi l'Aquila Soc. Cons. a r.l. . . . .	Via Poli n. 4	Zola Predosa (BO)	60%	Subsidiary

Name	Registered office	City	% held	Type
Servizi Ospedalieri S.p.A. . . .	Via Calvino n. 33	Ferrara	100%	Subsidiary
Servizi Sanitari Sicilia Soc.Cons.a r.l. . . . .	Via Calvino n. 33	Ferrara	70%	Subsidiary
Servizi Taranto Soc.Cons. a.r.l. . . . .	Via Poli n. 4	Zola Predosa (BO)	60.08%	Subsidiary
Sicura S.r.l. . . . .	Via Zamenhof n. 363	Vicenza	100%	Subsidiary
Sicurama S.r.l. . . . .	Via G. di Vittorio n. 9	Casalecchio di Reno (BO)	75%	Subsidiary
Società Manutenzione Illuminazione S.p.A. (SMAIL) . . . . .	Via Poli n. 4	Zola Predosa (BO)	100%	Subsidiary
Telepost S.p.A. . . . .	Via Poli n. 4	Zola Predosa (BO)	100%	Subsidiary
Unilift S.r.l. . . . .	Piazzale Giustiniani n. 11/A	Mestre (VE)	78.54%	Subsidiary

**Joint ventures  
(accounted for using proportionate consolidation)**

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
DUC Gestione Sede Unica Soc.cons.r.l. . . . .	Via Poli n. 4	Zola Predosa (BO)	49%	Joint Venture
Legnago 2001 Soc.cons.r.l. . .	Via Poli n. 4	Zola Predosa (BO)	50%	Joint Venture
Malaspina Energy Soc.cons.r.l. . . . .	Via Varesina n. 118	Lurate Caccivio (CO)	50%	Joint Venture
Servizi Luce Soc.Cons.r.l. . . .	Via Poli n. 4	Zola Predosa (BO)	50%	Joint Venture
Società Consortile Adanti Manutencoop a r.l. in liquidation . . . . .	Via Poli n. 4	Zola Predosa (BO)	50%	In liquidation

**Associates  
(accounted for under the equity method)**

Name	Registered office	City	% held	Type
Alisei S.r.l. in liquidation . . .	Via Cesari n. 68/1	Modena	100%	In liquidation
Bologna Gestione Patrimonio Soc.Cons. r.l. . .	Via della Cooperazione n. 9	Bologna	27.58%	Associate
Bologna Multiservizi Soc.Cons. r.l. . . . .	Via Del Lavoro n. 23/4	Casalecchio di Reno (BO)	39%	Associate
Bologna Più' Soc.Cons. r.l in liquidation . . . . .	Via M.E. Lepido n. 182/2	Bologna	25.68%	In liquidation
CO.M.I. S.r.l. in liquidation . .	Piazza De Calderini 2/2	Bologna	40%	In liquidation
CO.S.I.S. a r.l. in liquidation .	Via Adolfo Gandiglio n. 27	Rome	26.33%	In liquidation
Como Energia Soc.Cons. r.l. . .	Via Pietro Strazzi n. 2	Como	30%	Associate
Consorzio Energia Servizi Bologna in liquidation . . .	Viale Masini n. 46	Bologna	24.25%	In liquidation
Consorzio Leader Soc.Cons. r.l. in liquidation . . . . .	Via Poli n. 4	Zola Predosa (BO)	50%	In liquidation
Consorzio Polo Sterilizzazione Integrata a r.l. . . . .	Via Facciolati n. 84	Padua	60%	Associate
Consorzio Sermagest Soc.Cons. r.l. in liquidation	Via Filippo Corridoni 23	Rome	60%	In liquidation
F.Ili Bernard S.r.l. . . . .	Stradella Aquedotto n. 21	Bari	20%	Associate
Geslotto6 Soc.Cons. r.l. in liquidation . . . . .	Via Poli n. 4	Zola Predosa (BO)	55%	In liquidation

Name	Registered office	City	% held	Type
Gico System S.r.l. . . . .	Via Calari n. 16/B	Zola Predosa (Bo)	20%	Associate
Global Provincia Di Rimini				
Soc.Cons. r.l. in liquidation	Via Poli n. 4	Zola Predosa (BO)	42.40%	In liquidation
Global Riviera Soc.Cons. r.l. .	Via Poli n. 4	Zola Predosa (BO)	30.66%	Associate
Global Vicenza				
Soc.Cons.a r.l. . . . .	Via Grandi n. 39	Concordia Sulla Secchia (MO)	41.25%	Associate
Gymnasium Soc.Cons. r.l. in liquidation . . . . .	Via Poli n. 4	Zola Predosa (BO)	68%	In liquidation
GRID Modena S.r.l. . . . .	Via Divisione Acqui, n. 129	Modena (MO)	23%	Associate
Headmost Division Service				
FM S.p.A. . . . .	Via Del Mare n. 89	Pomezia (RM)	25%	Associate
Iniziative Produttive				
Piemontesi S.r.l. . . . .	Corso Einaudi n. 18	Turin	24.75%	Associate
Livia Soc.Cons. a r.l. . . . .	Via Roma n. 57/B	Zola Predosa (BO)	34.10%	Associate
Logistica Ospedaliera Soc.				
Cons. a r.l. . . . .	Via Carlo Alberto Dalla Chiesa 23/i	Caltanissetta (CL)	45%	Associate
MCB Emirates LLC . . . . .			49%	Associate
Newco Duc Bologna S.p.A. .	Via M.E. Lepido n. 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 n. 10	Milan	25%	Associate
Perimetro Gestione				
Proprietà Immobiliari				
S.C.p.A. . . . .	Via del Giglio n. 14	Siena	20.10%	Associate
Progetto ISOM S.p.A. . . . .	Via Poli n. 4	Zola Predosa (BO)	36.98%	Associate
Progetto Nuovo				
Sant'Anna S.r.l. . . . .	Viale Piero e Alberto Pirelli n. 21	Milan	24%	Associate
Roma Multiservizi S.p.A. . . .	Via Tiburtina n. 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 n. 1	Forlì	49.11%	Associate
Serena S.r.l. . . . .	Via Poli n. 4	Zola Predosa (BO)	50%	In liquidation
Se.Ste.Ro S.r.l. . . . .	Via San Pietro n. 59/B	fraz. Castellina— Soragna (PR)	25%	Associate
Servizi Marche Soc. Cons.				
a r.l. in liquidation . . . . .	Via Poli n. 4	Zola Predosa (BO)	60%	In liquidation
Servizi Napoli 5 Soc.Cons.				
a r.l. . . . .	Via Poli n. 4	Zola Predosa (BO)	45%	Associate
Servizi Sanitari Treviso				
Soc.Cons.a r.l. . . . .	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Servizi Sportivi Brindisi				
Soc.cons.r.l. . . . .	Via Licio Giorgieri n. 93	Rome	50%	Joint Venture
Sesamo S.p.A. . . . .	Via C. Pisacane n. 2	Carpi (MO)	20.91%	Associate
Simagest 2 Soc. Cons. a r.l in liquidation . . . . .	Via Poli n. 4	Zola Predosa (BO)	90%	In liquidation
Simagest 3 Soc. Cons. a r.l in liquidation . . . . .	Via Poli n. 4	Zola Predosa (BO)	89.99%	In liquidation
Synchron Nuovo San				
Gerardo S.p.A. . . . .	Via Poli n. 4	Zola Predosa (BO)	35.82%	Associate
Steril Piemonte Soc.Cons.				
r.l. . . . .	Corso Einaudi n. 18	Turin	25%	Associate
Tower Soc.Cons. a r.l. . . . .	Via Zanardi n. 372	Bologna	20.17%	Associate

## Annex II—Valuation of equity investments under the equity method

(thousands of Euro)	%	Net book value 31/12/2011	Additions/ disposals	Dividends	Write-downs/ write-backs	Investment provision	Effects on the shareholders' equity from associates under the equity method	Net book value 31/12/2012	Book value 31/12/2012	Investments' reserve 31/12/2012
Alisei s.r.l. in liquidazione . . . . .	100%	(35)	(1)		(1)	(11)		(47)	0	(47)
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	
Co.S.I.S. Soc.Cons. a r.l. . . . .	26.33%	(1)			10			9	9	
Como Energia Soc.Cons. a R.L. . . . .	29%	5	3		3			11	11	
Consorzio Leader Soc.Cons. a r.l. in liquidazione . . . . .	50%	5						5	5	
Consorzio Polo sterilizzazione Integ. . . . .	60%	23						23	23	
Consorzio Sermagest in liquidazione . . . . .	60%	(240)	250		(10)			0	0	
Costruzione Manutenzione Immobili . . . . .	40%	84						84	84	
F.lli Bernard S.r.l. . . . .	20%	756	(147)		82			691	691	
Geslotto 6 soc. cons. a r.l. . . . .	55%	50						50	50	
GICO Systems S.r.l. . . . .	20%	33			6			39	39	
Global Provincia di Rimini Soc.Cons. a r.l. . . . .	42.40%	4						4	4	
Global Riviera Soc.Cons. a R.L. . . . .	23.11%	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%	0	23		(23)	(106)		(106)	0	(106)
Headmost Division Service FM S.p.A. . . . .	25%	0	0					0	0	
IPP s.r.l. . . . .	25%	452			32			484	484	
Other . . . . .		(120)	120					0	0	
LIVIA SOC CONS R.L. . . . .	34.10%	3						3	3	
Logistica Ospedaliera Soc. Cons. a r.l. . . . .	45.00%	0	5					5	5	
MCB Emirates LLC . . . . .	49%	0						0	0	
Newco DUC Bologna S.p.A. . . . .	24.90%	385			(70)		(469)	(154)	(154)	
P.B.S. Soc.Cons. a R.L. in liquidazione . . . . .	25%	25						25	25	
Palazzo della Fonte S.c.p.a. . . . .	33.30%	0	8,000					8,000	8,000	
Perimetro Gestione Proprietà Immobiliari Soc.Cons.a.r.l. . . . .	20.10%	1,111						1,111	1,111	
Progetto ISOM S.p.A. . . . .	36.98%	2,420			37			2,457	2,457	
Progetto Nuovo Sant'Anna S.r.l. . . . .	24%	1,178			133		(170)	1,141	1,141	
ROMA Multiservizi S.p.A. . . . .	45.47%	7,320		(1,313)	3,031		(182)	8,856	8,856	
San Martino 2000 Soc.Cons. a r.l. . . . .	40%	4						4	4	
Savia soc.cons.a.r.l. . . . .	49.11%	5						5	5	
SE.SA.MO. S.p.A. . . . .	20.91%	795			19			814	814	
Se.Ste.Ro S.r.l. . . . .	25%	108			9			117	117	
Serena S.r.l. . . . .	50%	50	(38)		(3)			9	9	
Servizi Marche soc.Cons. a r.l. in liquidazione . . . . .	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%	0	45					45	45	
Simagest 2 Soc.Cons.a r.l. . . . .	89.99%	0	45					45	45	
Synchron Nuovo San Gerardo S.p.A. . . . .	35.82%	0	2,922		(3)			2,919	2,919	
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	
<b>Valore netto contabile . . . . .</b>		<b>15,499</b>	<b>11,227</b>	<b>(1,313)</b>	<b>3,252</b>	<b>(117)</b>	<b>(821)</b>	<b>27,728</b>	<b>27,881</b>	<b>(153)</b>



## Annex III—Related party transactions

Parent company		Revenues	Costs	Financial income	Financial expenses	Trade receivables and others	Financial receivables	Trade payables and others	Financial liabilities
Manutencoop Cooperativa . . . .	31-Dec-11	283	36,271	0	42	97	4,725	10,585	3,358
	31-Dec-12	136	37,919	0	105	101	16,902	5,443	151
Associated companies		Revenues	Costs	Financial income	Financial expenses	Trade receivables and others	Financial receivables	Trade payables and others	Financial liabilities
Roma									
Multiservizi S.p.A.	31-Dec-11	1,739	7,102	—	—	2,360	—	8,568	—
	31-Dec-12	1,497	5,872	—	—	443	6	6,625	—
Gico Systems S.r.l. . .	31-Dec-11	7	332	—	—	7	28	207	—
	31-Dec-12	8	367	—	—	3	32	171	—
Se.Sa.Mo. S.p.A. . . .	31-Dec-11	4,629	(23)	41	—	4,496	710	5	—
	31-Dec-12	5,085	—	33	—	4,056	622	6	—
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation . . . . .	31-Dec-11	—	—	—	—	—	—	—	—
	31-Dec-12	—	4	—	—	208	106	4	—
Global Provincia di RN Soc.Cons.a r.l. .	31-Dec-11	459	1,719	—	—	375	170	1,030	—
	31-Dec-12	217	993	—	—	251	170	18	—
Bologna Più Soc.Cons.a r.l. . . .	31-Dec-11	—	41	—	—	(2)	39	3	—
	31-Dec-12	—	5	—	—	—	39	11	—
Global Riviera Soc.Cons.a r.l. . . .	31-Dec-11	1,685	5,161	—	—	1,282	136	3,020	—
	31-Dec-12	817	2,887	—	—	573	—	—	—
Como Energia Soc.Cons.a r.l. . . .	31-Dec-11	—	912	—	—	—	—	735	—
	31-Dec-12	—	1,018	—	—	—	—	426	—
NEW DUC Soc.Cons.a r.l. . . .	31-Dec-11	251	169	—	—	1,367	—	26	69
	31-Dec-12	132	71	—	—	2,448	—	17	69
Cons.Energia Servizi Bologna Soc.Cons. a r.l. . . . .	31-Dec-11	—	—	—	—	—	—	—	—
	31-Dec-12	—	—	—	—	—	—	—	—
P.B.S. Soc.Cons. a r.l. in liquidation . . .	31-Dec-11	(32)	(68)	—	—	311	—	(23)	—
	31-Dec-12	—	—	—	—	6	—	—	—
Tower Soc.Cons. a r.l. . . . .	31-Dec-11	—	6	—	—	—	35	31	—
	31-Dec-12	—	(24)	—	—	54	35	—	5
Bologna Multiservizi Soc.Cons. a r.l. . .	31-Dec-11	1,970	4,529	—	—	3,059	—	5,665	—
	31-Dec-12	1,686	3,971	—	—	1,967	—	4,821	—
Global Vicenza Soc.Cons. a r.l. . .	31-Dec-11	327	2,021	—	—	520	—	811	—
	31-Dec-12	263	1,550	—	—	426	—	484	—
Bologna Gestione Patrimonio Soc.Cons. a r.l. . .	31-Dec-11	280	148	—	—	308	—	266	—
	31-Dec-12	201	109	—	—	324	—	75	—
Progetto Sant'Anna .	31-Dec-11	13,261	104	170	—	5,691	5,154	45	—
	31-Dec-12	110	115	145	—	5,295	5,282	157	13,149
S.I.MA.GEST3 Soc. Cons. r.l. in liquidation . . . . .	31-Dec-11	—	—	—	—	—	—	—	—
	31-Dec-12	—	3	—	—	2	—	3	—
Steril Piemonte Soc. cons. a.r.l. . . . .	31-Dec-11	—	930	24	—	5	1,274	253	—
	31-Dec-12	7	826	13	—	7	1,163	306	—
HEADMOST . . . . .	31-Dec-11	—	—	—	—	1,054	—	—	—
	31-Dec-12	—	—	—	—	454	—	—	—
IPP . . . . .	31-Dec-11	148	245	2	—	180	101	293	—
	31-Dec-12	263	355	1	—	295	100	296	—
Alisei s.r.l. in liquidation . . . . .	31-Dec-11	1	1	—	—	3	—	1	—
	31-Dec-12	1	—	—	—	3	—	—	—
San Martino 2000 Soc.Cons. r.l. . . . .	31-Dec-11	1,769	3,370	—	—	1,273	211	963	—
	31-Dec-12	1,766	3,418	—	—	1,079	—	755	—
Livia Soc. cons. a r.l.	31-Dec-11	161	1,034	—	—	468	—	1,435	—
	31-Dec-12	156	969	—	—	658	—	1,236	—
Gymnasium Soc. cons. a r.l. . . . .	31-Dec-11	—	5	—	—	1	7	33	5
	31-Dec-12	—	—	—	—	1	7	33	5

Associated companies		Revenues	Costs	Financial income	Financial expenses	Trade receivables and others	Financial receivables	Trade payables and others	Financial liabilities
Geslotto 6 Soc. cons. a r.l.	31-Dec-11	—	8	—	—	6	20	34	—
	31-Dec-12	—	5	—	—	6	20	39	—
Fr.Ili Bernard s.r.l.	31-Dec-11	36	368	—	—	107	—	148	—
	31-Dec-12	36	332	—	—	69	—	161	—
SESATRE	31-Dec-11	10	4,193	111	111	394	4,066	2,210	919
	31-Dec-12	10	4,313	67	67	—	3,331	3,349	—
Savia Soc. Cons. a r.l.	31-Dec-11	898	2,213	—	—	415	—	1,191	—
	31-Dec-12	687	1,407	—	—	336	—	951	—
Consorzio Sermagest Soc.Cons.a r.l in liquidation	31-Dec-11	—	—	—	—	77	—	4	—
	31-Dec-12	—	—	—	—	6	—	—	—
Se.Ste.Ro S.r.l.	31-Dec-11	9	387	—	—	14	100	355	—
	31-Dec-12	9	494	—	—	11	50	432	—
Napoli 5 Soc.Cons. a r.l.	31-Dec-11	1,373	1,234	—	—	2,536	—	1,259	—
	31-Dec-12	1,451	1,296	—	—	2,774	—	1,304	—
Serena S.r.l.—in liquidation	31-Dec-11	—	—	—	—	—	—	—	—
	31-Dec-12	—	—	—	—	52	3	1	—
Servizi Marche Soc. Cons. r.l. in liquidation	31-Dec-11	3	1	—	—	12	—	5	—
	31-Dec-12	—	—	—	—	12	—	5	—
Consorzio Leader Soc. Cons. a r.l. in liquidation	31-Dec-11	3	—	—	—	13	—	6	—
	31-Dec-12	—	—	—	—	13	—	6	—
Progetto ISOM S.p.A.	31-Dec-11	—	—	—	—	—	—	—	—
	31-Dec-12	497	101	—	—	6,873	—	101	—
Grid Modena S.r.l.	31-Dec-11	—	—	—	—	—	—	—	—
	31-Dec-12	187	—	—	—	199	—	—	—
Logistica Ospedaliera Soc. Cons. a r.l.	31-Dec-11	—	—	—	—	—	—	—	—
	31-Dec-12	—	131	—	—	—	—	75	—
Servizi Sportivi Brindisi Soc. Cons. a r.l.	31-Dec-11	—	—	—	—	—	—	—	—
	31-Dec-12	140	238	—	—	—	—	—	—
Synchron Nuovo San Gerardo S.p.A.	31-Dec-11	—	—	—	—	—	—	—	—
	31-Dec-12	—	—	—	—	1	—	—	—
Perimetro Gestione Proprietà Immobiliari Soc. Cons. p.A.	31-Dec-11	335	—	—	—	165	—	—	—
	31-Dec-12	424	—	—	—	95	—	—	—

Associates of Manutencoop Cooperativa or other group companies		Revenues	Costs	Financial income	Financial expenses	Trade receivables and others	Financial receivables	Trade payables and others	Financial liabilities
Consorzio Cooperativo Karabak Soc.a r.l. . . . .		31-Dec-11	65	—	—	20	—	2	—
		31-Dec-12	61	—	—	15	—	2	—
Consorzio Karabak Tre Società Cooperativa . . . . .		31-Dec-11	—	—	—	—	—	—	—
		31-Dec-12	1	—	—	1	—	—	—
Consorzio Karabak Quattro Società Cooperativa . . . . .		31-Dec-11	—	—	—	—	—	—	—
		31-Dec-12	—	—	—	—	—	—	—
Consorzio Karabak Due Società Cooperativa . . . . .		31-Dec-11	1	—	—	1	—	—	—
		31-Dec-12	3	—	—	1	—	—	—
Sacoa S.r.l. . . . .		31-Dec-11	71	70	—	72	—	151	—
		31-Dec-12	85	—	—	142	—	18	—
		Revenues	Costs	Financial income	Financial expenses	Trade receivables and others	Financial receivables	Trade payables and others	Financial liabilities
<b>Grand Total . . . . .</b>		31-Dec-11	32,140	74,449	348	153	27,373	17,043	39,791
		31-Dec-12	16,325	70,844	259	172	29,646	27,868	27,333
									4,368
									13,379



**Consolidated financial statement as  
of and for the year ended  
31 December 2011**

**Manutencoop Facility Management S.p.A.**  
**registered office in Zola Predosa (BO)—Via U. Poli n. 4**  
Tax Code—VAT no.—Bologna business registration no. 02402671206  
share capital € 109,149,600.00 fully paid up  
"Subject to the management and coordination of  
Manutencoop Società Cooperativa—Zola Predosa (BO)"

**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 2011 and for the year then ended, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of cash flows and the statement of changes in shareholders' equity, and the related explanatory notes. The preparation of these financial statements in compliance 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 the Management Board. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 13 April 2011.

3. In our opinion, the consolidated financial statements of the Manutencoop Facility Management Group at 31 December 2011 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. are responsible for the preparation of the Report on Operations<sup>(1)</sup> in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with

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(1) The Report on Operations is not included in this Offering Memorandum.

the 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 at 31 December 2011.

Bologna, 11 April 2012

Reconta Ernst & Young S.p.A.

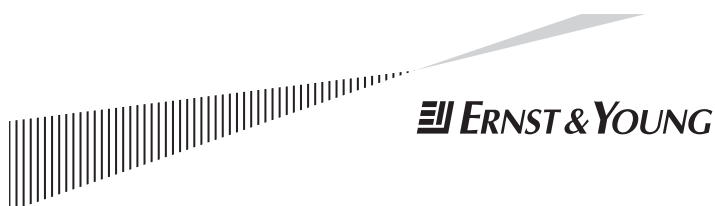
Signed by: Alberto Rosa, partner

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**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 2010 and for the year then ended, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of cash flows and the statement of changes in shareholders' equity, and the related explanatory notes. The preparation of these financial statements in compliance 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 the Management Board. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements of the prior year<sup>(1)</sup> and the statement of financial position as of 1 January 2009<sup>(2)</sup> are presented for comparative purposes. As described in the explanatory notes, Management Board restated certain comparative data related to the prior year and to the statement of financial position as of 1 January 2009 derived from the consolidated financial statements at 31 December 2008 on the 2009 and 2008 data from which the related comparative data were derived, we issued our auditor's reports dated 6 April 2010 and 14 April 2009, respectively. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the consolidated financial statements as of 31 December 2010 and for the year then ended.

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(1) The consolidated financial statements of the prior year (31 December 2009) are not included in this Offering Memorandum.

(2) The statement of financial position as of 1 January 2009 is not included in this Offering Memorandum.

3. In our opinion, the consolidated financial statements of the Manutencoop Facility Management Group at 31 December 2011 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. As reported in the explanatory notes and in the Report on Operations<sup>(3)</sup>, the merger of the subsidiaries Integra FM B.V., Altair IFM S.p.A., Gestin Facility S.p.A. and Teckal S.p.A. into Manutencoop Facility Management S.p.A. was effective on 1 January 2010. The merger among parties under common control, is excluded from the application of IFRS 3 and the accounting method used did not result in reporting amounts higher than those already reported in the consolidated financial statements of the Manutencoop Facility Management S.p.A. as of 1 January 2010.
5. The Management Boards of Manutencoop Facility Management S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with the 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 at 31 December 2010.

Bologna, 13 April 2011

Reconta Ernst & Young S.p.A.

Signed by: Alberto Rosa, partner

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(3) The Report on Operations is not included in this Offering Memorandum.

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## Consolidated statement of financial position as of 31 December 2011

(thousands of Euro)	Note	31 December 2011	31 December 2010
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment . . . . .	4	68,456	62,727
Property, plant and equipment under lease . . . . .	4	6,912	5,479
Goodwill . . . . .	5,6	411,995	391,755
Other intangible assets . . . . .	5	26,622	25,379
Investments accounted for under the equity method . . . . .	7	15,931	14,635
Other investments . . . . .	8,9	2,239	3,233
Non-current financial assets . . . . .	9	14,796	14,916
Other non-current assets . . . . .	10	1,772	1,409
Deferred tax assets . . . . .	32	22,965	19,347
<b>Total non-current assets . . . . .</b>		<b>571,688</b>	<b>538,880</b>
<b>Current assets</b>			
Inventories . . . . .	11	12,448	10,052
Trade Receivables and advances to suppliers . . . . .	12	682,271	727,815
Current taxes receivables . . . . .		9,182	5,300
Other current assets . . . . .	12	18,366	16,668
Current financial assets . . . . .	13	7,751	7,955
Derivatives . . . . .		35	250
Cash and cash equivalents . . . . .	13	42,656	51,583
<b>Total current assets . . . . .</b>		<b>772,709</b>	<b>819,623</b>
Assets classified as held for sale . . . . .	14	—	15,939
<b>Total assets classified as held for sale . . . . .</b>		<b>—</b>	<b>15,939</b>
<b>Total assets . . . . .</b>		<b>1,344,397</b>	<b>1,374,442</b>

(thousands of Euro)	Note	31 December 2011	31 December 2010
<b>Shareholders' equity</b>			
Share capital . . . . .		109,150	109,150
Reserves . . . . .		139,053	134,266
Retained earnings . . . . .		20,185	18,443
Profit for the period attributable to equity holders of the parent . . . . .		11,124	7,743
<i>Equity attributable to equity holders of the parent . . . . .</i>		<i>279,512</i>	<i>269,602</i>
Capital and reserves attributable to non-controlling interests		12,137	394
Profit for the period attributable to non-controlling interests . . . . .		1,105	134
<i>Equity attributable to non-controlling interests . . . . .</i>		<i>13,242</i>	<i>528</i>
<b>Total shareholders' equity . . . . .</b>		<b>292,754</b>	<b>270,130</b>
<b>Non-current liabilities</b>			
Employees termination indemnity . . . . .	16	31,356	29,537
Provision for risks and charges, non current . . . . .	17	10,786	7,669
Derivatives . . . . .	18	1,429	1,560
Long-term debt . . . . .	19	146,569	90,192
Deferred tax liabilities . . . . .	32	13,237	13,272
Other non-current liabilities . . . . .		14	13
<b>Total non-current liabilities . . . . .</b>		<b>203,391</b>	<b>142,243</b>
<b>Current liabilities</b>			
Provision for risks and charges, current . . . . .	17	33,048	27,491
Trade payables and advances from customers . . . . .	20	462,823	478,139
Current tax payables . . . . .		6,398	1,437
Other current liabilities . . . . .	20	147,522	136,511
Bank borrowings, including current portion of long-term debt, and other financial liabilities . . . . .	19	198,461	303,128
<b>Total current liabilities . . . . .</b>		<b>848,252</b>	<b>946,706</b>
Liabilities directly associated with assets classified as held for sale . . . . .	14	—	15,363
<b>Total liabilities directly associated with assets classified as held for sale . . . . .</b>		<b>—</b>	<b>15,363</b>
<b>Total shareholders' equity and liabilities . . . . .</b>		<b>1,344,397</b>	<b>1,374,442</b>

## Consolidated statement of income for the year ended 31 December 2011

(thousands of Euro)	Note	31 December 2011	31 December 2010
<b>Revenue</b>			
Revenue from sales and services . . . . .	22	1,065,896	1,136,606
Other revenue . . . . .	23	2,857	2,485
<b>Total revenue . . . . .</b>		<b>1,068,753</b>	<b>1,139,091</b>
<b>Operating costs</b>			
Costs of raw materials and consumables . . . . .	24	(146,558)	(131,497)
Changes in inventories of finished goods and semi-finished products . . . . .		(215)	0
Cost for services and use of third party assets . . . . .	25	(435,068)	(541,221)
Personnel costs . . . . .	26	(352,912)	(344,483)
Other operating costs . . . . .	27	(10,260)	(7,381)
Capitalized internal construction costs . . . . .		0	0
Amortization, depreciation, write-downs and write-backs of assets . . . . .	28	(37,732)	(40,942)
Accrual of provision for risks and charges . . . . .	17	(18,378)	(26,353)
<b>Total operating costs . . . . .</b>		<b>(1,001,123)</b>	<b>(1,091,877)</b>
<b>Operating income . . . . .</b>		<b>67,630</b>	<b>47,214</b>
<b>Financial income and expenses</b>			
Share of net profit of associates . . . . .		1,426	1,194
Dividends and income from sale of investments . . . . .	29	1,348	398
Financial income . . . . .	30	2,083	1,963
Financial expenses . . . . .	31	(26,620)	(16,434)
Gains/(losses) on exchange rate . . . . .		(3)	35
<b>Profit before taxes from continuing operations . . . . .</b>		<b>45,864</b>	<b>34,370</b>
Income taxes . . . . .	32	(33,408)	(26,293)
<b>Profit from continuing operations . . . . .</b>		<b>12,456</b>	<b>8,077</b>
Loss after tax for the year from discontinued operations . . . . .	14	(227)	(200)
<b>Net profit for the year: . . . . .</b>		<b>12,229</b>	<b>7,877</b>
attributable to non-controlling interests . . . . .		(1,105)	(134)
<b>Attributable to equity holders of the parent . . . . .</b>		<b>11,124</b>	<b>7,743</b>
<hr/>			
(in thousands of Euro)		31-Dec-11	31-Dec-10
Basic earnings per share . . . . .		0.102	0.071
Diluted earnings per share . . . . .		0.102	0.071
Basic earnings per share from continuing operations . . . . .		0.104	0.073
Diluted earnings per share from continuing operations . . . . .		0.104	0.073



## Consolidated statement of comprehensive income for the year ended 31 December 2011

(thousands of Euro)	Note	31 December 2011	31 December 2010
<b>Profit for the year</b> . . . . .		<b>12,229</b>	<b>7,877</b>
Exchange differences on translating foreign operations . . . .		0	(5)
Effect on the shareholders' equity from associates accounted for under the equity method . . . . .		(994)	911
<i>Actuarial gains/(losses) on defined benefit plans</i> . . . . .		(436)	(297)
<i>Income tax effect</i> . . . . .		120	82
<b>Net actuarial gains/(losses) on defined benefit plans</b> . . . . .	16	<b>(316)</b>	<b>(215)</b>
<i>Net movement on cash flow hedges</i> . . . . .		131	(470)
<i>Income tax effect</i> . . . . .		(36)	129
<b>Net movement on cash flow hedges after taxes</b> . . . . .		<b>95</b>	<b>(341)</b>
<b>Other comprehensive income (loss) for the year, net of tax</b> .		<b>(1,215)</b>	<b>350</b>
<b>Total comprehensive income for the year</b> . . . . .		<b>11,014</b>	<b>8,227</b>
<i>Attributable to:</i>			
Equity holders of the parent . . . . .		9,909	8,093
Non-controlling interests . . . . .		1,105	134

## Consolidated statement of cash flow for the year ended 31 December 2011

(thousands of Euro)	Note	31 December 2011	31 December 2010
Profit before taxes from continuing operations . . . . .		45,864	34,370
Amortization, depreciation, write-downs and write-backs of assets . . . . .		37,732	47,189
Accrual to provisions for risks and charges . . . . .		18,378	26,353
Employees termination indemnity provision . . . . .		2,291	3,529
Share of net profit of associates . . . . .		107	205
Income taxes paid . . . . .		(37,369)	(40,213)
Decrease (increase) of inventories . . . . .		(1,987)	(2,887)
Decrease (increase) of trade receivables and advance to suppliers . . . . .		56,721	(76,196)
Decrease (increase) of other current assets . . . . .		4,242	1,646
Increase (decrease) of trade payables and advances from customers . . . . .		(23,942)	34,679
Increase (decrease) of other current liabilities . . . . .		6,965	3,478
Payment of employee termination indemnity . . . . .		(5,026)	(9,840)
Utilization of provisions . . . . .		(11,378)	(5,886)
<b>Net cash flow from operating activities . . . . .</b>		<b>92,598</b>	<b>16,427</b>
Purchase of intangible assets, net of sales . . . . .		(17,959)	(8,920)
Purchase of property, plant and equipment . . . . .		(29,895)	(28,073)
Proceeds from sale of property, plant and equipment . . . . .		688	984
Acquisition of investments . . . . .		(1,637)	(1,730)
Decrease (increase) of non-current assets . . . . .		11,636	(5,208)
Net cash used in business combination . . . . .	3	(20,908)	(3,964)
Gain/(loss) from sale of assets classified as held for sale . . . . .		2,596	(105)
<b>Net cash flow used in investing activities . . . . .</b>		<b>(55,479)</b>	<b>(47,016)</b>
Net proceeds from/(reimburse of) borrowing . . . . .		(45,959)	4,829
Dividends paid . . . . .		(87)	(75)
Change in consolidation area . . . . .		0	(236)
Change in share capital and reserves . . . . .		0	13
Cash and cash equivalent reclassified into assets held for sale . . . . .		0	(2,161)
<b>Net cash flow from/(used in) financing activities . . . . .</b>		<b>(46,046)</b>	<b>2,370</b>
<b>Changes in cash and cash equivalents . . . . .</b>		<b>(8,927)</b>	<b>(28,219)</b>
Cash and cash equivalent at the beginning of the period . . . . .		51,583	79,802
Changes in cash and cash equivalents . . . . .		(8,927)	(28,219)
<b>Cash and cash equivalents at the end of the period . . . . .</b>		<b>42,656</b>	<b>51,583</b>
<b>Detail of cash and cash equivalents</b>			
Cash and cash equivalents . . . . .		42,656	51,583
Bank overdrafts . . . . .		—	—
<b>Total cash and cash equivalent . . . . .</b>		<b>42,656</b>	<b>51,583</b>
<hr/>			
<b>Additional information (thousands of Euro)</b>		<b>31 December 2011</b>	<b>31 December 2010</b>
Interest paid . . . . .		(25,334)	(16,204)
Interest received . . . . .		1,330	1,851
Dividends received . . . . .		1,647	1,399

## Consolidated statement of changes in shareholders' equity for the year ended 31 December 2011

(thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the year	Total Group's shareholders equity	Non controlling interests	Total shareholders' equity
<b>January 1, 2010 . . . . .</b>	<b>109,150</b>	<b>119,033</b>	<b>17,963</b>	<b>15,119</b>	<b>261,265</b>	<b>667</b>	<b>261,932</b>
Cost connected with the issue of share capital . . . . .		282			282		282
Dividends distribution . .					0	(75)	(75)
Allocation of prior year result . . . . .		14,601	518	(15,119)	0		0
Other . . . . .			(38)		(38)	(198)	(236)
Total comprehensive income for the year . .		350		7,743	8,093	134	8,227
<b>December 31, 2010 . . . .</b>	<b>109,150</b>	<b>134,266</b>	<b>18,443</b>	<b>7,743</b>	<b>269,602</b>	<b>528</b>	<b>270,130</b>

(thousands of Euro)	Issued capital	Reserves	Retained earnings	Result of the year	Total Group's shareholders equity	Non controlling interests	Total shareholders' equity
<b>January 1, 2011 . . . . .</b>	<b>109,150</b>	<b>134,266</b>	<b>18,443</b>	<b>7,743</b>	<b>269,602</b>	<b>528</b>	<b>270,130</b>
Cost connected with the issue of share capital . . . . .		—			—		0
Dividends distribution . .					—	(87)	(87)
Allocation of prior year result . . . . .		6,001	1,742	(7,743)	—		0
Other . . . . .			—		—	11,696	11,696
Total comprehensive income for the year . .		(1,215)		11,124	9,909	1,105	11,014
<b>December 31, 2011 . . . .</b>	<b>109,150</b>	<b>139,053</b>	<b>20,185</b>	<b>11,124</b>	<b>279,512</b>	<b>13,242</b>	<b>292,754</b>

# Explanatory notes

## 1. General information

Publication of the Consolidated Financial Statements of the Manutencoop Facility Management S.p.A. group (the Group or the MFM Group) for the year ended 31 December 2011 was authorised by means of the resolution of 27 March 2012 of the Management Board.

The Group is by 71.89% owned by Manutencoop Società Cooperativa, with registered office in Zola Predosa (BO), which exercises management and coordination activities over the Group. The remaining 28.11% of share capital is owned by other financial shareholders.

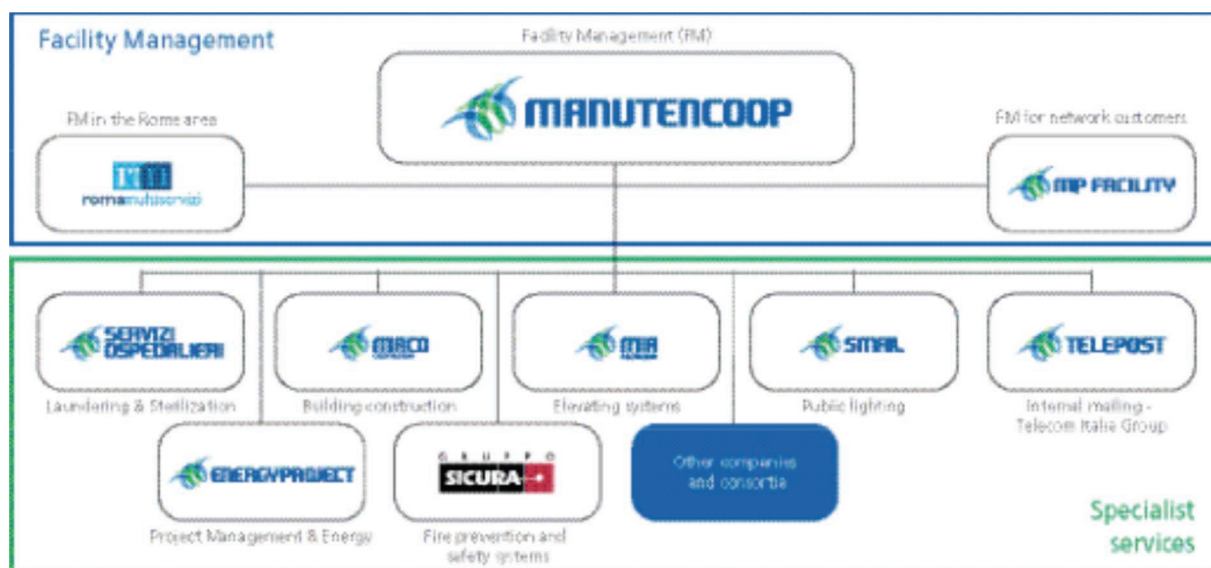
### 1.1 Activity

The Group operates in the management and delivery of integrated services, to public and private customers, targeted at the properties and the district and supporting the 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 administrations and health care facilities.

The MFM Group operates with a single operating holding company centralizing the productive resources of traditional facility management and those relating to business support services for the entire Group. At the same time, it implements a diversification strategy which, through a series of acquisitions, combines its core-business (hygiene, green areas, technical maintenance services) with other "specialist" facility management services, regarding fire prevention products and systems and for safety, elevating system maintenance services (lift and goods lifts), building activities and lighting system management, and linen rental and industrial laundering activities and sterilisation of surgical equipment at health care facilities.

The Group now operates throughout the whole country through specific companies for each sector:



Facility Management consists of offering a wide range of logistical and organisational support services targeted to users of properties with the aim of optimising 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 second type of activity included in Facility Management service comes in the form of Technical Services encompassing the management, running and maintenance of property-related systems (including heating and air conditioning systems, electrical systems, lifts, fire prevention and safety systems), including:

- Design and implementation of requalification activities and adjustment to comply with updates of safety legislation.
- Design and installation of devices for energy saving and for the reduction of emissions of polluting agents into the atmosphere.

Lastly, the third type of activity relating to the Facility Management service provided by the Group regards Landscaping services, which include both the planning and implementation of maintenance of properties’ green areas, and services for the area.

Laundering/Sterilisation is an industrial activity provided in support of health care activities.

The activity, provided by the MFM Group, in particular through Servizi Ospedalieri S.p.A. and its related entities, mainly involves (i) the rental and industrial laundering of bed linens, packaged linen and Mattress Provider (linen rental and industrial laundering), (ii) Sterilisation of linen and (iii) Sterilisation of surgical equipment.

Laundering/Sterilisation 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, sterilisation and redelivery of surgical instruments.
- Rental of surgical instruments.
- Creation and management of sterilisation systems.

Project Management consists of a collection of activities involving the technical design, planning, procurement management and supervision of construction job orders, restructuring or reconversion of properties.

Energy Management consists of the range of activities involving the technical design, construction and management of photovoltaic and cogeneration systems, from the feasibility study to completion, and management and maintenance of systems to provide customers with energy efficiency solutions.

Building activities consist of construction projects, not particularly significant with respect of total Group production, also carried out on behalf of other Manutencoop Group companies, as

well as, sometimes, to support facility management activities where, as part of extraordinary maintenance works, small building works are required.

Lastly, starting from 2008, the MFM Group launched a series of external acquisitions in order to expand the range of facility management services offered to customers in addition to the already described traditional facility management services, also including specialist facility management services, such as:

- Elevating system installation and maintenance services.
- Services related to building security.
- Public lighting services.
- Document management services.

## **2. Basis of presentation**

The consolidated financial statements for the year ended 31 December 2011 comprise the consolidated statement of financial-position, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flow, statement of changes in consolidated shareholders' equity and associated explanatory notes.

The consolidated financial statements have been prepared on a historical cost basis, except for the derivative financial instruments, which have been measured at fair value.

The statement of financial position separates equity items into current and non-current assets and liabilities; the statement of income presents items by nature while the statement of comprehensive income indicates the integrated economic result of income and charges which, as per the express requirement of IFRS, are booked directly to shareholders' equity; the cash flow statement is prepared according to the indirect method and presented in compliance with IAS 7, classifying and distinguishing cash flows between operating, investment and financing activities.

The consolidated financial statements are presented in Euro that is the functional currency of the Group and all values are rounded off to thousand of Euro, unless otherwise stated.

### **2.1 Statement of compliance with international accounting standards (IFRS)**

The consolidated financial statements for the year ended 31 December 2011 were drafted in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union, as provided by article 6 of the European Regulation No. 1606/2002 issued by European Parliament and Commission on July 19, 2002. The term IFRS refers to all revised International Accounting Standards (IAS) and all IFRS interpretations by the International Financial Reporting Interpretations Committee (IFRIC), including the interpretations previously issued by the Standing Interpretation Committee (SIC).

Pursuant to Letter F of Article 2 from the Italian Legislative Decree No. 38 of 28 February 2005, which rules the exercise of the options provided for by Article 5 of European Regulation No. 1606/2002, and pursuant to Article 3, Subsection 2 of the aforesaid Italian Legislative Decree, the Group has initially applied the IFRS effective for the year ending as of December 31, 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 for the previous year, with the exception of the aspects detailed below for newly issued standards and interpretations, applicable from 1 January 2011.



## **New or revised IFRS and interpretations applicable as of 1 January 2011**

The process of drafting and approval of accounting standards constantly leads to the issuing or revision of certain documents.

The following accounting standards, amendments and interpretations are applicable for the Group for the first time starting on 1 January 2011. The adoption of the amendments described did not have any impact on the Group's financial position or result.

**IAS 24—Related party disclosures.** The IASB issued an amendment to accounting standard IAS 24 which clarifies the definition of a related party. The new definition emphasises the symmetry in the identification of related parties and clarifies the circumstances in which persons and executives with strategic responsibilities is deemed to be related parties. Secondly, the amendment introduces an exemption from the general disclosure requirements on related parties for transactions with a Government and with entities that are controlled, jointly controlled or significantly influenced by the Government, i.e. Government-related entities.

**IAS 32—Financial instruments:** the standard was supplemented, introducing an amendment to the definition of a financial liability, in order to classify securities in foreign currency (including certain options and warrants) as equity instruments in cases in which these instruments are attributed on a pro-rata basis to all holders of the same class of one equity instrument (non-derivative) of an entity, or for the purchase of a fixed number of equity instruments of the entity for a fixed amount in any currency.

**IFRIC 19—IAS 19—The limit on a defined benefit asset, minimum funding requirements and their interaction.** The standard was amended, introducing more accurate indications on the identification of the recoverable value of a pension plan asset. The amendment allows an entity to record the early payment of minimum funding contributions set out in the plan as an asset.

**IFRIC 19—Extinguishing financial liabilities with equity instruments.** The interpretation provides guidelines regarding recording the extinguishing of financial liabilities with equity instruments. The interpretation establishes that if a company renegotiates the conditions of the discharge of a financial liability and its creditor accepts the discharge through the issuing of company shares, the shares issued by the company become part of the price paid to extinguish the financial liability and must be valued at fair value. The difference between the carrying amount of the financial liability extinguished and the initial value of the equity instruments issued must be charged to the statement of income in the year.

## **Improvements to IFRS**

On 6 May 2010, the IASB issued a third series of amendments to IFRS (following those in 2008 and 2009), applicable as of 1 January 2011, with a view to eliminating inconsistencies and clarifying the terminology.

Variations that the IASB has indicated will involve a change in the presentation, recognition and valuation of statement of financial position items are shown below, but those that will only involve a change in the terminology, publishing changes with minimal effects in accounting terms, and those that have an effect on standards and interpretations that are not applicable to the Group are instead omitted.

The adoption of the following improvements involved changes to the accounting policies but had no impact on the Group's financial position or result.

**Improvements to IFRS 3—Business Combinations.** The amendment clarifies that the components of non-controlling interests that do not give holders the right to receive a proportional share of the net assets of the subsidiary must be valued at fair value or according to the requirements of the applicable accounting standards. Therefore, for example, a stock options plan granted to employees must be valued, in the event of a business combination, in line with

the rules of IFRS 2, and the equity share of a convertible bond must be valued in accordance with IAS 32. The Board also conducted an in-depth examination of share-based payment plans which are replaced as part of a business combination by adding specific guidelines for clarifying their accounting treatment.

Improvements to IFRS 7—Financial instruments: additional disclosures. The amendment emphasises the interaction between additional qualitative and quantitative disclosures that the entity must provide on the basis of said standard, regarding the nature and extent of risks relating to financial instruments. The scheme presented should help financial statement users to link the information presented and establish a general description of the nature and extent of risks deriving from financial instruments. In addition, the amendment eliminated the disclosure requirement regarding financial assets which are expired but which have been renegotiated or written down and the requirement relating to the fair value of collaterals.

Improvements to IAS 1—Presentation of financial statements. The amendment clarifies that an analysis of each of the other components of the statement of comprehensive income can alternatively be included in the statement of changes in shareholders' equity or in the explanatory notes to the financial statements.

Improvements to IAS 34—Interim reporting. In drafting the interim financial statements, following said amendment, additional information has been required on the fair value measurement of financial instruments and their classification. Furthermore, more emphasis has been placed on changes in the classification of financial assets, as with changes to contingent assets and liabilities.

#### **New or revised IFRS and interpretations applicable from 2012 and not adopted early by the Group**

The international accounting standards and interpretations detailed below will be effective from the year 2012, for which the effects on the Group's statement of financial position valuations are currently being assessed.

The Group did not make provision for the early adoption of any other standard, interpretation or improvement issued but still not obligatorily in force.

IFRS 1—First-time adoption of the International Financial Reporting Standards. The standard was amended, introducing the operating methods to be adopted for the presentation of an entity's IFRS financial statements if the functional currency of the entity is subject to significant hyperinflation. In this case, the entity can measure the value of the assets and liabilities held before the period of normalisation of the functional currency at the fair value measured at the date of transition to IFRS.

IFRS 7—Financial instruments: additional disclosures. The amendment requires additional qualitative and quantitative disclosures regarding the transfer of financial assets, if the asset has only been partially derecognised or if the entity maintains restrictions on the asset (e.g. options or guarantees on the asset transferred).

IAS 12—Income taxes. The amendment introduces an exception to the general criteria for the determination of deferred taxes on property assets measured at fair value. Therefore, an assumption was introduced that the carrying amount of said investments will be recovered through sale, unless the entity has a business model based entirely on the use of said assets and on the economic benefits they will guarantee.

New or revised IFRS and interpretations issued by the IASB or IFRIC, which have still not completed the approval process at the competent EU bodies.

The IASB is reviewing, with a view to publishing, an additional set of standards and amendments to the IFRS, applicable to subsequent years. However, at the date of publication of the consolidated financial statements, the competent EU bodies have still not completed the

approval process necessary for the application of the standards and improvements described below.

In any case, the provisions are effective for financial years starting on or after 1 January 2013. The Group is currently analysing the standards indicated and assessing their impact on its consolidated financial statements.

**IFRS 10—Consolidated financial statements.** The new standard proposes a revision of the criteria for the presentation and drafting of the consolidated financial statements. Its application is expected to replace SIC 12 and partially amend IAS 27, which remains in force for the accounting of other investments 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 “proportional method”. The new standard will be applicable retroactively.

**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. Its application is expected to involve the replacement of IAS 31 and SIC 13. The new standard establishes that a “joint arrangement” exists where an entity has rights and obligations linked to net total assets, while a joint operation is where these are connected to specific assets and liabilities. 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 scope of consolidation. The main objective of the new standard is to define uniform information on the risks and rewards associated with equity investment relations, as regards the nature and significance of said relationship. Disclosures are also required on the valuations of the substance of joint control agreements, for which operating guidelines are provided.

**IFRS 13—Fair value measurements.** The document is the result of an important process of development for the definition of a body of rules for valuations and disclosures regarding items recorded in the financial statements at fair value. The new standard does not extend the adoption of fair value accounting, but defines a single system, providing some general assumptions relating to the macro areas of the financial statements, also indicating some valuation techniques (“market approach”, “income approach” and “cost approach”). Information broken down into three level is also presented, in relation to the reliability of the data source.

**IAS 1—Presentation of financial statements.** The standard was amended with regards to the presentation of items in the statement of comprehensive income. It was established that elements which could be charged or reclassified to the income statement of future financial statements must be presented separately from the other elements whose recognition or reclassification is not provided for by the respective standards.

**IAS 19 revised—Employee benefits.** The new standard reorganises the disclosures to be provided in relation to employee benefits and introduces the obligation to record actuarial gains and losses in the statement of comprehensive income, eliminating the possibility of adopting the “corridor method”. Actuarial gains and losses recorded in the statement of comprehensive income will not then be charged to the statement of income.

### **2.3 Discretionary assessments and significant judgments, estimates and assumptions**

The preparation of consolidated financial statements and related notes in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of 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 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 statement of financial position values are the following:

- The adoption, starting from 2007, of the continuity of values principle for the recognition of business combinations under common control.

Application of this principle gives rise to the recognition in the statement of financial position of values equal to those that would be recorded if the companies involved in the business combination had always been combined. The net assets of the acquired entity and the acquiring entity, are therefore recorded on the basis of the carrying amounts included in their respective accounts before the transaction.

- The application, effective from 2005 which is the first year in which the Group drafted the consolidated financial statements in compliance with IAS/IFRS, of the proportional consolidation method to companies held under a joint-venture with other shareholders, in accordance with IAS 31.

### **Significant judgments, estimates and assumptions**

The key assumptions regarding the future and other significant sources of uncertainty relating to estimates at the reporting date are detailed below.

#### *Impairment tests*

Goodwill is subject to impairment testing at least annually, or more frequently if there is an indication of potential impairment losses 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.

As of 31 December 2011, the carrying amount of the goodwill stood at € 411,995 thousand (31 December 2010: € 391,755 thousand). Further details are provided under note 5.

#### *Recognition of Put Options granted to non controlling interests and of earn-out on acquisitions*

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 interest in subsidiaries included certain provision related to the recognition to the acquiree, currently non-controlling shareholders, of an earn-out pursuant to the realization 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 statement items*

In addition, management was required to make estimates in determining:

- Prepaid tax assets, with regard to the the likelihood of their future recoverability.
- Accruals to bad debt provision and provisions for risks and charges.
- Main assumptions applied to the actuarial recalculation of the TFR provision (employee benefits), such as the turnover rate, inflation rate and expected future discount 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 consolidated financial statements includes 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 of 31 December 2011. The financial statements of the subsidiaries are prepared adopting the same accounting standards as those used for the Parent Company.

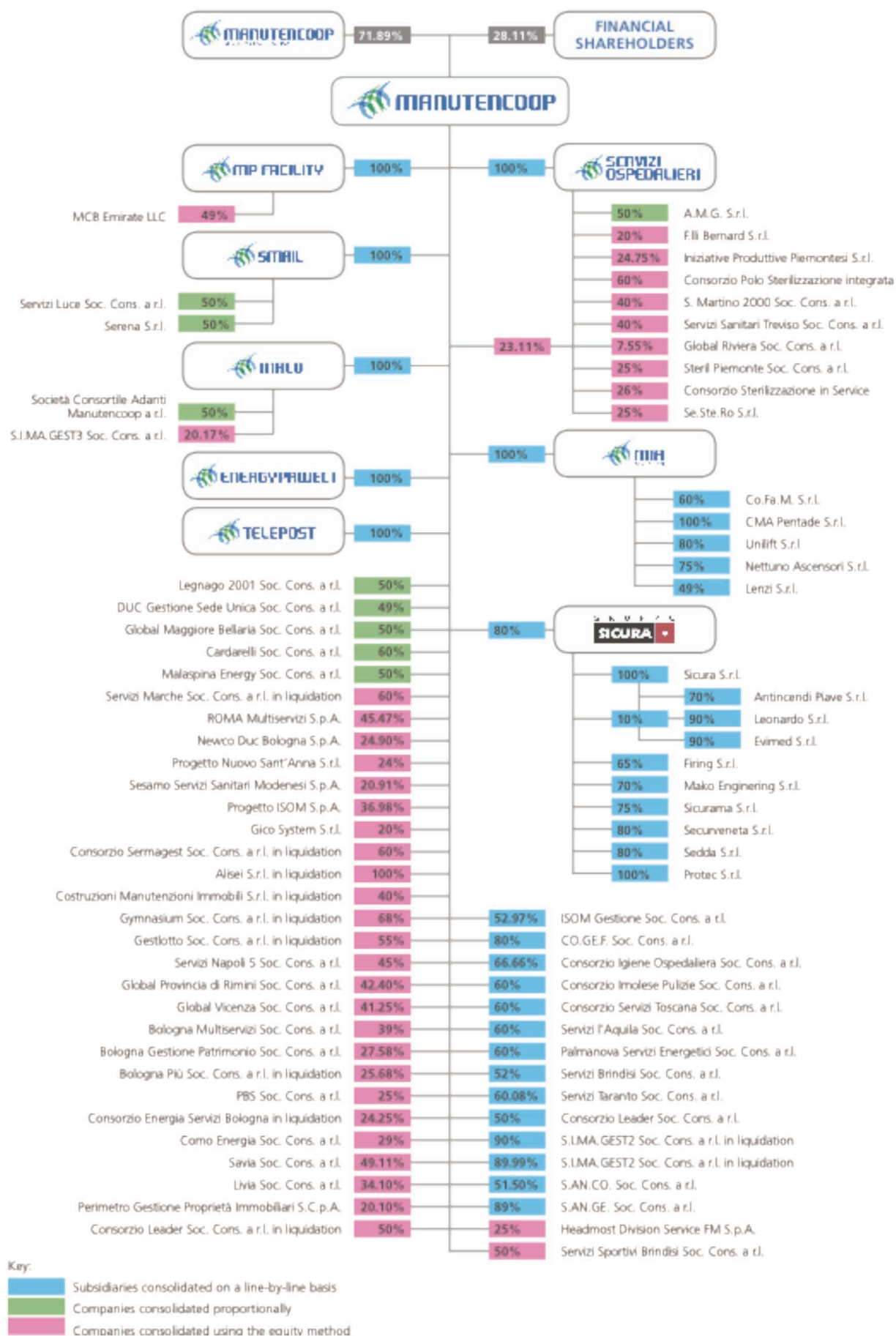
All intra-Group balances and intercompany transactions, including unrealised profits and losses arising from intra-Group transactions are eliminated in full.

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-ventures with other shareholders are consolidated proportionally, whereas associates are accounted for under equity method.

Non-controlling interests represent the portion of profits or losses and net assets not held by the Group and are disclosed separately in the consolidated statement of income and in the consolidated statement of financial position.

The scope of consolidation as at 31 December 2011 is shown below.





During the year ended 31 December 2011, the Group carried out the following transfers and acquisitions of equity investments:

- On 7 January 2011, sub-holding MIA S.p.A. acquired a 49% stake in Lenzi S.p.A., with registered office in Bolzano, operating in the lifts and goods lift construction, installation and maintenance market.
- On 31 January MIA S.p.A. acquired 100% of the share capital of CMA Pentade S.r.l., operating in Piemonte in the elevating system maintenance and repair sector.
- On 1 February 2011, sub-holding Gruppo Sicura S.r.l., through its direct subsidiary Sicura S.r.l., purchased all of the share capital of Stablum S.r.l., a company operating in the fire prevention and training sector and sale of accident prevention material in Lombardy.
- On 15 March 2011, MIA S.p.A. acquired an 80% stake in Unilift S.r.l., operating in Veneto in the lift and goods lift installation and maintenance market.
- On 25 March 2011, Gruppo Sicura S.r.l. transferred the entire stake held in Evimed S.r.l. (10%) to a third party. The majority stake of 90% in share capital is held by subsidiary Leonardo S.r.l.. The company was created as a result of the partial demerger of the equity of the company Leonardo S.r.l., concluded in 2010 and specifically regarding the occupational medicine division. The transfer of shares was completed for a consideration of € 4.5 thousand, equal to the nominal value of the share capital acquired.
- On 22 June 2011, MIA S.p.A. completed the purchase of a 75% stake in the share capital of Nettuno Ascensori S.r.l., with registered office in Calderara di Reno (BO).
- On 4 July 2011, the sale of Altair Zander S.r.l., whose share capital was held (50%) by MFM, to M+W Italy S.r.l. was completed, the latter already holding the remaining 50%, for a consideration of € 200 thousand.
- On 13 October 2011, the Parent Company acquired the remaining 80% of the share capital of Telepost S.p.A. (already 20% owned) from shareholders TNT Post Service S.r.l. (51%) and COMDATA S.p.A. (29%). The company provides internal mailing services for the Telecom Italia Group.

During the year, some business combinations by merger of Group companies were completed, effective for statutory and tax purposes from 1 January 2011. In particular:

- On 10 August 2011 the merger of Integra Energy S.r.l. in MFM became effective.
- On 2 December 2011 the merger of Lenzi Group Service S.r.l. in Lenzi S.p.A. became effective.
- On 7 December 2011 the merger of Fabbri Ascensori S.r.l. in MIA S.p.A became effective.
- On 27 December 2011 the merger of Stablum S.r.l. in Sicura S.r.l. became effective.

## **2.4 Summary of the significant accounting policies**

### **Investments in joint ventures**

The Group holds investments in several joint ventures which are jointly controlled entities. A joint venture is a contractual agreement whereby two or more parties undertake an economic activity subject to joint control and a jointly controlled company is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The joint control is assumed for investment held for 50%.

The Group recognizes its interest in joint ventures using the proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The

financial statements of the joint ventures are prepared for the same reporting year as the Company's, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When the Group contributes or sells assets to its joint venture, any portion of gain or loss from the transaction is recognized based on the substance of the transaction. When the Group purchases assets or services from its joint ventures, the Group does not recognize its share of the profits of the joint venture from the transaction until it resells the assets or the service to a third party.

The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

### **Conversion of foreign currency items**

The financial statements are presented in Euro, which is the Group's functional currency. Statement of financial position and statement of income items in foreign currency are translated to Euro using the reporting date exchange rates for statement of financial position items and average exchange rates of the reporting period for statement of income items.

Differences arising from the translation of opening shareholders' equity at reporting date exchange rates are charged to the currency translation reserve as well as the difference emerging from the translation of the result for the period at reporting date exchange rate compared with the average exchange rate. On disposal of the investment in the foreign company, the cumulative translation differences recorded in net equity related to that particular foreign company are recorded in the statement of income.

### **Property, plant and equipment**

Property, plant and equipment are stated 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 equipment and plants at the moment they are incurred if certain criteria are met.

Depreciation is calculated on a straight line basis in line with the estimated useful life of the asset, starting from the date on which the assets are available for use, until the date of sale or disposal.

The carrying amount of the properties, plant and equipment is subject to impairment testing when events or changes suggest that the carrying amount may not be recoverable.

A tangible asset is derecognized from the financial statements upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

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

The following table presents the estimated useful lives:

Types of plant and equipment	Useful Life
Plant and equipment for maintenance and creation of green areas . . . . .	11 years
Plant and equipment for maintenance and construction of buildings . . . . .	From 6.5 to 10 years
Telephone systems . . . . .	4 years
Equipment for cleaning and gardening services . . . . .	6.5 years
Equipment for facility infrastructure management services . . . .	3 years
Equipment for building construction and maintenance services .	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
Furniture and office equipment . . . . .	From 5 to 8 years
Leasehold improvements . . . . .	The lower of the useful life and the contractual duration

Plant and equipment category includes equipment, motor vehicles, office machines and furniture.

Borrowing costs related to the acquisition of the asset are directly recognized in the statement of income. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. Assets that qualify for such capitalization are those that require certain period of time before they are available for use. 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 and repair expenses increase the carrying amount of the asset only if the company is likely to receive the associated economic benefits in the future and the cost can be reliably measure.

Ordinary maintenance and repair expenses are charged in the statement of income as incurred.

Leasehold improvement are classified as property, plant and equipment based on the nature of the cost incurred, when they meet the capitalization criteria required by IAS 16, Depreciation period is the lower of the useful life of the asset and the contractual duration of the lease.

## Goodwill

Goodwill, acquired in a business combination, is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets and liabilities (including contingent liabilities).

After the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

At the acquisition date, any goodwill acquired is allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the business combination's synergies apart from the allocation of other assets and liabilities to these cash generating units. Each cash-generating unit or group of cash-generating units represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IFRS 8—Operating Segments. Impairment is determined by assessing the recoverable amount of a cash-generating

unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Impairment losses on goodwill are not reversed.

## Other intangible assets

An intangible asset is recognized if it is probable that the expected future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Intangible assets are measured at cost, including all direct attributable costs relating to their acquisition or their utilization. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

All intangible assets have either definite or indefinite useful lives. Intangible assets with definite useful lives are amortized on a systematic basis reflecting the pattern of use over their estimated useful life; where the pattern of use cannot be determined reliably, a straight-line basis is used. The amortization period and method is reviewed at least once at each financial year-end, or more frequently if necessary. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is recognized in the statement of income in the related expense category.

The carrying values of intangible assets with definite useful lives are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are reversed in case of changes in circumstances that determined the initial impairment.

Apart from goodwill, the Group does not have any intangible assets with indefinite useful lives.

A summary of the policies applied to the Group's intangible assets is as follows:

	<b>Concessions, licences, brands and patents</b>	<b>Other intangible assets</b>
Breakdown . . . . .	Software and Trademarks	Contractual relationship with customers
Useful Life . . . . .	Defined	Defined
Amortization method used . .	Straight line basis over the period, the shortest of: <ul style="list-style-type: none"> <li>• legal duration of the right.</li> <li>• expected period of utilization.</li> </ul>	Proportionally based on consumption of related backlog.
Internally generated or acquired . . . . .	Acquired	Acquired as par of a business combination.
Impairment tests . . . . .	Annually or more frequently if there are indicators of impairment.	Annually or more frequently if there are indicators of impairment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the statement of income when the asset is derecognized.

## **Investments in associates**

Investments in associates refer to those investments where the Group exercises significant influence, but not control, over financial and operating policies. An associate is an entity which is neither a subsidiary nor a joint venture. The significant influence is assumed for those interest equal or higher than 20%.

The Group's investment in an associate is accounted for under the equity method of accounting. Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of income reflects the Group's share in the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any such changes and discloses those, when applicable, in the consolidated statements of changes in the shareholder equity.

The reporting (or closing) dates for the financial statements of associates are in most cases identical to the Group's reporting date. When such reporting dates differ, the associates prepare accounting statements as of the closing date of the Group's financial year. The accounting principles used by the associates are consistent with those used by the Group for similar transactions.

## **Impairment of assets**

The Group assesses at each reporting date whether there are indicators of asset impairment. If any such indicators exist, or when an annual impairment testing for an asset is required the Group estimates the asset's recoverable amount and when the asset's carrying amount exceeds its recoverable amount the asset is written down to its recoverable amount. The recoverable amount is the greater of the fair value of an asset or cash generating unit net of selling costs and value in use. The recoverable amount is determined for each asset except when an asset that does not generate independent cash inflows, in this case the recoverable amount is determined for the cash-generating unit to which the asset has been allocated. Impairment test on goodwill is based on the cash flows generated by the cash-generating units to which it has been allocated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

At each reporting date the Group also assesses if there are indicators that any previously recognized impairment losses (except for goodwill impairments) have disappeared or are reduced, and if this is the case the Group determines the recoverable amount of assets to quantify the reversal which cannot exceed the carrying amount that would have been recorded had no impairment loss been recognized initially. A reversal of an impairment loss is recognized as gain in the statement of income in the same category in which the write down was recorded except where the asset is recognized in a revalued amount, in which case the reversal is treated as a revaluation. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## Financial assets

IAS 39—"Financial Instruments: recognition and measurement" identifies the following categories for the classification of the financial assets:

- "Financial assets valued at fair value through profit or loss" include the securities held for trading in the short-term period.
- "Loans and receivables" defined as financial instruments, excluding derivatives, with fixed or determinable payments which are not listed.
- "Financial assets held-to-maturity" include financial instruments, excluding derivatives, with fixed maturity and fixed or determinable payments which the entity intends to, and is able to, hold to maturity.
- "Financial assets available-for-sale", include securities, excluding derivatives, that have been identified for this purpose or are not classified in the previous categories.

When financial assets are recognized initially, they are measured at fair value and, in the case of investments not at fair value through profit or loss, increased for the directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. The financial assets held by the Group in the year ended 31 December 2012 relate exclusively to the categories '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 non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

### *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income.

For the year ended 31 December 2011, as in the previous year, the Group classified as Available for sale financial assets, the investments with shareholdings less than 20%, which are accounted for at cost if there is no reliable measurement to determine their fair value.

In particular, investments in consortiums that are not traded on regulated markets and whose primary purpose is to manage and regulate legal and business relationships among the consortium member-owners, are evaluated at cost, represented by the share in the equity, as there is no reliable measurement to determine their fair value.

## Inventories

Inventories are valued at the lower of cost and net realizable value based on cost of replacement.



Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials (excluding fuel)	Weighted average cost method
Inventories of fuel	First in, First out (FIFO) method

## **Trade receivables**

Trade receivables whose terms are consistent with market conditions (generally 30 to 90 days) are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. A provision is made when there is objective evidence that the Group will not be able to collect the receivables, Bad debts are written off when identified.

Customers of the Group are mainly public sector entities (including municipalities, provinces, groups of municipalities, regions, municipal utilities or former municipal utilities, ministries and related entities, universities, and healthcare facilities) whose payments can significantly exceed their contractual terms. Expired trade receivables are discounted using a risk-free rate (the risks of non-collectability are already considered in the establishment of the provision for uncollectible amounts) for the period between the expected collection date calculated based on the weighted average of the Group's historical client data and the average extension of payment granted to similar customers operating in the same sector.

Trade receivables and payables denominated in a currency other than the functional currency are translated using the spot rate of exchange ruling at the reporting date.

## **Contracts for construction work and plant building**

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contract revenue include the initial amount of revenue agreed in the contract; and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and that they are capable of being reliably measured.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. An expected loss on the construction contract shall be recognized in the statement of income as an expense immediately.

The gross amount due from customers for contract work is the net amount of costs incurred plus recognized profits; less the sum of recognized losses and progress billings for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceeds progress billings. The gross amount due from customers shall be classified as trade receivable.

The gross amount due to customers for contract work is the net amount of: costs incurred plus recognized profits; less the sum of recognized losses and progress billings for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses). The gross amount due to customers shall be classified as liability.

## **Cash and cash equivalents**

Cash and cash equivalents consist of cash at banks and on hand and short-term deposits with the original maturity of three months or less.

### ***Interest-bearing loans and borrowings***

All loans and borrowings are initially recognized at fair value of consideration received less directly attributable transaction costs. After the initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the amortization process.

### ***Derecognition of financial assets and liabilities***

#### ***Financial assets***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The contractual rights to receive cash flows from the asset have expired.
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
- The Group has transferred substantially all the risks and rewards of the asset.

If, as a result of a transfer, a financial asset is derecognized in its entirety but the transfer results in the transferor obtaining a new financial asset or servicing assets or assuming a new financial liability or servicing liability, the Group recognizes the new financial asset, servicing asset, financial liability or servicing liability at fair value.

#### ***Financial liabilities***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or when it expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

### ***Impairment of financial assets***

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

#### ***Assets carried at amortized cost***

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e, the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### *Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### *Financial assets available-for-sale*

If a financial asset available-for-sale is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of income, is transferred from equity to the statement of income. Reversals relating to equity instruments classified as available-for-sale are not recognized in the statement of income. Reversals of impairment losses on debt instruments are recognized through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was initially recognized.

### **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.

#### ***Provision for severance indemnity***

A provision for severance indemnity is recorded when the Group has a present legal or constructive obligation to: (a), terminate an employee or a group of employees before the end of their service contract or before they are eligible for pensions in accordance with local labor law, or (b) grant economic benefits to an employee or a group of employees in connection with their voluntary termination. The Group has a present obligation only when a detailed termination plan exists and a withdrawal is not practicable.

#### ***Employee termination indemnities***

Italian legislation (Article 2120 of the Italian Civil Code) stipulates that when an employee terminates their employment contract with a company, the employee receives a termination indemnity referred to as "Trattamento di Fine Rapporto" (TFR). This indemnity is calculated based on several items, including the annual wages of the employee for each employment year (appropriately reassessed) and the length of employment. According to the Italian Civil Code,

this indemnity should be reflected in the accounting records using a calculation method based on the indemnity matured by each employee at a date of the financial statements, as if all employees would hypothetically terminate their employment on that date.

IFRIC of the IASB investigated TFR accounting in Italy and concluded that IAS 19 Employee Benefits should be applied. IAS 19 was applied using the projected unit credit actuarial valuation method in which the benefit liabilities are determined reflecting the expected date of employee resignation and are discounted. As a consequence of the changes of the national legislation that regulates the employee termination indemnities for companies with more than 50 employees, the employee termination indemnities maturing from 1 January 2007 are considered as a defined contribution plan, and the related payments are directly recognized in the statement of income as a cost. The employee termination indemnity due up to 31 December 2006 remains a defined benefits plan, without future contributions. Accordingly, its valuation is carried out by independent actuaries on the basis of the expected average residual working life of the employees only, no longer considering the remuneration that they earned over a predetermined period of service.

The actuarial gains and losses related to the TFR accounting, accumulated up to the previous year and reflecting the effects arising from changes in the actuarial projections used are fully recognized in the shareholders' equity.

The Group did not opt to apply the "corridor" mechanism on actuarial gains or losses, related to defined benefit plans which allows to recognise in the statement of income only the portion of net actuarial gains and losses at the end of the previous period in excess of the greater of 10% of the present value of the obligations and 10% of the fair value of the possible assets serving the plan at the same date, divided by the remaining working life of the employee.

The actuarial valuation of the termination indemnity is performed by an independent actuary, TFR liability is unfunded.

The Group does not have in place any other significant benefit plan.

### ***Leasing***

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c) there is a change in the determination of whether fulfilment is dependent on a specified asset; or
- d) there is a substantial change in the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b) above.

For arrangements entered into prior to January 1, 2005, the date of inception is deemed to be January 1, 2005 in accordance with the transitional requirements of IFRIC 4.

Finance leases, which transfer to the Group substantially all of the risks and benefits connected to ownership of a leased item, are capitalized at the inception of the lease at fair value of the

leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the financial expenses and reduction of the lease liability so as to achieve a constant interest rate on the remaining balance of the liability. Financial expenses are directly recognized in the statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognized as expense in the statement of income on a straight-line basis over the lease term.

### ***Revenue recognition***

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 main types of services provided, separately or as part of integrated service contracts, are:

- Operation and maintenance of buildings and property complexes, often associated with the administration of heat and cold management (energy service).
- Cleaning and environmental hygiene services.
- Maintenance of green space, often outside of a real estate property.
- Project management services.
- Linen rental, industrial laundering and sterilization services.

Rendering of services revenues are recognized by the stage of completion at the reporting date. Stage of completion is measured by the percentage of completion method according to the services provided and the contracts agreed with the clients (e.g, square meters, hours and costs incurred, hospital days). 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. Services not finished at the date of the financial statements represent "Work in Progress on order" category and are classified under trade receivables.

At the date of the financial statements, any revenues that have been invoiced in excess of actual work performed based on the percentage of completion method are accounted for under customer advances and are classified under trade payables. If an arrangement includes multiple elements, 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. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses incurred that are recoverable.

### ***Building activities***

The Group recognizes revenue 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*

Revenue is recognized when the significant risks and rewards of ownership relating to the goods are transferred to the buyer, which is usually when such goods are sold.

### *Interest income*

Interest income are recognized as the interest accrues on the net carrying amount of the financial asset or liability using the effective interest method.

### *Dividends*

Revenues are recognized when the Group's right to receive the payment has occurred, coinciding with when they are approved.

### **Government grants**

Government grants are recognized when there is reasonable assurance that the grant will be received and all grant conditions will be met. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of income over the expected useful life of the relevant asset through the reduction of its depreciation.

### **Income taxes**

#### *Current taxes*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

#### *Deferred taxes*

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with other investments where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except.

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with other investments, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.



The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### *Value Added Tax*

Revenues, expenses and assets are recognized net of the amount of value added tax (or "VAT") except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### ***Derivative financial instruments and hedging***

According with IFRS 39 derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to statement of income for the year. In particular, the transaction is considered as hedging if documentation exists on the relationship between the hedging instrument and the liability hedged showing the aim of risk management, the hedging strategy and methods used to verify the effectiveness of the hedging strategy. A transaction is considered as hedging if the effectiveness of hedging is verified at the beginning of the transaction and, going forward, it is confirmed throughout the entire life.

These instruments are classified as derivative financial instruments under the IFRS.

These derivative financial instruments are initially recognized at fair value upon their inception; subsequently, the fair value is periodically re-measured. They are accounted as assets when the fair value is positive and adversely as liabilities if fair value is negative.

Any gain or loss arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to statement of income for the year.

### ***Service concession arrangements***

The Group, through some entities (the operators), entered into contractual service agreements to provide public services on the condition that the grantor (a) controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and (b) controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

The operator shall not recognize the infrastructure as property, plant and equipment because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator as required by IFRIC 12. The contractual service arrangement gives to the operator the right to use the infrastructure to provide the public service and to receive a consideration.

This right to receive payments shall be recognized as a financial asset if the operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor regardless the effective use of the infrastructure or as an intangible asset if the operator receives a right (a license) to charge users of the public service.

If the operator is paid for the construction services partly by a financial asset and partly by an intangible asset it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognized initially at the fair value of the consideration received or receivable.

The operator shall recognize and measure revenue in accordance with IAS 11 and 18 for the services it performs. If the operator performs more than one service (i.e. construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

In accordance with IAS 23, borrowing costs attributable to the arrangement shall be recognized as an expense in the period in which they are incurred unless the operator has a contractual right to receive an intangible asset (a right to charge users of the public service). In this case borrowing costs attributable to the arrangement shall be capitalized during the construction phase of the arrangement. Differently if the amount due from the grantor is accounted for as a financial asset, IAS 39 requires interest calculated using the effective interest method to be recognized in the statement of income.

### ***Earnings per share***

The basic earnings per share is calculated dividing the net income attributable to the owners of the parent by the average weighted number of shares in circulation during the year. The diluted earnings per share is calculated dividing the net income attributable to the owners of the parent by the average weighted number of shares in circulation during the year.

The Company discloses the consolidated earnings per share information on a voluntary basis.

### ***Operating segments***

An operating segment is a clearly identifiable component of an entity which provides a range of related products and services, subject to different risks and awards from those of other Group business sectors.

For the purpose of the segment information disclosure any operating segments have been aggregated and their performance is measured on the operating income

The Group's Management look at the results of 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 management of borrowing costs and revenues) and the income taxes are managed at Group level and are not allocated to operating segments.

The Group disclosures on operating segments in accordance with IFRS 8, is presented on a voluntary basis.

*Methods of calculation of the costs allocated to the segments.*

Direct and indirect production costs are directly allocated to each operating segment.

Starting from the consolidated financial statements for the year ended 31 December 2007, it was deemed appropriate to allocate to the segments also commercial costs and other general overheads on the basis of the appropriate allocation drivers.

Revenues and charges generated by financial management and current and deferred taxes remain unallocated to the segments, whereas income from investments accounted for under the equity method is attributed to the segments.

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

The assets and liabilities were allocated to the segments consistently with the allocation method used for statement of income items.

### **3. Business combinations**

***Introduction***

In 2011, the MFM Group, in particular through the sub-holding MIA S.p.A., concluded certain business combinations, as part of a wider project of Group expansion in the elevating system, lift and goods lift sale, installation and maintenance market, through the acquisition of small- and medium-sized entities located in Italy.

As a result of these acquisitions, the Group performed the allocation of the prices paid for the acquisitions ("Purchase Price Allocation"). In accordance with IFRS, allocating the cost of the combination through the recognition of the identifiable assets, liabilities (including contingent liabilities of the acquiree which meet the recognition criteria set out in paragraph 37) at the relative fair values and recognizing goodwill on a residual basis.

In addition, the agreements related to the acquisition of majority interests performed by the sub-group MIA in previous years included certain clauses which should, in future years, lead to the acquisition of additional interests through the exercise of put/call options between the parties, as detailed below. The purchase of these non-controlling interests also occurred as a result of commercial and governance agreements which allow the Group holding company to have the control over the assets and liabilities and over the performance of the production activities of each individual entity, notwithstanding the existence of non-controlling interests. Given the above and in compliance with the provisions of IFRS 3, management decided to account for assets and liabilities acquired under business combinations using the "full goodwill approach" method, as an alternative to the "standard" method. This method requires, upon the acquisition of control, to recognize the fair value of the non-controlling interest. Based on to this approach, the value of non-controlling interests may be higher than the portion of net assets, with goodwill relating to non-controlling interests also recognised under statement of financial position.

The international accounting standard provides that the non-controlling interest should be measured at fair value in an active market. In the cases under review, given the lack of an active capital market, the fair value of the non-controlling interest was identified proportionally to the fair value of the controlling interest.

## **Acquisition of the capital of Lenzi S.p.A.**

On 7 January 2011, MIA S.p.A. acquired a 49% interest in Lenzi S.p.A., with registered office in Bolzano, a major operator in the lift installation and maintenance industry.

The acquisition is part of a wider investment agreement between MIA S.p.A. and other minor shareholders. Following, this agreement, MIA S.p.A. obtained the control over the company's assets and liabilities and economic results for the year. As a consequence, Lenzi S.p.A. was proportionally consolidated in accordance with IFRS 3.

### *Accounting effects of the acquisition*

The acquisition is a business combination, therefore, the Group applied IFRS 3 in recording this acquisition.

The equity value of the company was calculated at a total of € 18,400 thousand. The acquisition of an interest of 49% in share capital was made for an initial consideration of € 9,016 thousand. The consideration for the purchase of the acquired interest was paid (€ 7,716 thousand) to the vendors on the date of completion of the purchase, while the remainder (€ 1,300 thousand) is contingent on issuing of a bank surety by the seller, to guarantee the commitments assumed under the investment agreement.

The agreements signed with the vendors stipulates:

- The payment to the vendors of an additional amount (earn-out) based on reaching specified quantitative parameters. However, the amount is capped at a maximum of € 2,380 thousand.
- The issue to MIA S.p.A., at a pre-established price, of a Call option on a participation of 11% in the share capital, which can be exercised between 1 January 2012 and 30 May 2012. Solely in the case of the exercising of this option by MIA S.p.A., a second Call option will be activated on the remaining 40% of share capital, which can be exercised between 1 January 2015 and 31 January 2015. In the event the second Call option is not exercised, the seller is provided with a Put option on the remaining participation, which can be exercised between 1 February 2015 and 30 April 2015. The exercising of the options will require the payment of an additional Earn-Out as described previously, in proportion to the share acquired.

Since the acquisition was made for less than 100% of controlling interests, the controlling and non-controlling interests are accounted for using the full goodwill approach. The fair value of the minority share was identified in proportion to the fair value of the controlling interest.

Company management has determined the Purchase Price-Allocation, as required by IFRS3, recognising an intangible asset acquired in the business combination in the fair value of the maintenance contracts which the acquired company owns.

The table below shows the values assigned to the assets and liabilities acquired:

(thousands of Euro)	Value at acquisition date	Book Value
<b>Assets</b>		
Property, plant and equipments . . . . .	85	85
Other intangible assets . . . . .	3,165	0
Other investments . . . . .	3	3
Deferred tax assets . . . . .	10	10
Inventories . . . . .	200	200
Trade receivables and advances to suppliers . . . . .	2,219	2,219
Current taxes receivables . . . . .	56	56
Other current receivables . . . . .	103	103
Cash and cash equivalents . . . . .	497	497
<b>Total assets . . . . .</b>	<b>6,338</b>	<b>3,173</b>
<b>Liabilities</b>		
Employee termination indemnities . . . . .	276	276
Provision for risks and charges, non-current . . . . .	150	150
Deferred tax liabilities . . . . .	994	0
Trade payables and advances from customers . . . . .	1,170	1,170
Other current liabilities . . . . .	588	588
Other current financial liabilities . . . . .	560	560
<b>Total liabilities . . . . .</b>	<b>3,738</b>	<b>2,744</b>
<b>Fair value of net assets . . . . .</b>	<b>2,600</b>	<b>429</b>
<b>Goodwill . . . . .</b>	<b>17,755</b>	
<b>Consideration transferred . . . . .</b>	<b>20,355</b>	
<b>Consideration transferred:</b>		
Consideration paid . . . . .	7,791	
Earn-out on the 49% interest . . . . .	929	
Fair value on non-controlling interests . . . . .	10,042	
Residual debt for the acquisition . . . . .	1,593	
<b>Total consideration transferred . . . . .</b>	<b>20,355</b>	
<b>Cash flow of the transaction:</b>		
Cash and cash equivalents from the acquire . . . . .	497	
Consideration paid . . . . .	(8,381)	
<b>Net cash flow used in the transaction . . . . .</b>	<b>(7,884)</b>	

The fair value of the assets and liabilities acquired through the combination was determined as € 2,600 thousand, while the total costs of the combination were € 20,355 thousand.

The difference between the purchase cost and the carrying amount of the net assets deriving from the business combination, equal to € 17,755 thousand, was allocated temporarily to "Goodwill" and, valued at € 10,042 thousand in respect of non-controlling interests, according to the "full goodwill approach".

Net liquidity used in the aggregation was € 7,884 thousand.

From the date of acquisition, Lenzi S.p.A. contributed € 5,246 thousand to Group revenues and a profit of € 366 thousand to the net result.

It should be noted that, in consideration of the Company's unconditional power to avoid the financial regulation of the PUT option on the remaining 40% of shares, which will only come

into play if MIA S.p.A. decides to exercise the CALL option on 11% of shares, it does not, in any way, constitute a liability at present.

## Acquisition of the capital of CMA Pentade S.r.l.

On 31 January 2011, MIA S.p.A. acquired all of the share capital of CMA Pentade S.r.l., with registered office in Rivalta Torinese (TO), active in the local lift installation and maintenance market.

The transaction was accounted against payment of a consideration of € 502 thousand.

### *Accounting effects of the acquisition*

Following the acquisition of the shareholding, the MFM Group has complete control of the Company. The acquisition is a business combination, therefore, the Group applied IFRS 3 in recording such acquisition.

The value of the assets and liabilities of the acquiree at the date of acquisition, the difference between the purchase value and the carrying amount relating to the transaction and the net liquidity used in the acquisition are shown in the table below:

(thousands of Euro)	Value at acquisition date	Book Value
<b>Assets</b>		
Property, plant and equipments . . . . .	22	22
Other intangible assets . . . . .	1	1
Other non-current assets . . . . .	1	1
Inventories . . . . .	9	9
Trade receivables and advances to suppliers . . . . .	283	283
Other current receivables . . . . .	32	32
Cash and cash equivalents . . . . .	9	9
<b>Total assets . . . . .</b>	<b>357</b>	<b>357</b>
<b>Liabilities</b>		
Employee termination indemnities . . . . .	7	7
Provision for risks and charges, non-current . . . . .	3	3
Short term loans and borrowings . . . . .	56	56
Trade payables and advances from customers . . . . .	141	141
Deferred tax liabilities . . . . .	2	2
Other current liabilities . . . . .	136	136
<b>Total liabilities . . . . .</b>	<b>345</b>	<b>345</b>
<b>Fair value of net assets . . . . .</b>	<b>12</b>	<b>12</b>
<b>Goodwill . . . . .</b>	<b>490</b>	
<b>Consideration transferred . . . . .</b>	<b>502</b>	
<b>Consideration transferred:</b>		
Consideration paid . . . . .	480	
Residual debt for the acquisition . . . . .	22	
<b>Total consideration transferred . . . . .</b>	<b>502</b>	
<b>Cash flow of the transaction:</b>		
Cash and cash equivalents from the acquire . . . . .	9	
Consideration paid . . . . .	(480)	
<b>Net cash flow used in the transaction . . . . .</b>	<b>(471)</b>	



The fair value of the assets and liabilities acquired through the combination was determined as € 12 thousand, while the total costs of the combination were € 502 thousand.

The difference between the purchase cost and the carrying amount of the net assets deriving from the business combination, equal to € 490 thousand, was allocated to "Goodwill".

Net liquidity required by the transaction was € 471 thousand.

From the date of acquisition, CMA Pentade S.r.l. contributed € 558 thousand to Group revenues and a loss of € 155 thousand to the net result.

### **Acquisition of the capital of Unilift S.r.l.**

On 15 March 2011, MIA S.p.A. acquired 80% of the share capital of Unilift S.r.l., with registered office in Mestre (VE), active in the market for the maintenance and installation of lifts, goods lifts, platform lifts for the disabled, stair lifts, car lifts, dumb-waiters, escalators and other devices for vertical movement.

The acquisition was made against payment of a consideration of € 1,600 thousand. The purchase contract also made provision for the payment of a price adjustment of € 91 thousand as at 1 November 2011.

#### *Accounting effects of the acquisition*

The acquisition is a business combination, therefore, the Group applied IFRS 3 in recording said acquisition.

The consideration for the purchase of the shareholding was paid (€ 1,267 thousand) to the transferors on the date of completion of the operation, while the remainder (€ 373 thousand) will be paid against the issue of a bank surety by the seller, to secure the commitments assumed.

The contract also makes provision for the cross issue of a call option (from transferor to acquirer, exercisable between 1 January 2016 and 31 December 2016) and a put option (from acquirer to the transferor, exercisable between 1 January 2017 and 31 January 2017) for the sale of a further 20% of share capital. In application of the contractual principles, the current value of the options price (calculated according to the same formula) was already accounted for as a financial liability in the financial statements. The purchase price will be determined as an amount equal to the sum of the shareholders' equity of the Company at the date of exercising of the option and the average fees of the applicable maintenance contracts at such a date by a contractually defined multiple.

The table below shows the values assigned to the assets and liabilities acquired:

(thousands of Euro)	Value at acquisition date	Book Value
<b>Assets</b>		
Property, plant and equipments . . . . .	8	8
Other intangible assets . . . . .	2	2
Other non-current assets . . . . .	14	14
Inventories . . . . .	174	174
Trade receivables and advances to suppliers . . . . .	1,076	1,076
Other current receivables . . . . .	107	107
Cash and cash equivalents . . . . .	3	3
<b>Total assets . . . . .</b>	<b>1,384</b>	<b>1,384</b>
<b>Liabilities</b>		
Employee termination indemnities . . . . .	115	115
Provision for risks and charges, non-current . . . . .	43	43
Short term loans and borrowings . . . . .	276	276
Trade payables and advances from customers . . . . .	249	249
Deferred tax payables . . . . .	33	33
Other current liabilities . . . . .	518	518
<b>Total liabilities . . . . .</b>	<b>1,234</b>	<b>1,234</b>
<b>Fair value of net assets . . . . .</b>	<b>150</b>	<b>150</b>
<b>Goodwill . . . . .</b>	<b>1,963</b>	
<b>Consideration transferred . . . . .</b>	<b>2,113</b>	
<b>Consideration transferred:</b>		
Consideration paid . . . . .	1,317	
Fair value on non-controlling interests . . . . .	423	
Residual debt for the acquisition . . . . .	373	
<b>Total consideration transferred . . . . .</b>	<b>2,113</b>	
<b>Cash flow of the transaction:</b>		
Cash and cash equivalents from the acquire . . . . .	3	
Consideration paid . . . . .	(1,317)	
<b>Net cash flow used in the transaction . . . . .</b>	<b>(1,314)</b>	

The fair value of the assets and liabilities acquired through the combination was determined as € 150 thousand, while the total costs of the combination were € 2,113 thousand.

The difference between the purchase cost and the carrying amount of the net assets deriving from the business combination, equal to € 1,963 thousand, was allocated to "Goodwill".

Net liquidity required by the transaction was € 1,314 thousand.

From the date of acquisition, Unilift S.r.l. contributed € 1,515 thousand to Group revenues and a loss of € 30 thousand to the net result.

### Acquisition of the capital of Nettuno S.r.l.

On 22 June 2011, MIA S.p.A. completed the purchase of a 75% stake in the share capital of Nettuno Ascensori S.r.l., with registered office in Calderara di Reno (BO), active in the local lift and goods lift installation, repair and maintenance market.

The acquisition was made at an initial consideration of € 3,853 thousand.

### *Accounting effects of the acquisition*

The acquisition is a business combination, therefore, the Group applied IFRS 3 in recording such acquisition.

The consideration for the purchase of the shareholding was paid (€ 3,543 thousand) to the transferors on the date of completion of the operation, while the remainder (€ 310 thousand) will be paid within one year from the purchase date.

The contract stipulates that:

- The payment to sellers of an eventual price adjustment, for the 75% stake purchased, to be paid within one year from the closing date based on the valuation performed at that date. Management does not possess, at the date of drafting of the financial statements, sufficient information to reliably determine the purchase price adjustment and, therefore, no associated liability has been recognised.
- 5 years after the date of acquisition of control, a Call option was recognised to MIA S.p.A., exercisable within 30 days, on a stake of 4% of the company's total share capital. In the event MIA S.p.A. does not exercise the purchase option, non-controlling shareholders are offered a Put option on all the share capital they hold. Therefore, given that the decision regarding any activation of the Put option by non-controlling shareholders rests with MIA S.p.A., as required by IAS/IFRS, management did not include any liability on that in the statement of financial position.

As we are talking about an acquisition of less than 100% of controlling interests, as indicated in the introduction, controlling and non-controlling interests are represented using the full goodwill approach. The fair value of the minority share was identified in proportion to the fair value of the controlling interest.

The table below shows the values provisionally assigned to the assets and liabilities acquired:

(thousands of Euro)	Value at acquisition date	Book Value
<b>Assets</b>		
Property, plant and equipments . . . . .	12	12
Other intangible assets . . . . .	6	6
Other investments . . . . .	15	15
Other non-current assets . . . . .	3	3
Trade receivables and advances to suppliers . . . . .	696	696
Current taxes receivables . . . . .	158	158
Other current receivables . . . . .	25	25
Cash and cash equivalents . . . . .	289	289
<b>Total assets . . . . .</b>	<b>1,204</b>	<b>1,204</b>
<b>Liabilities</b>		
Employee termination indemnities . . . . .	70	70
Short-term loans and borrowings . . . . .	4	4
Trade payables and advances from customers . . . . .	377	377
Current taxes payables . . . . .	173	173
Other current liabilities . . . . .	134	134
Other current financial liabilities . . . . .	304	304
<b>Total liabilities . . . . .</b>	<b>1,062</b>	<b>1,062</b>
<b>Fair value of net assets . . . . .</b>	<b>142</b>	<b>142</b>
<b>Goodwill . . . . .</b>	<b>4,995</b>	
<b>Total considerations transferred . . . . .</b>	<b>5,137</b>	
<b>Total considerations transferred:</b>		
Consideration paid . . . . .	3,543	
Fair value of non-controlling interests . . . . .	1,284	
Residual debt for the acquisition . . . . .	310	
<b>Total considerations transferred . . . . .</b>	<b>5,137</b>	
<b>Cash flow of the transaction:</b>		
Cash and cash equivalents from the acquire . . . . .	289	
Consideration paid . . . . .	(3,543)	
<b>Cash flow used in the transaction . . . . .</b>	<b>(3,254)</b>	

The fair value of the net assets and liabilities acquired through the combination was determined at € 142 thousand, while the total costs of the combination were € 5,137 thousand.

The difference between the purchase cost and the carrying amount of the net assets deriving from the business combination, equal to € 4,995 thousand, was allocated to "Goodwill" and, was valued at € 1,284 thousand in respect of non-controlling interests, according to the "full goodwill approach".

Net liquidity required by the transaction was € 3,254 thousand.

From the date of acquisition, Nettuno Ascensori S.p.A. contributed € 1,422 thousand to Group revenues and a profit of € 91 thousand to the net result.

### Acquisition of the capital of Stablum S.r.l.

On 31 January 2011, Sicura S.r.l., a direct subsidiary of the sub-holding Gruppo Sicura S.r.l., acquired all the share capital of Stablum S.r.l., with registered office in Marcallo con Casone (MI), active in the local market for the sale, installation and maintenance of fire extinguishers

as well as fire prevention. The transaction was conducted for a payment of a consideration of € 600 thousand, plus related costs of € 10 thousand.

#### *Accounting effects of the acquisition*

Following the acquisition of the shareholding, the MFM Group obtained full control of the Company. The acquisition is a business combination, therefore, the Group applied IFRS 3 in recording such acquisition.

The consideration for the purchase of the shareholding was paid (€ 550 thousand) on the date of completion of the operation, while the remainder (€ 50 thousand) was paid to the transferors on 3 February 2012.

The value of the assets and liabilities of the acquiree at the date of acquisition and the difference between the purchase value and the carrying amount relating to the transaction and the net liquidity used in the acquisition are shown in the table below:

(thousands of Euro)	Value at acquisition date	Book value
<b>Assets</b>		
Property, plant and equipment . . . . .	36	36
Deferred tax assets . . . . .	3	3
Inventories . . . . .	26	26
Trade receivables and advances to suppliers . . . . .	242	242
Other current assets . . . . .	16	16
Cash and cash equivalents . . . . .	32	32
<b>Total assets . . . . .</b>	<b>355</b>	<b>355</b>
<b>Liabilities</b>		
Employee termination indemnities . . . . .	50	50
Trade payables and advances from customers . . . . .	83	83
Current taxes payables . . . . .	2	2
Other current liabilities . . . . .	154	154
<b>Total liabilities . . . . .</b>	<b>289</b>	<b>289</b>
<b>Fair value of net assets . . . . .</b>	<b>67</b>	<b>67</b>
<b>Goodwill . . . . .</b>	<b>533</b>	
<b>Consideration transferred . . . . .</b>	<b>600</b>	
<b>Total considerations transferred:</b>		
Consideration paid . . . . .	600	
<b>Total considerations transferred . . . . .</b>	<b>600</b>	
Cash flow of the transaction:		
Cash and cash equivalents from the acquire . . . . .	32	
Consideration paid . . . . .	(550)	
<b>Cash flow used in the transaction . . . . .</b>	<b>(518)</b>	

The fair value of the assets and liabilities acquired through the combination was determined as € 67 thousand, while the total costs of the combination were € 600 thousand.

The difference between the purchase cost and the carrying amount of the net assets deriving from the business combination, equal to € 533 thousand, was allocated to "Goodwill".

Net liquidity required by the transaction was € 518 thousand.

From the date of acquisition, Stablum S.r.l. contributed € 1,211 thousand to Group revenues.

It should be noted that, on 27 December 2011, the merger of Stablum S.r.l. in Sicura S.r.l. became effective.

### **Acquisition of the capital of Telepost S.p.A.**

On 13 October 2011, Manutencoop Facility Management purchased all of the share capital of Telepost S.p.A., company that provides internal mailing services for Telecom Italia Group.

The transaction was concluded for a consideration of € 7,215 thousand, plus related costs of € 60 thousand.

#### *Accounting effects of the acquisition*

Following the acquisition of the shareholding, the MFM Group obtained full control of the Company. The acquisition is a business combination, therefore, the Group applied IFRS 3 in recording such acquisition. The consideration for the purchase of the shareholding was paid in full to the counterparties on the date of completion of the purchase.



The value of the assets and liabilities of the acquiree at the date of acquisition, the difference between the purchase value and the carrying amount relating to the transaction and the net liquidity used in the acquisition are shown in the table below:

(thousands of Euro)	Value at acquisition date	Book value
<b>Assets</b>		
Non-current assets		
Property, plant and equipment . . . . .	56	56
Other intangible assets . . . . .	2,498	0
Non-current financial assets . . . . .	1,891	1,891
Deferred tax assets . . . . .	422	422
<b>Total non-current assets . . . . .</b>	<b>4,867</b>	<b>2,369</b>
<b>Current assets</b>		
Trade receivables and advances to suppliers . . . . .	2,707	2,707
Current taxes receivables . . . . .	384	384
Other current assets . . . . .	88	88
Current financial assets . . . . .	9,421	9,421
Cash and cash equivalents . . . . .	19	19
<b>Total current assets . . . . .</b>	<b>12,619</b>	<b>12,619</b>
<b>Total assets . . . . .</b>	<b>17,486</b>	<b>14,988</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Employee termination indemnities . . . . .	3,290	3,290
Provision for risks and charges, non-current . . . . .	800	800
Deferred tax liabilities . . . . .	709	112
<b>Total non-current liabilities . . . . .</b>	<b>4,799</b>	<b>4,202</b>
<b>Current liabilities</b>		
Trade payables and advances from customers . . . . .	2,130	2,130
Current taxes payables . . . . .	497	497
Other current liabilities . . . . .	1,041	1,041
<b>Total current liabilities . . . . .</b>	<b>3,668</b>	<b>3,668</b>
<b>Total liabilities . . . . .</b>	<b>8,467</b>	<b>7,870</b>
<b>Fair value of net assets . . . . .</b>	<b>9,019</b>	<b>7,118</b>
<b>Goodwill . . . . .</b>	<b>0</b>	
<b>Total considerations transferred . . . . .</b>	<b>9,019</b>	
Consideration paid . . . . .	7,215	
Fair value of interests held by MFM in company before the business combination occurred . . . . .	1,804	
<b>Total value of the business combination . . . . .</b>	<b>9,019</b>	
<b>Cash flow of the transaction:</b>		
Cash and cash equivalents from the acquiree . . . . .	19	
Consideration paid . . . . .	(7,215)	
<b>Cash flow used in the transaction . . . . .</b>	<b>(7,196)</b>	

The fair value of the assets and liabilities acquired through the combination was determined as € 9,019 thousand, equal to the total costs of the combination.

Net liquidity required by the transaction was € 7,196 thousand.

From the date of acquisition, Telepost S.p.A. contributed € 2,967 thousand to Group revenues and a loss for the year of € 5,342 thousand to the net result.

#### 4. Property, plant and equipment

The table below shows the changes in property plant and equipment (owned and under a financial lease) for the year ended 31 December 2011:

(in thousands of Euro)	Properties	Plant and equipment	Properties under lease	Plant and equipment under lease	Total
<b>As of 1 January 2011, net of accumulated depreciation and impairment</b>	1,657	61,070	266	5,213	68,206
Additions due to business combination	0	250	0	0	250
Additions from acquisition	0	27,528	0	2,475	30,003
Impairment losses	0	0	0	0	0
Disposal	(12)	(676)	0	0	(688)
Depreciation for the year	(150)	(21,171)	(10)	(944)	(22,275)
Other	(1)	(39)	(2)	(86)	(128)
<b>As of 31 December 2011</b>	<b>1,494</b>	<b>66,962</b>	<b>254</b>	<b>6,658</b>	<b>75,368</b>
<b>As of January 1, 2011</b>					
Cost	3,520	225,981	375	9,735	239,611
Accumulated depreciation and impairment losses	(1,863)	(164,911)	(109)	(4,522)	(171,405)
<b>Net Book Value</b>	<b>1,657</b>	<b>61,070</b>	<b>266</b>	<b>5,213</b>	<b>68,206</b>
<b>As of 31 December 2011</b>					
Cost	3,387	248,688	375	11,208	263,658
Accumulated depreciation and impairment losses	(1,893)	(181,726)	(121)	(4,550)	(188,290)
<b>Net Book Value</b>	<b>1,494</b>	<b>66,962</b>	<b>254</b>	<b>6,658</b>	<b>75,368</b>

Increases from Business combinations, relating to property, plant and equipment, in amount of € 250 thousand, refer to the assets of the companies acquired in the year, mainly those of the subsidiary MIA S.p.A. (€ 158 thousand).

The increases during the year (€ 23,631 thousand) refer to purchase of linen to be used in the laundering activities (€ 14,979), made by Servizi Ospedalieri, and to the purchases of plant, equipment and specific equipment (including surgical instruments) relating to such activities (€ 7,081 thousand). The remaining amount of € 3,897 thousand refers primarily to the purchase of machinery and equipment used in facility management activities and investments in cogeneration systems, furniture and fittings for the new headquarters in Rome and Milan, and to a lesser extent, to the company's information system.

Decreases in plant and equipment of € 676 thousand refer principally to the sale of linen and equipment by the subsidiary Servizi Ospedalieri S.p.A..

Other less significant movements concern reclassifications between asset categories, especially resulting from redemptions of leased assets and equipment.

The increase of the plant and equipment in leasing, amounted to € 2,475 thousand in 2011, and relate mostly to the surgical sterilisation activities of Servizi Ospedalieri (€ 2,188 thousand).

Other movements in leased property, plant and equipment relate mainly to redemptions of leased assets by companies in the Sicura Group.

The table below shows the movements in tangible fixed assets (owned and under a financial lease) in the year ended 31 December 2010.

(in thousands of Euro)	Properties	Plant and equipment	Properties under lease	Plant and equipment under lease	Total
<b>As of 1 January 2010, net of accumulated depreciation and impairment</b>					
As of 1 January 2010, net of accumulated depreciation and impairment	4,448	51,293	415	6,531	62,687
Additions due to business combination	0	55	0	0	55
Additions from acquisition	34	27,836	0	79	27,949
Impairment losses	0	0	0	0	0
Disposal	0	(984)	0	0	(984)
Depreciation of the year	(154)	(20,394)	(11)	(1,053)	(21,612)
Other	(2,671)	3,264	(138)	(344)	112
<b>As of 31 December 2010</b>	<b>1,657</b>	<b>61,070</b>	<b>266</b>	<b>5,213</b>	<b>68,206</b>
<b>As of January 1, 2010</b>					
Cost	6,691	191,675	521	11,810	210,697
Accumulated depreciation and impairment losses	(2,243)	(140,382)	(106)	(5,279)	(148,010)
<b>Net Book Value</b>	<b>4,448</b>	<b>51,293</b>	<b>415</b>	<b>6,531</b>	<b>62,687</b>
<b>As of 31 December 2010</b>					
Cost	3,520	225,982	375	9,735	239,611
Accumulated depreciation and impairment losses	(1,863)	(164,912)	(109)	(4,522)	(171,406)
<b>Net Book Value</b>	<b>1,657</b>	<b>61,070</b>	<b>266</b>	<b>5,213</b>	<b>68,206</b>

## 5. Intangible assets

The table below shows the movements in intangible assets in the year ended 31 December 2011:

(in thousands of Euro)	Other intangible assets	Goodwill	Total
<b>As of 1 January 2011, net of accumulated depreciation and impairment</b>			
As of 1 January 2011, net of accumulated depreciation and impairment	25,379	391,755	417,134
Additions due to business combination	3,776	23,952	27,728
Additions from acquisition	7,752	0	7,752
Amortization of the year	(10,165)	0	(10,165)
Impairment losses	(120)	(41)	(161)
Other	0	(3,671)	(3,671)
<b>As of 31 December 2011</b>	<b>26,622</b>	<b>411,995</b>	<b>438,617</b>
<b>As of January 1, 2011</b>			
Cost	53,182	394,091	447,273
Accumulated amortization and impairment losses	(27,803)	(2,336)	(30,139)
<b>Net Book Value</b>	<b>25,379</b>	<b>391,755</b>	<b>417,134</b>
<b>As of 31 December 2011</b>			
Cost	62,702	414,372	477,074
Accumulated amortization and impairment losses	(36,080)	(2,377)	(38,457)
<b>Net Book Value</b>	<b>26,622</b>	<b>411,995</b>	<b>438,617</b>

Goodwill is tested annually for impairment, as detailed in note 6 below.

The increase in the item relates to the business combinations in the year, carried out by sub-holding MIA S.p.A. and Gruppo Sicura S.r.l., as summarised below:

<b>(in thousands of Euro)</b>	<b>Amount</b>
Acquisition of Nettuno S.r.l. ....	4,995
Acquisition of CMA Pentade S.r.l. ....	490
Acquisition of Unlift S.r.l. ....	1,564
Acquisition of Lenzi S.p.a. ....	16,370
Acquisition of Stablum S.r.l. ....	533
<b>Total goodwill from combination</b> .....	<b>23,952</b>

All the business combinations occurred within the Facility Management sector. As detailed in note 3 above, the goodwill of the business combinations of the sub-group MIA was accounted for using the "full goodwill" approach permitted by IFRS3 and, represents the differential between the purchase cost of the equity investment and 100% of the net assets acquired as a result of such combination.

During the year, an impairment loss of € 41 thousand was recorded, relating to retrocession to the customer of assets used by the business unit performing services for the FIAT Group. This adjustment arose in respect of some balancing elements recognised after the completion of the transaction at the end of 2010.

In addition, during the year, the Parent Company Manutencoop Facility Management S.p.A., Intesa San Paolo S.p.A. and Prelios S.p.A. settled certain disputes raised between the parties in relation to the compensation required by MFM as acquirer of the 100% stake in Pirelli RE Integrated Facility B.V.. The acquisition was effected at the end of 2008, for a consideration of € 137.5 million and led to the recognition of goodwill of € 225.0 million, plus other intangible assets in respect of contractual relations with customers, totaling € 29.4 million. By means of the settlement agreement signed on 16 September 2011, the transferring parties are obliged to pay a total sum of € 6 million to MFM to close all current and future disputes regarding the aforementioned transfer. The amount, representing a partial return of the equity investment sale price, was recorded as an adjustment to goodwill which arose as a result of the acquisition in question.

Other movements were recorded during the year following the recognition of liabilities for put options and earn-outs, recorded as part of the above-mentioned business combinations, for € 2,312 thousand.

All the above movements were recorded in the Facility Management SBU.

The other intangible assets acquired under the business combinations relate mainly to intangible assets designated at fair value as part of the purchase price allocation process. During the year, contractual relations with customers were recorded for € 3,680 thousand, of which € 3,165 thousand as part of the acquisition of Lenzi S.p.A. by sub-holding MIA S.p.A..

The other increases in the period (€ 7,752 thousand) refer principally to the software purchases made as part of the process to reorganise and strengthen company information systems. Other minor amounts were arising from the acquisitions of contractual relations from Monti Ascensori S.p.A. by MIA S.p.A. amounting to € 731 thousand.

The amortization charges of intangible assets amounted to € 10,165 thousand in 2011, compared to € 10,479 thousand in the previous year. Amortization of backlog reached to € 5,356 thousand, of which € 1,190 thousand relating to the acquisitions of MIA S.p.A..

The table below shows the movements in intangible fixed assets in the year ended 31 December 2010.

(in thousands of Euro)	Other intangible assets	Goodwill	Total
<b>As of 1 January 2010, net of accumulated depreciation and impairment</b>			
As of 1 January 2010, net of accumulated depreciation and impairment	30,826	384,905	415,731
Additions due to business combination	4	3,895	3,899
Additions from acquisition	8,920	0	8,920
Amortization of the year	(10,479)	0	(10,479)
Impairment losses	(1,936)	(2,105)	(4,041)
Other	(1,956)	5,060	3,104
<b>As of 31 December 2010</b>	<b>25,379</b>	<b>391,755</b>	<b>417,134</b>
<b>As of January 1, 2010</b>			
Cost	52,169	385,136	437,305
Accumulated amortization and impairment losses	(21,343)	(231)	(21,574)
<b>Net Book Value</b>	<b>30,826</b>	<b>384,905</b>	<b>415,731</b>
<b>As of 31 December 2010</b>			
Cost	53,182	394,091	447,273
Accumulated amortization and impairment losses	(27,803)	(2,336)	(30,139)
<b>Net Book Value</b>	<b>25,379</b>	<b>391,755</b>	<b>417,134</b>

## 6. Impairment testing of goodwill

The vast process of restructuring that Group has implemented over the last few years, led to a simplification of the number of legal entities through business combinations, and has strengthened the business model, whose goal is to manage all services offered through the business sectors and no longer by legal entity. This has also led to a redefinition of the Cash-Generating Units, regardless of the legal entities.

This arrangement is a result of development of the business view adopted by the MFM Group's management, that envisages an approach increasingly targeted at integration of the offer, unrestricted by the legal entity or service offered.

The SBUs identified and their composition, in corporate terms, are as follows:

### SBU—Facility Management

The SBU is identified with:

- Manutencoop Facility Management S.p.A..
- MP Facility S.p.A. in resulting from the incorporation of MCB S.p.A. on 1 January 2010.
- SMAIL S.p.A. and the groups controlled by Gruppo Sicura S.r.l. and by MIA S.p.A., operating in the facility management sector as suppliers of more specialist services.
- Telepost S.p.A., providing internal mailing services for Telecom Italia Group.
- Other minor investee companies operating in the sector.

### SBU—Laundering & Sterilisation

The SBU is identified with:

- Servizi Ospedalieri S.p.A., operating in the industrial laundering and rental of linen for hospitals and the sterilisation of linen and surgical instruments.
- A.M.G. S.r.l., held under a joint venture (50%) with Servizi Ospedalieri S.p.A..
- Other minor investee companies operating in the sector.

SBU—Other

The SBU is identified with:

- EnergyProject S.p.A., active in the construction and marketing of photovoltaic systems, performing “Project Management” and “Energy Management” activities since July 2010.
- MACO S.p.A., performing the Group “building” activities since 2009.
- Other minor investee companies operating in the same sector.

The MFM Group’s management believe that the above-mentioned SBU structure should be considered, consistent with the provisions of the accounting standards, also at the level of the CGUs used for impairment testing.

This breakdown into CGUs is, fully compliant with the requirements set forth in the definition of the same in IAS 36, which requires the calculations used to perform impairment tests to be consistent with the reports used by the key decision makers in order to monitor company performances and determine future development policies.

The carrying amounts of goodwill recorded in the consolidated financial statements as at 31 December 2011 are shown below, relating to the different CGUs, compared with the figures for the year ended 31 December 2010.

### Carrying amount of consolidated goodwill

	At 31 December 2011	At 31 December 2010
<b>Book value of consolidated goodwill</b>		
<i>(in thousands of Euro)</i>		
Goodwill CGU Facility Management . . . . .	399,185	378,945
Goodwill CGU Laundering/Sterilization . . . . .	12,810	12,810
Goodwill CGU Other . . . . .	0	0
<b>Total goodwill . . . . .</b>	<b>411,995</b>	<b>391,755</b>

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.

The impairment test is performed by comparing carrying amount of each CGUs with its value in use, determined through the discounting of the expected future cash flows obtained, over a reasonable period of time (no more than four years), from the business plans drawn up by top management and approved by the Parent Company’s Management Board.

Where possible, in order to best support the impairment test analysis, the carrying amount of the CGUs was also compared with the estimate of the fair value determined on the basis of information relating to competitors quoted on regulated markets and the recent transactions relating to companies operating in the same business sector.

The business plans used for the analysis described in this note were reviewed and approved by Manutencoop Facility Management S.p.A.’s Management Board on 21 December 2011.

In order to determine the cash flows for periods exceeding the explicit estimation period a constant growth rate of 1% for the Facility Management CGU and 0.5% for the Laundering & Sterilisation CGU were used. However, these rates are lower than the provisional growth rates prepared by external observers and the average rates of growth in revenues relating to the activities performed by the Group, which have been historically recorded by the various Group companies.



### *Facility Management CGU goodwill*

The goodwill allocated to the *facility management CGU*, which amounted to € 399,185 thousand as of 31 December 2011, (€ 378,495 thousand as at 31 December 2010), was recorded as a result of various business combinations, the most important of which are listed below:

- Operation 'Palladio', taking place on 29 December 2003, by which the Group acquired control of the business unit relating to facility management technical services previously managed by Parent Company Manutencoop Società Cooperativa.
- Acquisition of 'MCB', a company through which the Group established the first facility management unit in respect of the private customers network (banks, insurance companies, etc...). In 2010, MCB S.p.A. was merged through incorporation in MP Facility S.p.A..
- Acquisition of 'Teckal', incorporated in Manutencoop Facility Management S.p.A. in 2010, through which the Group strengthened the production structure of traditional facility management, particularly the heat management service.
- Acquisition of Altair IFM S.p.A. (the most significant business combination to date), which enabled the Group to provide services to large private customers which diminished the need for internal Group restructuring, and which conducted in 2010, to the merger by incorporation of the largest companies into Manutencoop Facility Management S.p.A..
- Acquisition of Gruppo Sicura S.r.l., which started the increase in the range of specialist facility management services in the fire prevention and accident prevention business.
- Companies acquired by MIA S.p.A., leading to a network of companies operating throughout Italy which covers elevating system (goods lifts and lifts) installation and maintenance services.

In 2011, the amount of goodwill relating to the Facility Management CGU increased by € 20,240 thousand, following the acquisition of the new companies in the maintenance of elevating systems (€ 25,638 thousand), the acquisition of Stablum S.r.l. and updating of the discounted value of the payable for the earn-out of Gruppo Sicura S.r.l. (€ 643 thousand) and as a result of the adjustment of € 6 thousand following the signing of the settlement agreement with the seller, in 2008, of the Altair Group, detailed in the previous notes. Impairment losses of € 41 thousand were recorded, as a result of adjustments defined in the transaction for the retrocession of the business unit to the FIAT Group after its closure in 2010.

The recoverable amount of the goodwill allocated to the Facility Management CGU was calculated on the basis of the value in use. The expected cash flow included in the latest financial plan approved by the Group's Management Board was used for the calculation, relating to a three years period. The discount rate expected to the prospective cash flows is 7.86% (2010: 6.8%) and the cash flows beyond three years were extrapolated using the constant rate of growth of 1%, equal to that of 2010.

The rate of growth applied is held to be prudential with respect to the much higher provisional rates of growth drawn up by external observers and the average rates of growth in revenues relating to Facility Management activities, recorded historically by the Group.

The analysis confirmed that the recoverable value of the Facility Management CGU exceeds the associated carrying amount.

### *Laundering & Sterilisation CGU goodwill*

The goodwill allocated to the Laundering & Sterilisation CGU emerged as a result of the acquisition of Omasa S.p.A. in 2007, a company operating in the market for the sterilisation of surgical instruments and linen, due to the interest in the joint-venture in AMG S.r.l., and

following further minor acquisitions, made by Servizi Ospedalieri S.p.A., a company operating in the linen rental and industrial laundering and sterilisation market.

The company Omasa S.p.A was merged by incorporation into Servizi Ospedalieri S.p.A. on 1 July 2009.

Total goodwill attributable to the Laundering & Sterilisation CGU, remained unchanged with respect to the previous year, amounting to € 12,810 thousand as at 31 December 2011, and was tested for impairment, on the basis of the following assumptions:

- The projected cash flow contained in the financial plan approved by the Group's Management Board, relating to a period of three years.
- Cash flows beyond three years extrapolated on the basis of a constant growth rate of 0.5%, equal to those used in 2010.
- Discount rate applied to prospective cash flows of 6.5% (2010: 6.2%).

The analysis confirmed that the recoverable value of the Laundering & Sterilisation CGU exceeds the associated carrying amount.

#### *Other CGU goodwill*

The goodwill of the Other CGU was fully written down in 2010, as a result of the suspension of significant job orders, the legislative problems affecting the photovoltaic energy market and the postponement, with a subsequent delay in the realisation of profits, of the job orders in the "project management" sector. At that point, the assumption of the irrecoverability of the value in use was applicable.

The residual carrying amount of the Other CGU was, tested for impairment, on the basis of the following assumptions:

- The projected cash flow contained in the financial plan approved by the Group's Management Board, relating to a period of three years.
- Cash flows beyond three years extrapolated on the basis of a constant growth rate of 0.5%, equal to the one used in 2010.
- Discount rate applied to prospective cash flows of 7.86% (2010: 6.81%).

Assumptions used to determine the value in use of the Group's CGUs as of 31 December 2011.

The main assumptions on which Directors based cash flow projections for the purpose of impairment testing of goodwill are shown below:

- Forecast operating margins: the basis used to determine the value of the forecast gross margins is the projection of the backlog of existing service contracts, augmented by the assumption of new portfolio acquisitions determined prudentially with respect to the rates of growth in the markets in which the Group operates.
- 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.

The change in the rate used, with respect to the previous year, to discount prospective cash flows relating to the different CGU's, is mainly due to the increase in the interest rates included in the WACC structure.

For all CGUs analysed, the analysis confirmed that the recoverable value of these CGU's exceeds the associated carrying amount, therefore not requiring any write-downs.

## 7. Investments accounted for under the equity method

The Group holds several investments in associates which are valued, in the consolidated financial statements, using the equity method.

A list of these companies is provided in the previous section of note 2, consolidation principles, and specified in Annex I to the consolidated financial statements.

As at 31 December 2011, the statement of financial position item relating to equity investments amounted to € 15,931 thousand, compared to € 14,635 thousand in the previous year.

(in thousands of Euro)	Net Assets At 31-Dec-11	Net Assets At 31-Dec-10
Investments accounted for under the equity method . . . . .	15,931	14,635
Provision for risk on investment accounted for under the equity method . . . . .	(408)	(243)
<b>Total . . . . .</b>	<b>15,523</b>	<b>14,392</b>

In 2011, the valuation of investment accounted for under the equity method resulted in the recognition of a net positive result in amount of € 1,426 thousand, representing the Group's share, as a result of the recording of income from investments of € 1,568 thousand and write-downs of € 142 thousand. Losses were directly recognized in the shareholders' equity of associates totaling € 995 thousand.

During the year, the investment in Headmost Division Service F.M. S.p.A. previously classified as an asset classified as held for sale, was reclassified under investment accounted for under the equity method and simultaneously written down.

A total of € 120 thousand was recorded under this item for commitments regarding the future payments to consolidated companies for which the Parent Company MFM is expected to provide financial support for recapitalization in accordance with the legal terms.

In December 2011 was incorporated SPV ISOM S.p.A., where MFM holds a 36.98% stake, and which is the concession holder for the redevelopment and management, under a project-financing arrangement, of cogeneration systems at the Sant'Orsola-Malpighi Hospital in Bologna. The investee company, which will close its first financial year on 31 December 2012, did not contribute significantly at the reporting date.

## 8. Other investments and non-current financial assets

The table below sets forth the balances of other investments and non-current financial assets, as at 31 December 2011 and 2010:

(in thousands of Euro)	At 31-Dec-11	At 31-Dec-10
Other investments . . . . .	2,239	3,233
Non-current financial assets . . . . .	14,796	14,916
<b>Total . . . . .</b>	<b>17,035</b>	<b>18,149</b>

The financial assets recorded under the "Other investments and non-current financial assets" refer to investments in companies which are not subsidiaries or associates and which have been made for strategic-production reasons.

Investments in National Cooperative Consortia are included, as well as investments relating to production sites, or to other not significant assets, such as industrial laundry services, performed by minor companies acting as sub-contractors. Decrease recorded during the year is

due to the sale by Servizi Ospedalieri S.p.A. of the non-controlling interest in ZBM S.r.l., amounted to € 1,140 thousand as at 31 December 2010.

The other investments are valued at purchase or establishment cost given that there is no active market for the associated securities, which for the most part cannot be freely transferred to third parties given subject to rules and restrictions which, in fact, prevent their free circulation.

The item non-current financial assets amounted to € 14,796 thousand as at 31 December 2011, and were composed of:

- Non-current financial receivables due from associates and affiliates amounting to € 10,275 thousand (2010: € 11,501 thousand). Some of these are non-interest bearing given that they were disbursed on a pro-quota basis by each syndicated shareholder and, therefore, subject to discounting on the basis of the expected residual duration, by applying a reference Eurirs rate plus 0.5%. The carrying amount of these receivables were € 10,581 thousand (2010: € 11,734 thousand) while the discount provision amounted to € 306 thousand (2010: € 233 thousand).
- Non-current financial receivables due from third parties amounting to € 4,366 thousand (2010: € 3,256 thousand).

## 9. Other investments (additional information)

As of 31 December 2011, the Group holds 9 joint-ventures investments, accounted for under the equity method, listed in the 'consolidation principles' section of note 2 above.

These relate mostly to companies and consortium companies not quoted on regulated markets and established for the purpose of regulating relations as part of temporary associations with companies set up for the operational management of some facility management services contracts.

The aggregated values, according to the Group's share, for the year ended 31 December 2011, of the assets and liabilities, revenues and results included in the consolidated financial statements of such companies, and the comparative figures for the year ended 31 December 2010, are shown below:

(in thousands of Euro)	At 31-Dec-11	At 31-Dec-10
Non-current assets . . . . .	2,290	2,540
Current assets . . . . .	7,882	6,556
<b>Total Assets . . . . .</b>	<b>10,172</b>	<b>9,096</b>
Non-current liabilities . . . . .	1,201	1,315
Current liabilities . . . . .	7,916	6,567
<b>Total Liabilities . . . . .</b>	<b>9,117</b>	<b>7,882</b>

(in thousands of Euro)	FY 2011	FY 2010
Revenue . . . . .	7,303	7,652
Operating costs . . . . .	(7,225)	(7,486)
<b>Operating income . . . . .</b>	<b>78</b>	<b>166</b>
Net financial expenses . . . . .	(76)	(65)
<b>Profit before taxes . . . . .</b>	<b>2</b>	<b>101</b>
Income taxes . . . . .	(29)	(80)
<b>Net profit/(loss) for the year . . . . .</b>	<b>(27)</b>	<b>21</b>

## 10. Other non-current assets

Other non-current assets amounted to € 1,772 thousand as at 31 December 2011 (€ 1,409 thousand as at 31 December 2010), composed mainly of security deposits regarding long-term production contracts (€ 1,033 thousand) and long-term deferrals relating to certain job orders (€ 594 thousand).

## 11. Inventories

The Group inventories amounted to € 12,448 thousand as at 31 December 2011, presenting an increase of € 2,396 thousand compared to the previous year.

(in thousands of Euro)	At 31-Dec-11	At 31-Dec-10
Raw materials and consumables . . . . .	13,263	10,175
Works in progress . . . . .	0	0
Finished goods . . . . .	0	0
Inventory reserve . . . . .	(815)	(123)
<b>Total inventories . . . . .</b>	<b>12,448</b>	<b>10,052</b>

The final inventory of raw materials is composed of materials present in the warehouses, 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 heat management customers.

## 12. Trade receivables, advances to suppliers and other current assets

The following tables includes the details of the breakdown of trade receivables and advances to suppliers and other current assets:

(in thousands of Euro)	At 31-Dec-11	At 31-Dec-10
Work in progress on order . . . . .	26,404	47,982
Third party trade receivables, gross . . . . .	658,150	664,780
Allowance for doubtful accounts . . . . .	(24,386)	(22,070)
Provision for discounting of trade receivables . . . . .	(1,204)	(887)
<b>Trade receivables due from third parties . . . . .</b>	<b>658,964</b>	<b>689,805</b>
Work in progress on order from associates . . . . .	27	
Receivables from parent company . . . . .	70	43
Trade receivables from associates . . . . .	20,109	23,932
Trade receivable from affiliates . . . . .	668	0
<b>Trade receivables from related parties . . . . .</b>	<b>20,874</b>	<b>23,975</b>
Advances to suppliers . . . . .	2,433	14,034
<b>Total receivables and advances to suppliers . . . . .</b>	<b>682,271</b>	<b>727,815</b>
Current taxes receivables . . . . .	7,724	7,842
Other current assets due from third parties . . . . .	6,691	5,722
Due from social security institutions . . . . .	1,983	1,008
Due from employees . . . . .	443	418
<b>Other current assets due from third parties . . . . .</b>	<b>16,841</b>	<b>14,990</b>
Due from parent company . . . . .	22	3
Due from associates . . . . .	0	512
<b>Other current assets from related parties . . . . .</b>	<b>22</b>	<b>515</b>
Accrued income . . . . .	15	1
Prepaid expenses . . . . .	1,488	1,162
<b>Accrued income and prepaid expenses . . . . .</b>	<b>1,503</b>	<b>1,163</b>
<b>Other current assets . . . . .</b>	<b>18,366</b>	<b>16,668</b>

For conditions and terms relating to receivables due from related parties please refer to the note 35.

The balance of trade receivables and advances to suppliers amounted to € 682,271 thousand as at 31 December 2011, showing a decrease of € 45,544 thousand compared to the balance of € 727,815 thousand recorded as at 31 December 2010. The line item includes also interest-bearing loans which generally have contractual maturities of between 30 and 90 days.

A significant decrease was recorded in the work in progress on order from third parties down from € 47,982 thousand as at 31 December 2010 to € 26,404 thousand as at 31 December 2011. During the year, the Project and Energy Management contracts were concluded by the subsidiary Energy Project S.p.A, which led to a decrease of € 24,011 thousand in the item work in progress when compared to the previous year.

Decrease in the trade receivables is related to the positive effect of the non-recourse factoring operations, which were partially offset by the general lengthening in the collection of receivables period.

During 2011, the factoring of receivables originating from commercial activities to Crédit Agricole Corporate & Investment Bank continued, as part of the contract stipulated in 2007, and renewed in 2011, on a revolving basis at quarterly intervals.



In addition, the Parent Company MFM S.p.A. and MP Facility S.p.A. signed a new contract for the non-recourse factoring, on a revolving basis, of trade receivables with Banca IMI and Gruppo Intesa Sanpaolo, pursuant to Law 52 of 21 February 1991, for a total amount of € 100 million, which can be increased to € 140 million. In this case, the transaction allowed the full derecognition of receivables in the financial statements, in line with IAS/IFRS, and was structured on a revolving quarterly basis, with a duration of five years. The factoring of the receivables are forecasted for February, May, August and November, with the exception of the first one, carried out on 30 September. Periodic presentations must comply with the contractual criteria relating to the mix of public/private customers transferred and the respective geographic areas.

As of 31 December 2011, the amount of receivables transferred by the Group and still not collected by Credit Agricole Corporate & Investment Bank amounted to € 119.57 million. At the same date, the receivables transferred to Banca IMI and not collected by the latter stood at € 56.8 million.

The non-recourse factoring of receivables was effected during the year for a total nominal value of € 398,564,671, of which € 261,020 thousand due to Credit Agricole Corporate & Investment Bank (2010: € 285,235 thousand). In consideration of the characteristics of the transaction, the receivable was derecognised, and costs relating to the credit discount (see note 27) amounting to € 1,325 thousand were recorded, of which € 844 thousand for factoring to Credit Agricole Corporate & Investment Bank (2010: € 928 thousand). The costs incurred for the interest discount (see note 31) amounted to € 9,420 thousand, of which € 4,054 thousand for transfers to Credit Agricole Corporate & Investment Bank (2010: € 2,997 thousand).

On the basis of the historical performance of the debtors involved, the incidence of the credit risk is extremely low, while the risk of delayed payment is higher given that such receivables are predominantly due from public administrations.

As part of the non-recourse factoring transactions the Group issued sureties for a total nominal value of € 18,995 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 is estimated at € 211 thousand (31 December 2010: € 138 thousand), which are recorded under Loans and other current financial liabilities. The fair value difference compared to 31 December 2010 was recorded as a contra-item to a financial charges.

Trade receivables due from Group companies include, in particular, receivables due from Roma Multiservizi S.p.A., amounting to € 2,360, receivables due from Se.sa.mo. totaling € 4,148 thousand and amounts due from Bologna Multiservizi Soc.Cons. a r.l. amounting to € 3,059 thousand.

(in thousands of Euro)	31-Dec-10	Increases	Releases	Other	31-Dec-11
Provision for the discounting of trade receivables . . . . .	887	694	(377)	0	1,204

The increase in the provision for the discounting of trade receivables is primarily due to the general lengthening in collection period.

In respect of the non-performing receivables which are difficult to fully recover, a specific write-down provision was set aside, deemed suitable with respect to ongoing disputes at the reporting date and amounting, as 31 December 2011, to € 24,386 thousand (as at 31 December 2010: € 22,070 thousand).

Details of movements of allowance for doubtful accounts for the year ended 31 December 2011 are provided below:

(in thousands of Euro)	31-Dec-10	Increases	Utilization	Release	Business combination	Other	31-Dec-11
Allowance for doubtful accounts . . . . .	22,070	4,559	(1,614)	(422)	35	(242)	24,386

An analysis of trade receivables as at 31 December 2011 and 31 December 2010 is provided below, broken down by maturity.

(in thousands of Euro)	Total	Not	Past due trade receivables				
		yet due	< 30 days	30-60 days	60-90 days	90-120 days	120 days
At 31-Dec-11 . . . . .	633,763	415,802	29,420	20,451	17,682	15,913	134,496
At 31-Dec-10 . . . . .	642,710	437,183	46,762	27,682	18,431	21,102	91,549

The balances shown are net of the allowance for doubtful accounts but include the effect of discounting.

Current taxes receivables, amounting to € 7,724 thousand as at 31 December 2011 (€ 7,842 thousand as at 31 December 2010), refer mainly to VAT credits requested by some Group companies.

Other current assets due from third parties (€ 6,691 thousand) are made up mainly of the 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 the property management contract stipulated with the aforementioned authority. Some restrictions have been placed on these accounts by the Court as a result of the dispute ongoing with INPDAP (Social Security Institute for employees in public administration). Therefore, for the purposes of an accurate presentation, it was deemed appropriate to classify such item under the Other current assets.

Other current assets due from associates were extinguished following the collection of amounts recorded previously, due from PBS S.c.a.r.l. as at 31 December 2010.

### 13. Cash and cash equivalents and current financial assets

The table below sets forth the breakdown of cash and cash equivalents and current financial assets as at 31 December 2011 and 31 December 2010:

(in thousands of Euro)	At 31-Dec-11	At 31-Dec-10
Bank deposits on demand . . . . .	33,952	45,160
Cash on hand . . . . .	235	74
Deposits with consortia . . . . .	8,469	6,349
<b>Cash and cash equivalents . . . . .</b>	<b>42,656</b>	<b>51,583</b>
Financial assets . . . . .	6,551	6,647
Financial assets from associates . . . . .	1,200	1,308
Dividends . . . . .	—	—
<b>Current financial assets . . . . .</b>	<b>7,751</b>	<b>7,955</b>

Cash and cash equivalents recorded decreased by € 8,927 thousand, from € 51,583 thousand as at 31 December 2010 to € 42,656 thousand as at 31 December 2011.

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

Deposit with consortia relate to amounts deposited at Consorzio Cooperativo Finanziario Per Lo Sviluppo (C.C.F.S.) and Consorzio Cooperative Costruzioni (C.C.C.) and they are comparable to bank deposits on demand and bear interest.

Current financial assets amounted to € 7,751 thousand as at 31 December 2011, whose € 6,551 thousand due from third parties and € 1,200 due from associates. The latest is mainly related to the receivable due to the Group from Fondaco Società di Gestione del Risparmio S.p.A. for the sale of the investment in Progetto Nuovo S. Anna S.p.A (€ 5,780 thousand), falling due in 2012.

#### **14. Assets classified as held for sale and liabilities directly associated with assets classified as held for sale**

As at 31 December 2011, the Group did not present assets classified as held for sale and liabilities directly associated with assets classified as held for sale.

During the year, management decided not to maintain the classification of the assets and liabilities related to the so-called SEC (heat management) business unit under the assets classified as held for sale and liabilities directly associated with assets classified as held for sale, i.e. the business unit concerning two technical-maintenance service job orders for the Papardo Hospital in Catania and Martino Polyclinic in Messina. The business unit, acquired in 2008, was identified as an "asset classified as held for sale" in 2010, as a result of an arbitrator's award for the return of the business unit to the seller.

However, in 2011, the difficulty in disposing of the asset through sale, including to third parties, became more evident. The expiry (April 2012, except in the case of extensions) of the contract with the Martino Polyclinic in Messina and the request by the Board of Arbitration for an out-of-court settlement contributed to such a valuation. The transaction was effectively closed on 22 February 2012, with a reduction in the agreed purchase price in place of a return of the business unit.

Therefore, management reviewed the classification of assets and liabilities relating to the business unit and in line with the provisions of IFRS 5, in drafting the consolidated financial statements for the year ended 31 December 2011, reclassified these in the statement of financial position presented for the last year.

During the year, the value of the equity investment in Headmost Division Service FM S.p.A. previously classified as an asset held for disposal, was reclassified under operating assets, given that its value will not be realised through sale. Subsequently, the equity investment was simultaneously written down, as the carrying amount is not likely to be realised.

#### ***Assets classified as held for sale***

The assets held for sale amounted to € 15,939 thousand as at 31 December 2010.

<b>(in thousands of Euro)</b>	<b>At 31-Dec-11</b>	<b>At 31-Dec-10</b>
Total assets held for sale for Gestin Polska Sp.Zo.o . . . . .	0	7,056
Total assets held for sale for Heat Management Business Unit . . . . .	0	8,633
Investment in Headmost Division Service F.M.S.p.A. . . . .	0	250
	<b>—</b>	<b>15,939</b>

As mentioned previously, as at 31 December 2011, the Group did not present assets classified as held for sale.

The table below shows an analytical breakdown of the comparative item:

(in thousands of Euro)	At 31-Dec-11	At 31-Dec-10			Total
		Heat Management "Business Unit"	Gestin Polska	H.D.S. S.p.A.	
Property, plant and equipments .	—	—	13	—	13
Other intangible assets . . . . .	—	—	6	—	6
Prepaid tax assets . . . . .	—	—	48	—	48
Investments accounted for under the equity method . . . .	—	—	—	250	250
Trade receivables and advances to suppliers . . . . .	—	8,633	4,816	—	13,449
Other current assets . . . . .	—	—	12	—	12
Cash and cash equivalents . . . .	—	—	2,161	—	2,161
<b>Total assets classified as held for sale . . . . .</b>	<b>0</b>	<b>8,633</b>	<b>7,056</b>	<b>250</b>	<b>15,939</b>

For the items included, a comparison of the carrying amount of assets classified as held for sale or the asset disposal group recorded in the financial statements with the market value or sale price net of transaction costs is provided.

Should be noted that, in previous years, a provision was made to compensate for the difference between the carrying amount of the assets classified as held for sale recorded in the financial statements and relating to the SEC (heat management) business unit and the market value (given a fixed sale price was unavailable), net of transaction costs, without the need for carrying out write-downs.

The investment in Gestin Polska Sp.Zo.o., active in providing facility management services to the customer FIAT in the Polish market, was sold on 1 January 2011.

### Liabilities directly associated with assets classified as held for disposal

As at 31 December 2010, the liabilities associated with assets classified as held for sale amounted to € 15,363 thousand.

(in thousands of Euro)	31-Dec-11	31-Dec-10
Equity liabilities Gestin Polska Sp.Zo.o . . . . .	0	4,483
Equity liabilities Heat Management Business Unit . . . . .	0	10,880
	<b>0</b>	<b>15,363</b>

As stated previously, the Group did not present liabilities associated with assets classified as held for disposal in the financial statements for year ended 31 December 2011.

The table below shows an analytical breakdown of the comparative item:

(in thousands of Euro)	31-Dec-11	31-Dec-10		Total
		Heat Management "Business Unit"	Gestin Polska	
Employees severance indemnity—				
retirement . . . . .	—	208	127	335
Provision for risks and charges, non-current	—	0	227	227
Deferred tax liabilities . . . . .	—	0	0	—
Provision for risks and charges, current . . .	—	678	0	678
Trade receivables and advances from				
suppliers . . . . .	—	5,747	3,543	9,290
Current tax payables . . . . .	—	1,088	0	1,088
Other current liabilities . . . . .	—	170	586	756
Bank borrowing, including current portion				
of long-term debt, and other financial				
liabilities . . . . .	—	2,989	0	2,989
<b>Total . . . . .</b>	<b>0</b>	<b>10,880</b>	<b>4,483</b>	<b>15,363</b>

Liabilities relating to the SEC Business Unit totalled € 10,880 thousand as at 31 December 2010, and refer mainly to trade payables (€ 3,543 thousand) and other employee payables (Employee Severance Indemnity for € 127 thousand and other related current liabilities of € 586 thousand). The liabilities outstanding relating the purchase from the previous owner were recorded, as an obligation amounting to € 2,989 thousand. These liabilities were re-recorded under operating activities as at 31 December 2011.

Following the sale of the investment in Gestin Polska Sp.Zo.o. on 1 January 2011, all relating liabilities were extinguished.

## Loss after taxes from discontinued operations

The details of loss after taxes from discontinued operations are shown below:

(in thousands of Euro)	31-Dec-11	31-Dec-10
Revenue . . . . .	—	10,093
Costs . . . . .	—	(9,390)
<b>Gross margin . . . . .</b>	<b>0</b>	<b>703</b>
Amortisation/depreciation, write-downs and write-backs of assets . . . . .	—	(315)
Allocations to provisions for risks and charges net of reversal . . . . .	—	(568)
Reversal of provision for risk on investments . . . . .	—	473
Charges resulting from investments accounted for under the equity method . . . . .	—	(163)
Net financial expenses . . . . .	—	(13)
Write-down recorded on the recalculation of fair value . . . . .	—	(1,936)
<b>Pre-tax profit (loss) from discontinued operations . . . . .</b>	<b>0</b>	<b>(1,819)</b>
Income taxes		
—relating to result of the year . . . . .	—	692
—relating to the valuation at fair value net of sale costs . . . . .	—	—
<b>Loss before taxes from discontinued operations . . . . .</b>	<b>0</b>	<b>(1,127)</b>
Gains on discontinued operations . . . . .	16	931
Losses on discontinued operations . . . . .	(243)	—
Income taxes on discontinued operations . . . . .	—	(4)
<b>Loss after taxes from discontinued operations . . . . .</b>	<b>(227)</b>	<b>(200)</b>

The result from discontinued operations in 2011 is loss of € 227 thousand, mainly as a result of a contractual indemnity of € 238 thousand on the sale, in 2010, to Fondaco Società di Gestione del Risparmio S.p.A of an equity investment in Progetto Nuovo Sant'Anna, in which MFM currently holds a stake of 24%. Following this sale, the Group realised a capital gain of € 731 thousand, presented as income from discontinued operations as at 31 December 2010.

The companies Promozione Impresa e Territorio Soc.Cons.a r.l. ("PIT" in abbreviated form) and Consorzio Energia Servizi Bologna, were placed into liquidation during the year, generating capital charges amounting to € 5 thousand. These companies were consolidated using the equity method.

On 4 July 2011, the Group sold its stake (50%) in the share capital of Altair Zander S.r.l., for a consideration of € 200 thousand. The sale generated a capital gain of € 6 thousand in the consolidated financial statements, properly recorded in the consolidated financial statements.

During the year, a positive adjustment amounting to € 10 thousand was recognised in favour of the Parent Company MFM, in relation to activities regarding the equity investment in Altair France FM, sold in 2010 following the retrocession to the customer FIAT of assets used to provide facility management services.



Details of income from discontinued operations attributable to the individual companies and business units are shown below:

(in thousands of Euro)	31 Dec 2011					Total
	Altair Zander	MFM	Altair IFM France	PIT	Con.Energia Servizi	
Gains on discontinued operations . . . . .	6		10			16
Income taxes . . . . .		(238)		(2)	(3)	(243)
<b><i>Profit (loss) after taxes from discontinued operations . . . . .</i></b>	<b>6</b>	<b>(238)</b>	<b>10</b>	<b>(2)</b>	<b>(3)</b>	<b>(227)</b>

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

Cash flow from disposal:	31-Dec-11	31-Dec-10
Consideration received . . . . .	210	648
Net cash transferred . . . . .	(61)	—
Other cash flow . . . . .	(238)	—
<b><i>Net cash flow from/(used in) discontinued operations . . . . .</i></b>	<b>(89)</b>	<b>648</b>

Non-operational management absorbed cash payments of € 89 thousand.

The cash inflows of € 210 thousand were generated by the consideration received through the sale of the equity investment in Altair Zander S.r.l. (€ 200 thousand) and the favorable adjustment recognised to the Parent Company MFM in relation to the equity investment in Altair France FM (€ 10 thousand).

The cash flows absorbed by non-operational management were due to the payment of the mentioned indemnity on the disposal of the investment in Progetto Nuovo Sant'Anna.

As at 31 December 2010, the cash inflows amounted to € 648 thousand and related to the sale of the investment in Bresso Energia S.r.l. (€ 98 thousand), previously 50% owned, and to the sale of 60% of Delivery S.r.l. (for € 550 thousand).

## 15. Share capital and reserves

(in thousands of Euro)	At 31-Dec-11	At 31-Dec-10
Ordinary shares of with a nominal value Euro 1 each . . . . .	109,150	109,150

Ordinary shares have a nominal value of € 1 each.

The ordinary shares of MFM S.p.A., issued and fully paid up as at 31 December 2011, totaled 109,149,600. The Parent Company does not hold any own shares.

### Reserves and retained earnings

The table below shows movements in shareholders' equity reserves (amounts in thousands of Euro):

	Share premium reserve	Legal Reserve	SE reserves companies valued at SE	Cash flow hedge reserve	SORIE reserve	Other reserves	Total reserves
<b>At 1 January 2010 re-stated . . . . .</b>	<b>144,736</b>	<b>15,066</b>	<b>(1,102)</b>	<b>(784)</b>	<b>(2,446)</b>	<b>(36,437)</b>	<b>119,033</b>
Share capital increase . . . . .	282						282
Allocation of profit of previous years . . . . .		505	(304)			14,400	14,601
Other . . . . .						0	0
Economic effects on to shareholders' equity . . . . .			911	(346)	(215)		350
<b>At 31 December 2010 . . . . .</b>	<b>145,018</b>	<b>15,571</b>	<b>(495)</b>	<b>(1,130)</b>	<b>(2,661)</b>	<b>(22,037)</b>	<b>134,266</b>
Allocation of profit of previous years . . . . .		240	494			5,268	6,002
Other . . . . .	0	0				0	0
Economic effects on shareholders' equity . . . . .			(994)	95	(316)		(1,215)
<b>At 31 December 2011 . . . . .</b>	<b>145,018</b>	<b>15,811</b>	<b>(995)</b>	<b>(1,035)</b>	<b>(2,977)</b>	<b>(16,769)</b>	<b>139,053</b>

The item Other reserves refers to the following items:

- 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 December 2011.
- The Parent Company's extraordinary reserve (€ 24,364 thousand), to which profits of € 4,570 thousand were allocated in 2011.

Movements in the item retained earnings are detailed below:

(in thousands of Euro)	Accumulated profits (losses) of the Parent Company	Consolidation Reserve	Total retained earnings
<b>1 January 2010 re-stated</b> . . . . .	<b>3,809</b>	<b>14,154</b>	<b>17,963</b>
Allocation of profit of previous years . . . . .	55	463	518
Other . . . . .		(38)	(38)
<b>At 31 December 2010</b> . . . . .	<b>3,864</b>	<b>14,579</b>	<b>18,443</b>
Allocation of profit of previous years . . . . .	2,933	(1,191)	1,742
Other . . . . .		0	0
<b>At 31 December 2011</b> . . . . .	<b>6,797</b>	<b>13,388</b>	<b>20,185</b>

## 16. Employee termination indemnity

Movements in liabilities relating to employee severance indemnity in 2011 are shown below, compared with movements in the previous year.

(in thousands of Euro)	For the year ended	
	31-Dec-11	31-Dec-10
<b>Employee termination indemnity at the beginning of the year</b> . . . . .	<b>29,537</b>	<b>35,645</b>
Increases for personnel acquired in business combinations . . . . .	3,894	241
Current service costs . . . . .	351	390
Interest costs on benefit obligation . . . . .	1,399	1,724
Curtailment . . . . .	443	940
Settlements . . . . .	0	475
Benefits paid . . . . .	(4,912)	(6,721)
Net actuarial loss recognized in the year . . . . .	436	215
Other . . . . .	208	(3,372)
<b>Employee termination indemnity at the end of the year</b> . . . . .	<b>31,356</b>	<b>29,537</b>

The increases due to business combinations is mainly due to the acquisition of Telepost S.p.A. (€ 3,290 thousand), plus the acquisitions made by sub-group MIA S.p.A. (€ 468 thousand).

The curtailment amounted to € 443 thousand and relates to the benefits of the companies Telepost S.p.A. (€ 230 thousand) and Energy Project S.p.A. (€ 213 thousand), adjusted to take account of the changed actuarial assumptions as a result of restructuring plans launched at the end of 2011.

The item settlements includes the differences booked to the statement of income between the value of TFR recognized in the financial statements at the time of the transfer of employment, transfer or assignment contracts, and the value of TFR effectively transferred, calculated in accordance with statutory Italian legislation and, therefore, reflecting the actual indemnities accrued by each employee.

Other movements, totaling € 208 thousand, are represented by the value of TFR of employees in the SEC business unit, in respect of which the Group decided not to classify it under assets and liabilities held for disposal (see note 14).

As at 31 December 2010, the item included the value of TFR relating to employees transferred to FIAT, as part of the retrocession of business units and foreign companies to this entity (€ 2,966 thousand) and the amount of TFR of employees relating to the SEC business unit and

Gestin Polska Sp.Zo.o. (totaling € 406 thousand), reclassified under liabilities directly associated with assets classified as held for disposal.

Details of the net cost of the benefit relating to TFR are shown below:

(in thousands of Euro)	For the year ended Dec. 31, 2011	For the year ended Dec. 31, 2010
Curtailment . . . . .	443	940
Current service costs . . . . .	351	390
Interest costs on benefit obligation . . . . .	1,399	1,724
<b>Net cost of the benefit recorded in the statement of income . . . . .</b>	<b>2,193</b>	<b>3,054</b>
Net actuarial loss recognized in the year . . . . .	436	215
<b>TFR period expense . . . . .</b>	<b>2,629</b>	<b>3,269</b>

The main assumptions used in determining the obligation relating to TFR are illustrated below:

	FY 2011	FY 2010
Discount rate . . . . .	4.25%	4.80%
Inflation rate . . . . .	2.00%	2.00%
Estimated employee turnover . . . . .	From 1.5% to 11.50%	From 1.5% to 11.50%

The estimated turnover rate is presented in a range form, given that the actuary appointed for the actuarial estimate of the liability used different turnover rates for the individual companies.

The information relating to the average number of Group employees and leased personnel contracted to the Group by Manutencoop Società Cooperativa are shown below:

	31-Dec-11	31-Dec-10
Executives . . . . .	66	75
Employees . . . . .	1,598	1,641
Working men . . . . .	12,022	11,010
<b>Total personnel . . . . .</b>	<b>13,686</b>	<b>12,726</b>

In 2011, the average number of leased personnel employed, including those shown in the table, stood at 588 (2010: 599).

## 17. Provisions for risks and charges

The breakdown and movements in the provisions for risks and charges in 2011 are shown below:

(in thousands of Euro)	Provision for risk on investments	Risk on job order	Pending litigation	Tax disputes	Agents' indemnity leaves	Severance provision	Provision for bonus	Other provision	Total
<b>As of January 1, 2011</b>	<b>243</b>	<b>6,086</b>	<b>6,811</b>	<b>1,152</b>	<b>97</b>	<b>18,683</b>	<b>2,011</b>	<b>77</b>	<b>35,160</b>
Additions due to business combination	0	0	800	0	0	0	0	135	935
Accruals	45	4,338	2,527	141	21	10,212	2,399	0	19,683
Utilization (payments)	0	(1,285)	(1,052)	(217)	0	(8,708)	(135)	(8)	(11,405)
Unused and reversed	0	(237)	(873)	(11)	0	(6)	(48)	0	(1,175)
Other	120	679	(225)	0	1	0	61	0	636
<b>As of December 31, 2011</b>	<b>408</b>	<b>9,581</b>	<b>7,988</b>	<b>1,065</b>	<b>119</b>	<b>20,181</b>	<b>4,288</b>	<b>204</b>	<b>43,834</b>
<b>As of December 31, 2011:</b>									
Short-term 2011	408	8,468	1,295	1,065	0	20,181	1,631	0	33,048
Long-term 2011	0	1,113	6,693	0	119	0	2,657	204	10,786
<b>As of December 31, 2010:</b>									
Short-term 2010	243	5,729	1,603	1,152	0	18,683	81	0	27,491
Long-term 2010	0	357	5,208	0	97	0	1,930	77	7,669

### Provision for risk on investments

The item, amounting to € 408 thousand as at 31 December 2011, includes the provision for unrecoverable future losses of Group companies and relates to Consorzio Sermagest in liquidation, for a total of € 250 thousand, to the consortium company Co.S.I.S. in liquidation (€ 1 thousand) and to the subsidiary Alisei S.r.l. in liquidation (€ 37 thousand). These companies are consolidated under the equity method. The commitment to re-establish the share capital of MACO S.p.A. was also recorded, in order to comply with the legal limit of € 120 thousand.

### Provision for risk on job orders

The provision includes:

- Estimated risks relating to potential disputes with customers.
- The estimate of any penalties charged by customers.
- Estimated costs to complete job orders, in respect of which no additional revenues will be received.

The value of the provision at the end of the year stood at € 9,581 thousand, with accruals of € 4,338 thousand, utilizations and releases of the period for € 1,522 thousand and reclassifications amounting to € 679 thousand, relating to the SEC business unit previously stated under liabilities directly associated with assets classified as held for sale.

The accruals refers to the activities performed by MFM S.p.A. (€ 1,874 thousand), MP Facility S.p.A. (€ 259 thousand), EnergyProject S.p.A. (€ 1,449 thousand) and SMAIL S.p.A. (€ 756 thousand).

### Provision for pending litigations

At the end of the financial year, an assessment was carried out regarding the risk of future compensation in the event of unsuccessful legal disputes with customers, suppliers and employees. In 2011, the provision increased due to accrual of € 2,527 thousand, plus the increase of shareholding in Telepost S.p.A. (€ 800 thousand).

The accruals were primarily recorded to cover the risks of MFM S.p.A. (€ 2,176 thousand) and MP Facility S.p.A. (€ 192 thousand).

Utilizations and releases for the period, totaling € 1,925 thousand, refer to prior years provisions recorded to settle disputes with suppliers and legal proceedings with other parties.

### **Tax dispute provision**

As at 31 December 2010, the provision amounted to € 1,152 thousand, and was previously recognized in respect of the companies Altair IFM S.p.A. and Gestin Facility S.p.A., later incorporated into the parent company MFM. The provision relates to disputes with the Tax Authorities, regarding the payment of duties on the consumption of electricity. In 2011, provision was used for € 217 thousand while releases reached € 11 thousand, as a result of the conclusion of some tax assessments. The provision was additionally adjusted by € 141 thousand.

### **Provision for employee termination benefits**

The provision was set up to provide for the termination benefits and employee redundancy costs, as part of the vast restructuring project involving some Group companies over the last few years.

The pronounced difficulties in certain markets and the rationalisation of the production processes led to a series of operations resulted in conclusion of agreements with the trade unions for the launch of redundancy schemes and procedures involving the extraordinary Cassaintegrazione Guadagni (Extraordinary Wages Guarantee Government Fund).

Out of a provision amounting to € 18,683 thousand allocated as at 31 December 2010, of which € 6,397 thousand at MFM S.p.A. and € 12,199 thousand at MP Facility S.p.A., the Group used of € 8,708 thousand (of which € 6,392 thousand at MFM S.p.A.).

As at 31 December 2011, the Group launched similar plans at subsidiaries Energy Project S.p.A. and Telepost S.p.A., and allocated provisions of € 3,033 thousand and € 7,145 thousand respectively. These plans should be completed within the next two years.

### **Provision for bonus**

The provision include the accruals for bonuses recognized to the Group's management, in accordance with the new medium and long-term bonus system adopted by certain Group companies.

Movements during 2011 comprise accruals of € 2,399 thousand and utilizations and releases of € 183 thousand. Other movements refer to the effects of discounting on long-term provisions.

### **Other provisions**

As at 31 December 2011, the item amounted to € 204 thousand, presenting an increase as a result of the acquisition of interests in the new subsidiaries of MIA S.p.A..

## **18. Derivatives**

The pooled loan with BNL/BNP (described in note 19) provides for the subscription, before 23 June 2009, for one or more derivatives to hedge variable interest rate risk on the loan for a nominal € 165,000 thousand. The derivative had to be subscribed for at least 50% of the credit facilities used by the loan.

The Group subscribed 3 different interest rate swaps for a notional value of € 81,000 thousand as at 31 December 2011, on which it pays a fixed rate in exchange of a basic variable rate on the loan.



The fair value (mark-to-market) measurement of the associated liability amounted to € 1,429 thousand as at 31 December 2011, compared to a value of € 1,560 thousand at the end of the previous year.

Derivative instruments were designated for hedging from the inception and tests to demonstrate their effectiveness as at 31 December 2012 was performed. Based on this, the variation of fair value is directly booked in a reserve under equity, net of the tax effect.

## 19. Bank borrowings, including current portion of long term debt, and other financial liabilities

These items are composed of the current and non-current portions of bank borrowings, and of the syndicated shareholders and payables due to other lenders recorded in the consolidated financial statements, in application of the financial method of accounting for leasing transactions, as well as other current financial liabilities, such as payables for the purchase of investments or business units and payables for dividends.

Details of financial liabilities are provided below:

(in thousands of Euro)	31-Dec-11	within 1 year	from 1 to 5 years	after 5 years
BNL/BNP loan . . . . .	99,000	99,000		
C.C.F.S. loan . . . . .	29,981		29,981	
Unicredit loan . . . . .	10,829	5,223	5,606	
BPCI-UBI Group loan . . . . .	11,954	2,981	8,973	
BPV loan . . . . .	49,820	11,870	37,950	
MPS loan . . . . .	17,191		13,745	3,446
BPER loan . . . . .	12,694		12,694	
Banco San Geminiano e San Prospero loan . . . . .	11,468	7,607	3,861	
B.Pop. VR mortgage loan . . . . .	31	31		
Other bank loans . . . . .	199	158	41	
S. Paolo IMI loan . . . . .	460		424	36
Banca Bologna—photovoltaic . . . . .	465	17	101	347
Financial leasing obligations . . . . .	3,240	845	2,178	217
Current bank overdrafts . . . . .	42,341	42,341		
Loans from syndicated shareholders . . . . .	2,272	662	1,531	79
Loan from parent company (Manutencoop Cooperativa) . . . . .	25	25		
Due to factoring agencies . . . . .	21,101	21,101		
Obligations to factoring agencies . . . . .	1,565	1,565		
Escrow accounts . . . . .	5,447	4,147	1,300	
Debt for the acquisition of non-controlling interest . . . . .	24,059		24,059	
Capital contributions to be paid . . . . .	5	5		
Financial liabilities measured at fair value through profit and loss . . . . .	211	211		
Prepaid expenses on financial interest . . . . .	(46)	(46)		
Accruals on interest expense . . . . .	459	459		
Dividends to be paid . . . . .	259	259		
<b>Total financial liabilities . . . . .</b>	<b>345,030</b>	<b>198,461</b>	<b>142,444</b>	<b>4,125</b>

(in thousands of Euro)	31-Dec-10	within 1 year	from 1 to 5 years	after 5 years
BNL/BNP loan . . . . .	131,013	131,013		
C.C.F.S. loan—MFM . . . . .	30,012		30,012	
Unicredit loan . . . . .	15,826	5,002	10,824	
BPCI-UBI Group loan . . . . .	15,000	3,000	12,000	
BPL Loan—SO . . . . .	18,947	7,492	11,455	
Mortgage B.Pop. VR—Group Sicura . . . . .	60	30	30	
Bank borrowings—Group Sicura/Cofam . . . . .	460	275	185	
Loan S.Paolo IMI—Malaspina . . . . .	536	113	290	133
Banca Bologna—photovoltaic—DUC Gestioni . . . . .	480	16	74	390
Financial leasing obligations . . . . .	1,812	823	949	40
Current bank overdrafts . . . . .	134,087	134,087		
Loans from syndicated shareholders . . . . .	2,229	622	1,543	64
Loan from parent company (Manutencoop Cooperativa) . . . . .	176	176		
Due to factoring agencies . . . . .	6,620	6,620		
Obligations to factoring agencies . . . . .	1,565	1,565		
Escrow accounts . . . . .	1,111	1,111		
Debt for the acquisition of non-controlling interest . . . . .	33,016	10,813	22,203	
Capital contribution to be paid . . . . .	5	5		
Financial liabilities measured at fair value through profit and loss . . . . .	138	138		
Prepaid expenses on financial interest . . . . .	(13)	(13)		
Accruals on interest expense . . . . .	240	240		
<b>Total financial liabilities . . . . .</b>	<b>393,320</b>	<b>303,128</b>	<b>89,565</b>	<b>627</b>

### BNL/BNP loan (MFM)

In order to meet the financial requirements resulting from the purchase of Pirelli IFM S.p.A. (then Altair IFM S.p.A. and now merged in MFM), in December 2008, MFM entered a pooled loan with Banca Nazionale del Lavoro as Agent Bank, for a residual exposure of € 99,000 thousand as at 31 December 2011.

As already described in the explanatory notes to the financial statements and consolidated financial statements for the year ended 31 December 2010 and in the explanatory notes to the condensed consolidated financial statements as at 30 June 2011, the Company did not comply with one of the financial parameters required for maintaining of the credit limit, as of 31 December 2010. Since the Company did not signed the waiver letter proposed by the banks at the start of 2011, the directors of the Management Board, also considered that (i) the preliminary analysis conducted on the basis of the results of the financial statements shows that the parameters were complied with as at 31 December 2011 (ii) in 2011 and in the first few months of 2012, no request for repayment of the loan was received, concluded that the non-compliance of a financial parameter as at 31 December 2010 is in no way susceptible to modifying the contractual relations between the Company and the pool of lending banks.

Furthermore since there is no formal evidence of the banks' desire to request for immediate return of the capital that will be due to them based on non-compliance with the parameter as at 31 December 2010, in application of the applicable accounting standards, the Company continued to classify the entire debt in question among short-term debts.

As at 31 December 2011, the financial parameters were respected.

### **CCFS loan (MFM)**

During the course of 2008, as part of a wider operation to rationalise the MFM Group's financial indebtedness, the Parent Company MFM entered a loan agreement of € 30,000 thousand with Consorzio Cooperativo Finanziario per lo Sviluppo (CCFS in abbreviated form). The loan has attached a variable interest plus rate and expires on 29 July 2013.

### **Unicredit loan (MFM)**

During the acquisition of incorporated company Teckal S.p.A. (2007), the Group entered a loan agreement with Unicredit for a nominal € 25,000 thousand which was used to extinguish a previous loan, granted by Unicredit to the acquired company, for € 18,437 thousand, and a vendor loan previously in place amounting to € 11,438 thousand. As at 31 December 2011, the carrying amount of the loan was € 10,829 thousand.

### **BPCI-UBI Group loan (MFM)**

On 30 November 2010, the Group entered a loan agreement of € 15 million with Banca Popolare del Commercio e Industria of the UBI Banca Group. The loan presents variable interest rates equal to the Euribor 1m plus a spread and expires on 30 November 2015, with a half-yearly repayment plan. The loan agreement stipulates the verification of financial parameters to be calculated on an annual basis on the consolidated financial statements.

As at 31 December 2011, the financial parameters were respected.

As at 31 December 2011, the residual debt was € 11,954 thousand.

### **Banca Popolare di Vicenza loan (MFM)**

A loan of € 50 million was concluded with Banca Popolare di Vicenza, to be repaid in half year installments and expiring on 31 December 2015. The loan has variable interest rates equal to the one month Euribor plus a spread.

As at 31 December 2011, the residual debt was € 49,820 thousand.

### **MPS loan (MFM)**

The loan with Banca Monte Paschi refers to a long-term credit line amounting to € 25 million (partially used) at a variable rate plus a spread, and expiring on 22 December 2017. The loan agreement requires for the verification of financial parameters to be calculated on an annual basis of the consolidated financial statements. As at 31 December 2011, the financial parameters were respected.

As at 31 December 2011, the residual debt was € 17,191 thousand.

### **Banca Popolare Emilia Romagna loan (MFM)**

The loan of € 12.75 million signed with Banca Popolare Emilia Romagna, is repayable on half year installments at variable interest rates and expires on 23 June 2016. The loan agreement requires for the verification of financial parameters to be calculated on an annual basis on the consolidated financial statements. As at 31 December 2011, the financial parameters were respected.

As at 31 December 2011, the residual debt was € 12,694 thousand.

### **Banco San Geminiano e San Prospero loan (Servizi Ospedalieri)**

The unsecured loan from Banco San Geminiano e San Prospero was granted to Servizi Ospedalieri S.p.A. on 13 March 2008 and is repayable in 8 half-yearly instalments, deferred with

twelve months of prepayment at the 3-month Euribor, plus a spread, with the possible provision of coverage of interest rate changes through a fixed rate equal to the I.R.S. plus a spread. The expected maturity is 30 June 2013 and, as at 31 December 2011, the balance was € 11,468 thousand.

### **Current bank overdrafts**

Bank overdrafts are not secured by guarantees.

### **Loan from parent company (Manutencoop Società Cooperativa)**

This is a financial account on which transactions with the Parent Company Manutencoop Società Cooperativa are settled. As at 31 December 2011, the balance was € 25 thousand.

The account accrues interest at the 3-month Euribor rate plus a spread and is repayable on demand. The financial current account contract is renewable.

### **Financial leasing obligations**

The lease contracts concluded are not secured and refer to the companies MFM S.p.A., Servizi Ospedalieri and sub-group Sicura S.r.l.. Some contracts refer to motor vehicles and plant and machinery used by Servizi Ospedalieri in the laundering and sterilisation production processes.

### **Loans from syndicated shareholders**

This item refers to financing provided by syndicated shareholders, and from third parties to consortium companies included within the scope of consolidation given subsidiaries or held under a joint venture (50%). In certain cases, these loans are interest-bearing and 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.

### **Due to factoring agencies**

The debt balance relates to receivables factored as part of the securitisation of trade receivables carried out by the Group, collected on behalf of the assignee in the last few days of 2011 and still not paid as at 31 December 2011.

The total balance as at 31 December 2011 stood at € 21,101 thousand (€ 6,620 thousand as at 31 December 2010) and includes the payables due to Credit Agricole Corporate & Investment Bank and the accounts opened as a result of the new contract signed with Banca IMI during the year.

### **Obligation to factoring agencies**

Obligations to factoring agencies, amounting to € 1,565 thousand, were booked as a contra-item to provide for the re-opening in the financial statements of the company SMAIL S.p.A., of some trade receivables previously transferred as part of a non-recourse factoring transaction. The recognition of these trade receivables as a contra-item to a financial payable due to the factor, was made necessary as a result of customer disputes regarding the provision of the related services by the company SMAIL, provided before the acquisition by the MFM Group. These receivables were then partially written down by SMAIL and, in this instance, a right of compensation was recognised on the basis of contractual guarantees (claims) already existing as at 31 December 2008.

## **Escrow accounts**

Escrow accounts, amounting to € 5,447 thousand as at 31 December 2011 (€ 1,111 thousand as at 31 December 2010), relate to the consideration not paid to the transferor in the business combinations carried out during the year.

In particular, MIA S.p.A. committed for the payment of escrow amounts totalling € 2,006 thousand, of which € 1,300 thousand relating to the equity investment in Lenzi S.p.A., € 373 thousand relating to the equity investment in Unilift S.r.l., € 23 thousand relating to the equity investment in CMA Pentade and € 310 thousand relating to the equity investment in Nettuno S.r.l..

As at 31 December 2011, Gruppo Sicura S.r.l. has short-term financial liabilities totalling € 50 thousand, to be paid to the counterparty for the acquisition of Stablum S.r.l..

Commitments were recorded for business unit purchases by MP Facility S.p.A. (€ 48 thousand) and MFM S.p.A. (€ 3,050 thousand). It should be noted that, as a result of the described reclassification between assets and liabilities held for disposal relating to the SEC business unit, the latter item also includes the financial payable for the purchase of the business unit, not paid to the transferor in 2009 following the transaction (€ 2,990 thousand).

### **Debt for the acquisition of non-controlling interest**

Debt for the acquisition of non-controlling interest amounted to € 24,059 thousand, and relate to:

- The present value of the earn-out to be paid, relating to the Sicura Group, estimated at a total of € 12,473 thousand. In 2011, an advance was paid on this liability, agreed at € 10,867 thousand. During the year, financial charges from discounting of € 953 thousand were booked to the statement of income.
- The present value, amounting to € 8,287 thousand, of the put option granted to the non-controlling shareholders of Gruppo Sicura S.r.l., that held a 20% stake. During the year, financial charges from discounting of € 647 thousand were recorded.
- The present value, amounting to € 2,900 thousand, of the put option granted to the non-controlling shareholders of Cofam S.r.l. (acquired by MIA S.p.A. at the start of 2009), that held a 40% stake.
- The present value, amounting to € 400 thousand, of the put option granted to the non-controlling shareholders of Unilift S.r.l. (acquired by MIA S.p.A. at the start of 2011), that held a 20% stake.
- The present value of the earn-out to be paid, relating to the investment already acquired by Lenzi S.p.A., estimated at a total of € 293 thousand.

## 20. Trade payables and advances from customers and other current liabilities

Details of the breakdown of the item for the years ended 31 December 2010 and 31 December 2011 are shown below:

(in thousands of Euro)	At 31-Dec-11	At 31-Dec-10
Trade payables to third parties . . . . .	416,633	425,772
<b>Trade payables to third parties . . . . .</b>	<b>416,633</b>	<b>425,772</b>
Trade payables to parent company . . . . .	10,434	5,626
Trade payables to associates . . . . .	28,621	24,784
<b>Trade payables to related parties . . . . .</b>	<b>39,055</b>	<b>30,410</b>
Advances from customers . . . . .	7,135	21,957
<b>Trade payables and advances from customers . . . . .</b>	<b>462,823</b>	<b>478,139</b>
Payables to directors and statutory auditors . . . . .	430	257
Tax payables . . . . .	59,980	57,027
Payables to social security . . . . .	9,682	9,228
Collections on behalf of third parties to be remitted to them . . . . .	23,069	22,833
Payables to employees . . . . .	42,515	39,471
Other payables . . . . .	5,836	3,093
Property collection . . . . .	2,177	2,178
<b>Other current payables to third parties . . . . .</b>	<b>143,689</b>	<b>134,087</b>
Other payables to parent company . . . . .	99	0
Other payables to associates . . . . .	702	1,013
<b>Other current payables to related parties . . . . .</b>	<b>801</b>	<b>1,013</b>
Accrued expenses . . . . .	619	125
Prepaid income . . . . .	2,415	1,286
<b>Accrued expenses and prepaid income . . . . .</b>	<b>3,034</b>	<b>1,411</b>
<b>Other current liabilities . . . . .</b>	<b>147,524</b>	<b>136,511</b>

### *Terms and conditions of the liabilities listed*

For the terms and conditions relating to related party transactions please refer to the note 35.

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

Other payables are non-interest bearing and are settled, on average, after 30 days with the exception of payables due to employees for the accrued 14th salary and vacation which are paid after 6 months on average, and the amounts due to the Tax Authorities for deferred VAT payments settled at the moment of collection of the associated trade receivables.

Trade payables and advances from customers recorded a decrease of € 15,316 thousand as at 31 December 2011, when compared to the previous year.

The item trade payables to related parties, amounting to € 28,621 thousand as at 31 December 2011, is composed mainly of amounts due to Roma Multiservizi (€ 8,545 thousand), payables due to Global Riviera totalling € 2,785 thousand and payables due to Bologna Multiservizi amounting to € 5,665 thousand.

Collections on behalf of temporary associations of companies relate to sums collected by the Group, on behalf of third parties, relating mainly to "Consip" contract.



## 21. Operating segments

In consideration of the fact that the Group's risks and profitability are impacted, in the first place, by differences between the types of service offered, disclosures on operating segments, provided by the Group on a voluntary basis, reference should be made to the Strategic Business Units of the the Group, as described in the paragraph 1.1.

Information on the operating segments for the years ended 31 December 2010 and 2011 is shown below:

### *Revenues and results for the year ended 31 December 2011*

31-Dec-11 (in thousands of Euro)	Facility Management	Laundering Sterilization	Other	Intersegment eliminations	Total
<b>Revenues and results for the year ended 31 December 2011</b>					
Revenues . . . . .	916,081	128,013	27,127	(2,468)	1,068,753
Operating costs . . . . .	(854,697)	(114,704)	(34,189)	2,468	(1,001,123)
<b>Operating income/(loss) . . . . .</b>	<b>61,384</b>	<b>13,309</b>	<b>(7,062)</b>	<b>0</b>	<b>67,630</b>
Share of net profit of associates . .	1,334	92			1,426
Net financial expenses . . . . .					(23,192)
<b>Profit before taxes from continuing operations . . . . .</b>					<b>45,864</b>
Income taxes . . . . .					(33,408)
Loss after tax for the year from discontinued operations . . . . .	(227)				(227)
<b>Net profit for the year . . . . .</b>					<b>12,229</b>

### *Assets and liabilities as of 31 December 2011*

31-Dec-11 (in thousands of Euro)	Facility Management	Laundering Sterilization	Other	Intersegment eliminations	Total
<b>Assets and liabilities as of 31 December 2011</b>					
Segment assets . . . . .	652,960	120,210	34,645	(4,322)	803,493
Goodwill . . . . .	399,185	12,810			411,995
Investments accounted for under the equity method and other investments . . . . .	15,775	2,361	34		18,170
Assets classified as held for sale					
Other assets not allocated and related taxes . . . . .					110,739
<b>Assets . . . . .</b>	<b>1,067,921</b>	<b>135,381</b>	<b>34,678</b>	<b>(4,322)</b>	<b>1,344,397</b>
Segment liabilities . . . . .	584,749	69,122	22,740	(4,315)	672,296
Liabilities directly associated with assets classified as held for sale					
Other liabilities not allocated and related taxes . . . . .					379,347
<b>Liabilities . . . . .</b>	<b>584,749</b>	<b>69,122</b>	<b>22,740</b>	<b>(4,315)</b>	<b>1,051,643</b>

**Other segment information as of 31 December 2011**

31-Dec-11 (in thousands of Euro)	Facility Management	Laundering Sterilization	Other	Total
<b>Other segment information as of 31 December 2011</b>				
Investments in segment assets . . . . .	11,026	26,685	44	37,755
Amortization/depreciation and write-downs of segment assets . . . . .	19,031	18,084	617	37,732

**Revenues and results for the year ended 31 December 2010**

31-Dec-10 (in thousands of Euro)	Facility Management	Laundering Sterilization	Other	Intercompany infra SBU	Total
<b>Revenues and results for the year ended 31 December 2010</b>					
Revenues . . . . .	963,581	121,512	57,436	(3,438)	1,139,091
Operating costs . . . . .	(924,549)	(108,201)	(62,565)	3,438	(1,091,877)
<b>Operating income/(loss) . . . . .</b>	<b>39,032</b>	<b>13,311</b>	<b>(5,129)</b>	<b>0</b>	<b>47,214</b>
Share of net profit of associates . .	1,316	(122)			1,194
Net financial expenses . . . . .					(14,038)
<b>Profit before taxes from continuing operations . . . . .</b>					<b>34,370</b>
Income taxes . . . . .					(26,293)
Loss after tax for the year from discontinued operations . . . . .	(200)				(200)
<b>Net profit for the year . . . . .</b>					<b>7,877</b>

**Assets and liabilities as of 31 December 2010**

31-Dec-10 (in thousands of Euro)	Facility Management	Laundering Sterilization	Other	Intersegment eliminations	Total
<b>Assets and liabilities as of 31 December 2010</b>					
Segment assets . . . . .	698,945	92,340	65,122	(6,879)	849,528
Goodwill . . . . .	378,929	12,810	16		391,755
Investments accounted for under the equity method and other investments . . . . .	12,246	2,369	20		17,868
Assets classified as held for sale . .	15,939				15,939
Other assets not allocated and related taxes . . . . .					99,352
<b>Assets . . . . .</b>	<b>1,106,059</b>	<b>107,519</b>	<b>65,158</b>	<b>(6,879)</b>	<b>1,374,442</b>
Segment liabilities . . . . .	571,396	61,603	53,239	(6,879)	679,359
Liabilities directly associated with assets classified as held for sale . .	15,363				15,363
Other liabilities not allocated and related taxes . . . . .					409,590
<b>Liabilities . . . . .</b>	<b>586,759</b>	<b>61,603</b>	<b>53,239</b>	<b>(6,879)</b>	<b>1,104,312</b>

**Other segment information as of 31 December 2010**

31-Dec-10 (in thousands of Euro)	Facility Management	Laundering Sterilization	Other	Total
<b>Other segment information as of 31 December 2010</b>				
Investments in segment assets . . . . .	11,366	25,292	211	36,869
Amortisation/depreciation and write-downs of segment assets . . . . .	21,269	16,822	2,851	40,942

**Geographical areas**

As regards the information concerning the geographical areas, it should be noted that the activities performed abroad by the Group in the previous years related to companies Altair France and Gestin Polska, both transferred as part of the transaction relating to the FIAT business unit as at 31 December 2010.

As of 31 December 2011, these Group secondary activities generated revenues of € 430 thousand.

The information by geographical area required by IFRS 8 is shown below, for the years ended 31 December 2010 and 2011.

31-Dec-11 (in thousands of Euro)	Italy	Outside Italy	Intersegment eliminations	Total
<b>Information by geographical area as of December 31, 2011</b>				
Revenue . . . . .	1,068,323	430		1,068,753
Non-current operating assets . . . . .	515,757			515,757

31-Dec-10 (in thousands of Euro)	Italy	Abroad	Intersegment eliminations	Total
<b>Information by geographical area as of December 31, 2010</b>				
Revenue . . . . .	1,114,713	24,378		1,139,091
Non-current operating assets . . . . .	486,749			486,749

**22. Revenue from sales and service**

The breakdown of the revenue from sales and services is shown below, for the years ended 31 December 2010 and 2011:

Revenue from sales and services (in thousands of Euro)	December 31, 2011	December 31, 2010
Sales of Products . . . . .	14,807	14,107
Services . . . . .	881,510	950,357
Building activities and machinery construction . . . . .	142,536	133,898
Other sales . . . . .	27,043	38,244
<b>Total revenues from sales and services . . . . .</b>	<b>1,065,896</b>	<b>1,136,606</b>

As of 31 December 2011, the revenue from sales and services amounted to € 1,065,896 thousand, showing a decrease of € 70,710 thousand if compared to 2010.

The decreasing turnover trend is linked to several external factors which affected the Group's performance.

In 2011 the Group recorded revenues lower by € 96 million, from Private customers as a result of ending the facility management contract with the FIAT Group at the end of 2010. Without, such an impact, during 2011 the Group revenues would have presented an increase of around € 26 million (+2.5%) in absolute terms.

During 2011, beside the organic growth deriving from its established commercial and development activities, the Group pursued a strategy of acquisitions in order to boost external growth. The acquisitions made through the year contributed approximately € 12 million to the Group consolidated revenues.

## 23. Other revenue

The breakdown of the other revenues is shown below, for the years ended 31 December 2010 and 2011:

Other revenues (in thousands of Euro)	December 31, 2011	December 31, 2010
Grants . . . . .	47	34
Gains on sales of property, plant and equipment . . . . .	231	282
Recovery of cost-seconded personnel . . . . .	26	12
Recovery of other costs . . . . .	—	642
Reimbursement of damages . . . . .	262	1,433
Revenues from leases and rentals . . . . .	3	6
Other . . . . .	2,288	74
<b>Total other revenue . . . . .</b>	<b>2,857</b>	<b>2,485</b>

During the year ended 31 December 2011 the other revenues recorded an increase of € 372 thousand compared to the previous year. As at 31 December 2011, these revenues totaled € 2,857 thousand, compared to € 2,485 thousand in 2010.

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 "other revenues" includes an amount of € 1,250 thousand relating to the compensation paid on a pro-quota basis to the company Malaspina Energy S.c.a.r.l. (in which MFM S.p.A. holds a 50% stake) by Trixia S.r.l., as a result of a settlement agreement signed during the year for the definitive resolution of previous disputes. The item includes also revenues deriving from the energy management of some facilities.

## 24. Cost of raw materials and consumables

The breakdown of the item is shown below, for the years ended 31 December 2010 and 2011:

Cost of raw materials and consumables (in thousands of Euro)	December 31, 2011	December 31, 2010
Changes in inventories of fuels and raw materials . . . . .	(2,088)	(3,868)
Fuel consumption . . . . .	64,858	48,426
Consumption of raw materials . . . . .	57,046	56,812
Purchase of semi finished and finished products . . . . .	7,634	5,843
Purchase of raw materials and consumables . . . . .	13,659	18,697
Packaging . . . . .	2,182	1,889
Other purchases . . . . .	3,267	3,698
<b>Total cost of raw material and consumables . . . . .</b>	<b>146,558</b>	<b>131,497</b>

As at 31 December 2011, this line item amounted to € 146,558 thousand, compared to € 131,497 thousand as at 31 December 2010. The increase of € 15,061 thousand is mainly due to the increased consumption of fuels, relating to integrated service contracts.

## 25. Costs for services and use of third party assets

The breakdown of the item is shown below, for the years ended 31 December 2010 and 2011:

<b>Cost for services and use of third party assets (in thousands of Euro)</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Cost of services rendered by third party . . . . .	288,785	375,912
Cost of services rendered by consortia . . . . .	13,471	15,169
Equipment maintenance and repair . . . . .	7,643	6,532
Professional services . . . . .	45,561	44,502
Statutory Auditors' fees . . . . .	867	685
Transport . . . . .	8,098	12,918
Advertising and marketing . . . . .	2,058	2,656
Bonuses and commissions . . . . .	2,178	1,917
Insurance and guaranties . . . . .	6,466	7,520
Bank services . . . . .	396	348
Utilities . . . . .	17,316	25,165
Travel expenses and cost reimbursement . . . . .	4,153	4,669
Other personnel expenses . . . . .	8,084	8,956
Other services . . . . .	6,120	7,331
<b>Cost of services . . . . .</b>	<b>411,196</b>	<b>514,280</b>
Buildings' rentals . . . . .	21,825	24,723
Operating leasing of equipments . . . . .	2,047	2,218
<b>Cost for use of third party assets . . . . .</b>	<b>23,872</b>	<b>26,941</b>
<b>Total Cost of services and use of third party assets . . . .</b>	<b>435,068</b>	<b>541,221</b>

For the year ended 31 December 2011, the item Costs for services and use of third party assets totalled € 435,068 thousand, presenting a decrease of € 106,153 thousand if compared to 2010.

Decrease is due mainly to the maintenance service contracts of the FIAT business unit which ceased at the end of 2010. Improvements were also recorded as a result of the efficiency drivers that the Group implemented in recent years, through the rationalization of production sites and reduction of fixed costs connected with the management of certain Group sites.

For the purpose of a better disclosures, in 2011, the Group presented separately the Statutory Auditors' fee and the professional services. As a consequence, the comparative data for the previous year included in the table above were adjusted.

## 26. Personnel costs

The breakdown of the personnel costs is shown below, for the years ended 31 December 2010 and 2011:

(in thousands of Euro)	December 31, 2011	December 31, 2010
Wages and salaries . . . . .	224,519	217,758
Social security charges . . . . .	71,617	68,830
Personnel lease costs . . . . .	34,546	36,488
Accrual to INPS (National Social Security Institute), and other funds . . . . .	13,430	12,850
Directors' fees . . . . .	3,111	3,483
Other personnel costs . . . . .	887	893
<b>Current benefits . . . . .</b>	<b>348,110</b>	<b>340,302</b>
Termination indemnity provision . . . . .	2,430	3,472
Other post-employment benefits . . . . .	9	57
<b>Subsequent benefits . . . . .</b>	<b>2,439</b>	<b>3,529</b>
Incentives and severance . . . . .	2,363	652
<b>Employment termination benefits . . . . .</b>	<b>2,363</b>	<b>652</b>
<b>Personnel costs . . . . .</b>	<b>352,912</b>	<b>344,483</b>

For the year ended 31 December 2011 the Company recorded personnel costs of € 352,912 thousand (€ 344,483 thousand in 2010).

More specifically:

- current benefits recorded a net increase of € 7,808 thousand, being the result of the higher costs with salaries and wages and related Social security costs totaling € 9,548 thousand and the lower costs with the personnel leasing of € 1,942 thousand.
- post-employment benefits, recorded a decrease due to lower accrual for employee severance indemnity, by € 1,042 thousand. For more details, please refer to the comments on the item Employee Severance Indemnity.

The general increase in the personnel costs is linked to the increase working units at the Group level, owing to both greater workforce and the contracts obtained as part of company acquisitions completed during the year.

For the purpose of a better disclosures, in 2011, the Group presented separately the Directors' fee and the other personnel costs. As a consequence, the comparative data for the previous year included in the table above were adjusted.



## 27. Other operating costs

The breakdown of the other operating costs is shown below, for the years ended 31 December 2010 and 2011:

(in thousands of Euro)	December 31, 2011	December 31, 2010
Losses on assets sales . . . . .	46	92
Accounts receivables write-offs . . . . .	4	144
Other miscellaneous levies . . . . .	1,676	1,570
Penalties and fines . . . . .	2,358	1,435
Credit discount on transfer of receivables . . . . .	1,399	928
Other miscellaneous operating costs . . . . .	4,777	3,212
<b>Total other operating costs . . . . .</b>	<b>10,260</b>	<b>7,381</b>

The Other operating costs amounted to € 10,260 thousand as at 31 December 2011, presenting an increase of € 2,879 thousand compared to the previous year.

This increase is attributable mainly to the Fines and penalties (€ 923 thousand) and credit discount (€ 471 thousand). The latter item relates to the non-recourse factoring of trade receivables (€ 481 thousand) performed during the year, as part of the new contract with Banca IMI.

## 28. Amortisation/depreciation, write-downs and write-backs of assets

The breakdown of the item is shown below, for the years ended 31 December 2010 and 2011:

(in thousands of Euro)	December 31, 2011	December 31, 2010
Amortization of intangible assets . . . . .	10,165	10,171
Depreciation of property, plant and equipment . . . . .	22,275	21,612
Write-back of assets . . . . .	(4)	(202)
Impairment consolidation differences . . . . .	0	234
Write-down of trade receivables . . . . .	4,650	6,923
Write-down of other current assets		
Impairment of assets . . . . .	0	0
Impairment of investments . . . . .		254
Impairment of intangible assets . . . . .	308	1,871
Other write-downs . . . . .	338	79
<b>Amortization/depreciation, write-downs and write-backs . . . . .</b>	<b>37,732</b>	<b>40,942</b>

The amortization/depreciation, write-downs and write-backs of assets fell down from € 40,942 thousand as at 31 December 2010, to € 37,732 thousand in 2011.

A reduction of € 2,273 thousand was recorded in the item Write-down of receivables.

The item "Write-down of intangible fixed assets" includes write-downs made by the subsidiary Energy Project S.p.A. of its assets as a result of the withdrawal from development projects regarding company systems.

## 29. Dividends and income from sale of investments

The breakdown of the item is shown below, for the years ended 31 December 2010 and 2011:

(in thousands of Euro)	December 31, 2011	December 31, 2010
Dividends . . . . .	114	398
Gains on sale of investments . . . . .	1,234	—
<b>Total dividends and gain from sale of investments . . . . .</b>	<b>1,348</b>	<b>398</b>

The gain on sale of investment was realized by Servizi Ospedalieri S.p.A., as a result of the sale of in ZBM Lavanderia Industriale S.r.l. in which it held a non-strategic non-controlling interest.

## 30. Financial income

The breakdown of the item is shown below, for the years ended 31 December 2010 and 2011:

(in thousands of Euro)	December 31, 2011	December 31, 2010
Interest on bank accounts . . . . .	196	128
Interest on non-proprietary and intercompany current accounts . .	427	518
Interest on trade receivables . . . . .	699	1,176
Interest from discounting of non-interest bearing loans . . . . .	682	111
Interest and other income from securities . . . . .	71	2
Other financial income . . . . .	8	28
<b>Financial income . . . . .</b>	<b>2,083</b>	<b>1,963</b>

The item Financial income recorded an increase of € 120 thousand compared to the previous year, as a result of the increase in the implicit interest rate used for discounting non-interest bearing loans, being partially offset by the decrease in interest relating to trade receivables.

## 31. Financial expenses

The breakdown of the item is shown below, for the years ended 31 December 2010 and 2011:

Financial Expenses (in thousands of Euro)	December 31, 2011	December 31, 2010
Bank loans and overdraft interest . . . . .	493	2,811
Other loan interests . . . . .	13,050	8,081
Financial expenses on financial leasing . . . . .	79	70
Financial expenses on loans from Group . . . . .	42	43
Financial charges on transfer of receivables . . . . .	9,563	2,997
Interest on trade payables . . . . .	50	5
Financial charges on derivatives . . . . .	415	21
Other financial expenses . . . . .	2,928	2,406
<b>Total Financial expenses . . . . .</b>	<b>26,620</b>	<b>16,434</b>

The item Financial expenses increased by € 10,186 thousand in 2011, when compared to the previous year.

The increase in the interests on the Other loans by € 4,969 thousand is higher than the reduction in financial charges on bank loans and current bank overdrafts amounting to € 2,318 thousand: this effect is due to a different mix of capital used by the Group as at 31 December 2011 and the interest rate trend. As at 31 December 2011, the Group recorded

interest discount costs on transactions relating to the non-recourse factoring of trade receivables totaling € 9,563 thousand, of which € 5,366 thousand relating to the new contract signed with Banca IMI.

Other financial expenses, as indicated in note 19, relating to Borrowings, including current portion of long-term debt and other financial liabilities, to which reference should be made, include the effects of discounting of payables for earn-outs and PUT options, totaling € 1,600 thousand (€ 1,859 thousand as at 31 December 2010).

## 32. Income taxes

The breakdown of the item is shown below, for the years ended 31 December 2010 and 2011:

(in thousands of Euro)	December 31, 2011	December 31, 2010
IRES . . . . .	22,911	21,805
IRAP . . . . .	14,103	13,528
Corporate tax—foreign companies . . . . .	0	553
Income from tax consolidation . . . . .	(937)	(818)
Prior fiscal years income taxes . . . . .	1,592	(513)
<b>Current income taxes . . . . .</b>	<b>37,670</b>	<b>34,555</b>
Prepaid/(deferred) IRES . . . . .	(3,085)	(7,589)
Prepaid/(deferred) IRAP . . . . .	(331)	(690)
Prepaid/(deferred) taxes relating to previous years . . . . .	(846)	17
<b>Deferred income taxes . . . . .</b>	<b>(4,262)</b>	<b>(8,262)</b>
<b>Total income taxes . . . . .</b>	<b>33,408</b>	<b>26,293</b>

The Group recorded taxes totaling € 33,408 thousand in 2011, presenting a decrease of € 7,115 thousand in the net amount compared to the previous year.

More specifically, the main changes are as follows:

- An increase by € 1,106 thousand of the IRES taxes.
- An increase by € 575 thousand of the IRAP taxes.
- An increase by € 119 thousand in income from tax consolidation.

Recognition of a net income of € 4,262 thousand, relating to the total balance of prepaid and deferred taxes. Net income totalled € 8,262 thousand in the previous year. This income was determined mainly by the allocation of prepaid taxes in respect of the provisions for risks and charges amounting to € 1,076 thousand, employee incentives totalling € 844 thousand, and use of the provision for deferred tax liabilities, against the amortisation of intangible fixed assets recorded as part of the Purchase Price Allocation (PPA) amounting to € 1,776 thousand.

The reconciliation between current income taxes recorded and theoretical tax resulting from application of the IRES tax rate in force for the years ended 31 December 2010 and 31 December 2011 to pre-tax profit is as follows:

	December 31, 2011		December 31, 2010	
	(in thousands of Euro)	%	(in thousands of Euro)	%
<b>Profit before taxes</b> . . . . .	<b>45,864</b>		<b>32,071</b>	
IRES Tax rate . . . . .		27.50%		27.50%
<i>Effect of increases (decreases):</i>				
– Temporary differences . . . . .	13,227	7.93%	28,857	24.74%
– Permanent differences . . . . .	20,818	12.48%	15,389	13.20%
<b>IRES taxable income</b> . . . . .	<b>79,909</b>		<b>76,317</b>	
<b>Actual rate/tax</b> . . . . .	<b>21,974</b>	<b>47.91%</b>	<b>20,987</b>	<b>65.44%</b>

The amended current IRES (€ 21,974 thousand) is represented by the current IRES shown in the previous table, amounting to € 22,911 thousand, net of income from tax consolidation of € 937 thousand.

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

	December 31, 2011		December 31, 2010	
	(in thousands of Euro)	%	(in thousands of Euro)	%
<b>Reconciliation between theoretical and actual IRAP rate</b>				
<b>Profit before taxes</b> . . . . .	<b>45,778</b>		<b>32,071</b>	
IRAP Tax rate . . . . .		2.98%		2.98%
		3.40%		3.40%
		3.90%		3.90%
		4.73%		4.73%
		4.82%		4.82%
		4.97%		4.97%
<i>Effect of increases (decreases):</i>				
– Cost of labour . . . . .	352,912		340,163	
– Net financial expenses . . . . .	23,189		5,456	
– Other differences between taxable base and profit before taxes . . . . .	(84,227)		(54,518)	
<b>IRAP taxable income</b> . . . . .	<b>337,652</b>		<b>323,172</b>	
– of which at 2,98% . . . . .	1,373		1,877	
– of which at 3,44% . . . . .	4,447		34	
– of which at 3,90% . . . . .	229,083		225,431	
– of which at 4,73% . . . . .	8,425		7,240	
– of which at 4,82% . . . . .	73,243		44,494	
– of which at 4,97% . . . . .	21,081		44,096	
<b>Actual rate/tax</b> . . . . .	<b>14,103</b>	<b>30.81%</b>	<b>13,528</b>	<b>42.18%</b>

In 2011, Group companies did not pay income taxes in other countries than Italy.

### Deferred and prepaid taxes

As at 31 December 2011, the Group recorded prepaid tax assets of € 22,966 thousand, net of deferred tax liabilities of € 13,237 thousand, as shown below:

Prepaid and deferred taxes (in thousands of Euro)	Equity Tax Effect		Economic Tax Effect	
	Dec.31, 2011	Dec.31, 2010	Dec.31, 2011	Dec.31, 2010
<i>Prepaid taxes:</i>				
Multi-year costs . . . . .	560	736	175	323
Financial leasing . . . . .	22	22	0	—
Maintenance exceeding deductible limit	10	20	9	33
Presumed losses on receivables . . . . .	4,909	4,114	(655)	(949)
Provisions for risks and charges . . . . .	11,005	9,304	(1,076)	(5,867)
Write-downs on asset items . . . . .	279	218	(85)	(161)
Discounting of receivables . . . . .	28	35	7	1
Fees of Directors, Statutory Auditors and Independent Auditors . . . . .	559	241	(342)	99
Services not completed . . . . .	19	26	6	344
Amortization . . . . .	1,983	1,614	(181)	705
Adjustments to job order margin . . . . .	73	233	160	184
Interest payable . . . . .	181	88	(92)	(47)
Employee benefits and length of service bonuses . . . . .	249	197	(15)	54
Substitute tax . . . . .	1,385	1,385	0	—
Employee incentives . . . . .	901	471	(844)	401
Tax losses relating to previous years . . . .	20	33	0	5
Cost connected to the issue of share capital . . . . .	32	—	(32)	—
IRAP reimbursement claim . . . . .	0	—	0	(194)
Consolidation adjustment to Cross business unit . . . . .	0	95	95	—
Cash flow hedge valuation . . . . .	393	429	36	(136)
Cash cost deduction . . . . .	23	41	5	(10)
Other temporary differences . . . . .	335	46	(359)	17
Other consolidation adjustments . . . . .	0	—	—	—
<b>Total prepaid taxes . . . . .</b>	<b>22,966</b>	<b>19,347</b>	<b>(3,190)</b>	<b>(5,197)</b>
<i>Deferred taxes:</i>				
Tax amortization . . . . .	(254)	(371)	(62)	(947)
IFRS work in progress valuation . . . . .	(58)	(86)	(1)	(40)
Leasing for tax purposes . . . . .	(219)	(291)	(57)	(12)
Employee benefit discounting . . . . .	(1,319)	(1,224)	35	(195)
Goodwill amortization . . . . .	(6,546)	(5,807)	847	646
Purchase Price Allocation (PPA) . . . . .	(4,409)	(5,185)	(1,776)	(2,468)
Capital gains—deferred taxation . . . . .	—	—	0	0
Undistributed profit . . . . .	(256)	(102)	160	(35)
Other temporary differences . . . . .	(176)	(206)	(218)	(15)
Other consolidation adjustments . . . . .	—	—	0	—
<b>Total deferred taxes . . . . .</b>	<b>(13,238)</b>	<b>(13,272)</b>	<b>(1,072)</b>	<b>(3,065)</b>
<b>Net prepaid/(deferred) taxes . . . . .</b>	<b>9,728</b>	<b>6,075</b>	<b>(4,262)</b>	<b>(8,262)</b>

Temporary differences excluded from calculation of taxes	Dec.31, 2011	Dec.31, 2010
<b>Prepaid/(deferred):</b>		
– Tax losses that can be carried forward . . . . .	143	184
– Provision for risks and charges . . . . .		
<b>Total temporary differences excluded . . . . .</b>	<b>143</b>	<b>184</b>

### 33. Earnings per share

Basic earnings per share are calculated by dividing consolidated net profit in the year pertaining to the Parent Company's ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

In the case of the MFM Group, diluted earnings per share are equal to the 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:

	December 31, 2011	December 31, 2010
Net income attributable to the equity holders of the parent (in thousand of Euro) . . . . .	11,124	7,743
Number of ordinary shares . . . . .	109,149,600	109,149,600
<b>Basic and diluted earnings per share (in Euro) . . . . .</b>	<b>0.102</b>	<b>0.071</b>

	Year ended	
(in thousands of Euro)	December 31, 2011	December 31, 2010
Net profit from continuing operations . . . . .	12,456	8,077
Net profit from continuing operations attributable to non-controlling interests . . . . .	(1,105)	(134)
Net profit from continuing operations attributable to the equity holders of the parent . . . . .	11,351	7,943
Number of ordinary shares . . . . .	109,149,600	109,149,600
<b>Basic and diluted earnings per share . . . . .</b>	<b>0.104</b>	<b>0.073</b>

No other transactions were performed regarding ordinary shares or potential ordinary shares between the reporting date and the date of preparation of the financial statements.

#### Dividends

Presented for the approval by the Shareholders meeting (not booked among the liabilities at year end)	December 31, 2011	December 31, 2010
Earnings per ordinary share . . . . .	0	0
Earnings per share . . . . .	0	0

### 34. Commitments and contingent liabilities

#### Financial leasing

The Group concluded financial leasing agreements mainly for the plant and machinery 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 financial leases and the present value of these fees:

Commitments and contingencies (in thousands of Euro)	December 31, 2011		December 31, 2010	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year . . . . .	963	845	882	822
After one year, but not more than five years . . . . .	2,342	2,178	1,075	950
Over five years . . . . .	221	217	59	40
<b>Total minimum lease payments . . . . .</b>	<b>3,526</b>	<b>3,240</b>	<b>2,016</b>	<b>1,812</b>
Less amount representing financial expenses . . . . .	(286)		(204)	
<b>Present value of minimum lease payments .</b>	<b>3,240</b>	<b>3,240</b>	<b>1,812</b>	<b>1,812</b>

#### *Guarantees given*

As at 31 December 2011, the Group granted sureties to third parties as it follows:

- Guarantees in favour of associates amounting to € 15,095 thousand (2010: € 15,241 thousand).
- Other sureties issued to third parties: i) to ensure the correct fulfilment of the obligations of commercial contracts in place with customers, ii) to replace securities to be issued for the activation of utilities or upon subscription of lease contracts, as well as to the Italian tax authorities for VAT refunds, in amount of € 1,182 thousand (2010: € 212,721 thousand).
- In favor of Credit Agricole Corporate & Investment Bank amounting to € 13,995 thousand (2010: € 13,993 thousand) and in favour of Banca IMI for € 5,000 thousand, to guarantee the necessary compliance of the contract relating the factoring of trade receivables.

The sureties issued on transactions involving the non-recourse factoring of trade receivables cover a financial risk. For this reason, the risk was valued at fair value and recorded as a financial liability for € 211 thousand.

#### *Contingent liabilities*

On 26 November 2009, the Guardia di Finanza (Italian Finance Police) drafted a PVC (processo verbale di constatazione, Report on Findings) for one of the Group companies—MCB S.p.A (now incorporated in MP Facility S.p.A.).

In the report on findings an undue deduction of € 250 thousand in 2007 for IRES and IRAP purposes is disputed. The Financial Administration believes that this deduction does not meet the essential requirements of competence, certainty, relevance and determinability necessary for its deductibility in accordance with art. 109 of Presidential Decree no. 917/86.

It should be noted that, at the current state of play, the Italian tax authorities has not issued yet, MP Facility S.p.A. with any tax assessment notice regarding the higher taxes due and the associated penalties for the disputes raised in the report on findings.

## 35. Related party transactions

Terms and conditions of transactions between related parties

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

Non-interest bearing loans are granted only in the case of pro-quota financing received from the syndicated shareholders and such loans were, however, actualized in the financial statements of the Parent Company MFM S.p.A.. The Parent Company provides technical-production services relating to the core business, and administrative and IT services for certain Group companies.

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

No guarantees were given or received in relation to receivables and payables with related parties. In 2011, the Group did not make any allocation to the bad debt provision for amounts due from related parties.

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

- On 1 September 2008, MFM signed a contract with associate Roma Multiservizi S.p.A. based on which is committed to providing an Information System service. The contract, expiring on 30 August 2013, makes provision for an annual consideration of € 1,250 thousand.
- Manutencoop Società Cooperativa sub-leased to MFM S.p.A. the part of the property located in Zola Predosa, via Poli 4 (BO), for office rental. The duration of the lease is renewable, except in the event of termination by one of the parties. Annual rent is € 1,685 thousand, to be paid in 12 monthly instalments.
- Manutencoop Immobiliare S.p.A. leased to MFM S.p.A. part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for administrative use. The lease expires on 30 June 2013, except in the event of an early termination by one of the parties. Annual rent is € 337 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 renewable, unless terminated by one of the parties. As a result of this agreement, which is in nature a regulatory contract not conferring rights to third parties, MFM and the parent company Manutencoop Cooperativa set out the conditions that will regulate any future contracts for the leasing of personnel of Manutencoop Cooperativa, and the related contractual rules.
- Manutencoop Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the MFM Group, to preparing the monthly pay slips of the Group's employees.
- MFM S.p.A. signed agreements with Manutencoop Cooperativa and its subsidiaries, for the provision of tax consultancy services.

Details of the balances relating to the Parent Company's transactions with related parties are provided in annex III to the Consolidated financial statements.

Management and coordination activities

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

(in thousands of Euro)	Dec. 31, 2010	Dec. 31, 2009
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>Assets</b>		
A) Subscribed capital, unpaid . . . . .	151	243
B) Fixed assets . . . . .	300,420	300,217
C) Working capital . . . . .	41,175	51,576
D) Accruals and Deferrals . . . . .	2,968	3,078
<b>TOTAL ASSETS . . . . .</b>	<b>344,714</b>	<b>355,114</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
A) Shareholders' equity:		
Share capital . . . . .	13,523	13,992
Reserves . . . . .	252,398	251,664
Profit/(Loss) for the year . . . . .	1,903	1,967
B) Provision for risks and charges . . . . .	3,380	3,101
C) Employee Severance Indemnity . . . . .	3,067	3,454
D) Payables . . . . .	69,666	80,135
E) Accruals and Deferrals . . . . .	777	801
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY . . . . .</b>	<b>344,714</b>	<b>355,114</b>
<b>MEMORANDUM ACCOUNT . . . . .</b>	<b>86,355</b>	<b>133,237</b>
<b>STATEMENT OF INCOME</b>		
A) Value of production . . . . .	39,103	40,580
B) Cost of production . . . . .	(42,884)	(43,953)
C) Financial income and charges . . . . .	4,207	5,509
D) Financial asset value adjustments . . . . .	(338)	(216)
E) Extraordinary income and charges . . . . .	1,252	31
Income taxes for the year . . . . .	563	16
<b>Profit/(Loss) for the year . . . . .</b>	<b>1,903</b>	<b>1,967</b>

Retribution of the Management Board, executives with strategic responsibilities and members of the Supervisory Board.

Fees paid to members of the administration 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.

<b>(in thousands of Euro)</b>	<b>Dec. 31, 2011</b>	<b>Dec. 31, 2010</b>
<i>Board of Directors/Management Board</i>		
Short-term benefits . . . . .	2,382	1,868
<b>Total Board of Directors/Management Board . . . . .</b>	<b>2,382</b>	<b>1,868</b>
<i>Executives with strategic responsibilities</i>		
Short-term benefits . . . . .	2,758	2,091
Subsequent benefits (T.F.R.) . . . . .	102	99
<b>Total Other strategic executives . . . . .</b>	<b>2,860</b>	<b>2,190</b>
<i>Board of Statutory Auditors/Supervisory Board</i>		
Short-term benefits . . . . .	491	338
<b>Total Board of Statutory Auditors/Supervisory Board . . . . .</b>	<b>491</b>	<b>338</b>

Since 2008, Manutencoop Facility Management S.p.A.'s Corporate Governance is been structured in accordance with the so-called "dualistic" administration and control system, through the appointment of the Management Board and Supervisory Board.

The fees paid to the Group's independent auditors amounted to € 775 thousand in the 2011 consolidated statement of income.

### **36. Financial risk management: objectives and criteria**

The financial needs and the related risks (mainly interest rate and liquidity risk) are managed centrally at the Group's Treasury based on the 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 financing structure that is balanced with the composition of assets in the financial statements, in order to maintain an appropriate capital structure.

The most used financing instruments are:

- Short-term loans and revolving Securitisation transactions which make provision for the non-recourse factoring of receivables targeted at financing working capital.
- Medium/long-term loans with a multi-year repayment planned to cover the investments in fixed assets and acquisitions of companies and business units.

The Group use trade payables deriving from operations as financial instruments.

The Group's policy is not to negotiate financial instruments.

*Categories of financial assets and liabilities defined by IAS 32*

The following table shows the classification of financial assets and liabilities recorded, as defined by IAS 32 and required by IFRS 7, in the consolidated financial statements of the MFM Group and the associated economic effects for the year ended 31 December 2011:

Financial assets	Dec. 31, 2011	Available-for-sale financial assets	Loans and receivables
<b>Non-current financial assets</b>			
Other investments . . . . .	2,239	2,239	
Non-current financial assets . . . . .	14,796		14,796
Other non-current assets . . . . .	1,772		1,772
<b>Total non-current financial assets . . . . .</b>	<b>18,807</b>	<b>2,239</b>	<b>16,568</b>
<b>Current financial assets</b>			
Trade receivables and advances to suppliers . . . . .	682,271		682,271
Current taxes receivables . . . . .	9,182		9,182
Other current assets . . . . .	18,366		18,366
Current financial assets and Derivatives . . . . .	7,786		7,786
Cash and cash equivalents . . . . .	42,656		
<b>Total current financial assets . . . . .</b>	<b>760,261</b>	<b>0</b>	<b>717,605</b>
<b>Total financial assets . . . . .</b>	<b>779,068</b>	<b>2,239</b>	<b>734,173</b>
<b>Financial income (expense) . . . . .</b>	<b>3,431</b>	<b>1,348</b>	<b>2,083</b>
<hr/>			
Financial liabilities	Dec. 31, 2011	Financial liabilities valued at the fair value in the statement of income	Financial liabilities valued at amortised cost
<b>Non-current financial liabilities</b>			
Long Term Debt . . . . .	146,569		146,569
Derivatives . . . . .	1,429		1,429
Other non-current liabilities . . . . .	14		14
<b>Total non-current financial liabilities . . . . .</b>	<b>148,012</b>	<b>0</b>	<b>148,012</b>
<b>Current financial liabilities</b>			
Trade payables and advances from customers . . . . .	462,823		462,823
Current Tax Payables . . . . .	6,398		6,398
Other Current liabilities . . . . .	147,522		147,522
Bank Borrowings and current portion of long-term debt and other financial liabilities . . . . .	198,461	211	198,250
<b>Total current financial liabilities . . . . .</b>	<b>815,204</b>	<b>211</b>	<b>814,993</b>
<b>Total financial liabilities . . . . .</b>	<b>963,216</b>	<b>211</b>	<b>963,005</b>
<b>Financial income (expense) . . . . .</b>	<b>(17,056)</b>	<b>(73)</b>	<b>(16,983)</b>

The similar information for the year ended 31 December 2010 is shown below:

Financial assets	Dec. 31, 2010	Available-for-sale financial assets	Loans and receivables
<b>Non-current financial assets</b>			
Other investments . . . . .	3,233	3,233	
Non-current financial assets . . . . .	14,916		14,916
Other non-current assets . . . . .	1,409		1,409
<b>Total non-current financial assets . . . . .</b>	<b>19,558</b>	<b>3,233</b>	<b>16,325</b>
<b>Current financial assets</b>			
Trade receivables and advances to suppliers . . . . .	727,815		727,815
Current taxes receivables . . . . .	5,300		5,300
Other current assets . . . . .	16,668		16,668
Current financial assets and Derivatives . . . . .	8,205		8,205
Cash and cash equivalents . . . . .	51,583		
<b>Total current financial assets . . . . .</b>	<b>809,571</b>	<b>0</b>	<b>757,988</b>
<b>Total financial assets . . . . .</b>	<b>829,129</b>	<b>3,233</b>	<b>774,313</b>
<b>Financial income (expenses) . . . . .</b>	<b>2,361</b>	<b>398</b>	<b>1,963</b>

Financial liabilities	Dec. 31, 2010	Financial liabilities at fair value in the statement of income	Financial liabilities measured at amortised cost
<b>Non-current financial liabilities</b>			
Long Term Debt . . . . .	90,192		90,192
Derivatives . . . . .	1,560		1,560
Other non-current liabilities . . . . .	13		13
<b>Total non-current financial liabilities . . . . .</b>	<b>91,765</b>	<b>0</b>	<b>91,765</b>
<b>Non-current financial liabilities</b>			
Trade payables and advances from customers . . . . .	478,139		478,139
Current Tax Payables . . . . .	1,437		1,437
Other Current liabilities . . . . .	136,511		136,511
Bank Borrowings and current portion of long-term debt and other financial liabilities . . . . .	303,128	138	302,990
<b>Total current financial liabilities . . . . .</b>	<b>919,215</b>	<b>138</b>	<b>919,077</b>
<b>Total financial liabilities . . . . .</b>	<b>1,010,980</b>	<b>138</b>	<b>1,010,842</b>
<b>Financial income (expenses) . . . . .</b>	<b>(13,437)</b>	<b>(21)</b>	<b>(13,416)</b>

#### *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 financial leasing and medium/long-term loans.

The Group is characterised by a labour-intensive model which does not involve significant requirements of capital for investments. The Group's customers are mainly composed of public administrations, known for long payment period in respect of the services provided. This aspect means the Group has to also finance working capital through bank indebtedness and/or the transfer of receivables.



In 2010, the general economic crisis resulted in general payment delays, also from some major private customers.

#### *Price risk*

The Group can be exposed to several price changing risks:

- Price of oil related products needed for the heat management activities.
- Price of cotton, the raw material at the basis of the linen used for laundering activities.

The risks on the oil price, is partially mitigated through the price revision conditions included in the contracts concluded with customers, and by the art. 115 of Decree Law no. 163 of 12 April 2006; therefore, it is believed that the effect on the Group's profit will prove immaterial.

Regarding the the second risk mentioned, the Group management negotiated specific hedging instruments to mitigate the risks of increases in the price of cotton through Call options which fix the price of the raw material.

#### *Credit risk*

The Group's portfolio, was made up in the past 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 inherent bureaucracy.

The recent acquisitions permitted the Group (in particular through the acquisition of the Altair Group) to enter the private sector and to a lesser extent, the retail sector (through the acquisition of the Sicura Group and MIA Group companies).

There are no significant credit concentration risks to report, as these are carefully monitored by the Group.

#### *Fair value*

The Group's financial instruments are recorded in the consolidated financial statements at fair value, including the assets classified as held for disposal. The market interest rates were used in relation with the financial assets and liabilities at the reporting date. The comparison between the carrying amount and fair value of the main financial assets and liabilities is shown below:

(in thousands of Euro)	Book Value		Fair Value	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
<i>Financial assets</i>				
Cash and cash equivalents . . . . .	42,656	51,583	42,656	51,583
Current Financial assets . . . . .	7,751	7,955	7,751	7,955
Other investments . . . . .	2,239	3,233	2,239	3,233
Non-current financial assets . . . . .	14,796	14,916	14,796	14,916
<i>Financia liabilities</i>				
Loans:				
Variable interest loan . . . . .	314,295	348,573	314,295	348,573
Fixed interest loan . . . . .	465	480	465	480
Other current financial liabilities . . . . .	30,270	44,267	30,270	44,267
Derivatives . . . . .	1,429	1,560	1,429	1,560

#### *Interest rate risk*

Regarding the management of financial charges, the Group's current policy is that of a higher proportion of the variable interest rate borrowings and limited exposure to the fixed rate loans.

In 2008, the MFM Group's management restructured its debt portfolio as a result, of the acquisitions made at the end of 2008, rebalancing the mix of short- and medium/long-term debt.

In order to hedge interest rate risk, on 19 June 2009, the parent company MFM S.p.A. stipulated the following "Interest rate Swaps":

(thousands of Euro)	UNICREDIT CORPORATE BANKING	BNP PARIBAS	BANCA AKROS
Nominal amount from 23/12/2011 to 23/6/2012 . . . . .	24,000,000	27,000,000	12,000,000
Starting date . . . . .	6/23/2009	6/23/2009	6/23/2009
Expiration date . . . . .	12/23/2014	12/23/2014	12/23/2014
Floating interest rate . . . . .	Euribor 6 month	Euribor 6 month	Euribor 6 month
Fixed interest rate . . . . .	2.65%	2.65%	2.65%

The financial instruments of the Group exposed to interest rate risk are those listed in note 19 (to which reference should be made) like Loans, as well as statement of financial position items recorded under cash and cash equivalents and current financial assets (Note 13) and Trade Receivables, advances to suppliers and other current financial assets (note 12) and Non-current financial assets (note 8).

The notional value relates to the 6th half-yearly hedge period

*Table of interest rate sensitivity analysis*

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

	Increase/decrease	Income before taxation effect
Year end, December 31, 2010 . . . . .	+150 bps	(10,087)
	– 30 bps	2,032
Year end, December 31, 2009 . . . . .	+100 bps	(6,093)
	– 30 bps	1,872

*Exchange rate risk*

The Group operates predominantly in the national market, where it is not exposed to exchange rate 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 monitors its debt ratio, by assessing the ratio of net debt to the total of own equity plus net debt. The Group includes within 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)	Dec. 31, 2011	Dec. 31, 2010
Employee termination indemnities . . . . .	31,356	29,537
Interest-bearing loans . . . . .	314,760	349,053
Trade payables and advances from customers . . . . .	462,823	478,139
Other current liabilities . . . . .	147,522	136,511
Other financial liabilities . . . . .	30,270	44,267
Cash and cash equivalents . . . . .	(42,656)	(51,583)
Current financial assets . . . . .	(7,751)	(7,955)
Net debt . . . . .	936,324	977,969
Equity attributable to equity holders of the parent . . . . .	279,512	269,602
Profit for the period attributable to equity holders of the parent . . . . .	(11,124)	(7,743)
Total Capital . . . . .	268,388	261,859
<b>Equity and net debt . . . . .</b>	<b>1,204,712</b>	<b>1,239,828</b>
<b>Indebtedness ratio . . . . .</b>	<b>77.7%</b>	<b>78.9%</b>

### 37. Events after the reporting date

On 24 January 2012, the shareholders' meeting of SERENA S.r.l. decided winding up the Company and place it into liquidation. The resolution was filed on 26 January 2012.

On 6 February 2012, the Company CMA Pentade changed its company name to MIA Servizi Torino S.r.l. and transferred its registered office from the Municipality of Rivalta di Torino (TO) to the Municipality of Turin.

On 6 February 2012, MIA S.p.A. acquired a 76.6% stake in ABM S.r.l., with registered office in Cadoneghe (PD). On 14 February 2012, MIA S.p.A. acquired 100% of the share capital of MIND S.r.l., with registered office in Rome (RM). Both companies are active in the installation, repair and maintenance of lifts and goods lifts.

On 22 February 2012, the Parent Company MFM signed an agreement with Servizi Energia Calore S.r.l. for the purchase of a business unit handling of the management and maintenance of technological systems for several health care facilities in Sicily. The transfer was agreed at a price of € 2,960 thousand. However, MFM did not paid this amount to the counterparty as a result of disputes arising which fact led to arbitration proceedings against the seller in 2010, aimed at obtaining an arbitration ruling that will provide for cancellation or termination due to non-fulfilment of the obligations of the purchase contract.

Subsequently the dispute was settled out of court and , the transfer price was recalculated as € 1,700 thousand, to which € 212 thousand are added in form of reimbursement and the management expenses to Servizi Energia Calore S.r.l. (already provided for in the contract). At the same time, the sureties issued to secure the transaction in 2008 were returned and the parties withdrew from the ongoing arbitration proceedings.

**The Chairman of the Management Board**  
Claudio Levorato

# Annexes

## Annex 1—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
Antincendio Piave S.r.l.	Via Zamenhof n. 363	Vicenza	70%	Subsidiary
CMA Pentade S.r.l.	Via Giaveno n. 76/1	Rivalta di Torino (TO)	100%	Subsidiary
CO.GE.F. Soc. Cons. a r.l.	Via Poli n. 4	Zola Predosa (BO)	80%	Subsidiary
COFAM S.r.l.	Via Pica n. 160	Modena	60%	Subsidiary
Consorzio Igiene Ospedaliera Soc. Cons. a r.l.	Via Poli n. 4	Zola Predosa (BO)	66.66%	Subsidiary
Consorzio Imolese Pulizie Soc. Cons. a r.l.	Via Poiano n. 22	Imola (BO)	60%	Subsidiary
Consorzio Servizi Toscana Soc. Cons. a r.l. in liquidazione	Via Poli n. 4	Zola Predosa (BO)	60%	In Liquidation
EnergyProject S.p.A.	Via Poli n. 4	Zola Predosa (BO)	100%	Subsidiary
Evimed S.r.l.	Via Zamenhof n. 363	Vicenza	90%	Subsidiary
Firing S.r.l.	Via Luigi Meraviglia n. 31	Lainate (MI)	65%	Subsidiary
Gruppo Sicura S.r.l.	Via Zamenhof n. 363	Vicenza	80%	Subsidiary
ISOM Gestione Soc Cons.rl	Via Poli n. 4	Zola Predosa (BO)	52.97%	Subsidiary
Lenzi S.p.A.	Via Kravogl n. 6	Bolzano	49%	Subsidiary
Leonardo S.r.l.	Via Zamenhof n. 363	Vicenza	100%	Subsidiary
Mako Engineering S.r.l.	Via Ferruccio Parri n. 7	Treviglio (BG)	70%	Subsidiary
Manutencoop Costruzioni S.p.a.	Via Poli n. 4	Zola Predosa (BO)	100%	Subsidiary
Manutenzione Installazione Ascensori S.p.A.	Via Pica n. 170	Modena	100%	Subsidiary
MP Facility S.p.A.	Via Poli n. 4	Zola Predosa (BO)	100%	Subsidiary
Nettuno Ascensori S.r.l.	Via Marzocchi n. 1	Calderara di Reno (BO)	75%	Subsidiary
Palmanova Servizi Energetici Soc. Cons. a r.l.	Via Poli n. 4	Zola Predosa (BO)	60%	Subsidiary
Protec S.r.l.	Via Zamenhof n. 363	Vicenza	100%	Subsidiary
S.AN.CO S.c.a.r.l.	Viale Piero e Alberto Pirelli n. 21	Milan	51.50%	Subsidiary
S.AN.GE S.c.a.r.l.	Viale Piero e Alberto Pirelli n. 21	Milan	89%	Subsidiary
Securveneta S.r.l.	Via Zamenhof n. 363	Vicenza	80%	Subsidiary
Sedda S.r.l.	Via Zamenhof n. 363	Vicenza	80%	Subsidiary
Servizi Brindisi Soc. Cons. a r.l.	Via Poli n. 4	Zola Predosa (BO)	52%	Subsidiary
Servizi l'Aquila Soc. Cons. a r.l.	Via Poli n. 4	Zola Predosa (BO)	60.08%	Subsidiary
Servizi Ospedalieri S.p.A.	Via Calvino n. 33	Ferrara	100%	Subsidiary
Servizi Taranto Soc.Cons. a.r.l.	Via Poli n. 4	Zola Predosa (BO)	60%	Subsidiary
Sicura S.r.l.	Via Zamenhof n. 363	Vicenza	100%	Subsidiary

Subsidiaries (consolidated on a line-by-line basis)				
Name	Registered Office	City	% held	Type
Sicurama S.r.l.	Via G. di Vittorio n. 9	Casalecchio di Reno (BO)	75%	Subsidiary
Simagest 2 Soc. Cons. a r.l. in liquidazione	Via Poli n. 4	Zola Predosa (BO)	90%	In Liquidation
Simagest 3 Soc. Cons. a r.l. in liquidazione	Via Poli n. 4	Zola Predosa (BO)	89.99%	In Liquidation
Società Manutenzione Illuminazione S.p.A. (SMAIL)	Via Poli n. 4	Zola Predosa (BO)	100%	Subsidiary
Telepost S.p.A.	Via Poli n. 4	Zola Predosa (BO)	100%	Subsidiary
Unilift S.r.l.	Piazzale Giustiniani n. 11/A	Mestre (VE)	80%	Subsidiary

Joint ventures (accounted for using proportionate consolidation)				
Name	Registered office	City	% held	Type
A.M.G.	S.S. 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
DUC Gestione Sede Unica Soc.cons.r.l.	Via Poli n. 4	Zola Predosa (BO)	49%	Joint Venture
Global Maggiore Bellaria Soc.cons.r.l.	Via Dell'Ospedale	Bologna	50%	Joint Venture
Legnago 2001 Soc.cons.r.l.	Via Poli n. 4	Zola Predosa (BO)	50%	Joint Venture
Malaspina Energy Soc.cons.r.l.	Via Varesina n. 118	Lurate Caccivio (CO)	50%	Joint Venture
Serena S.r.l.	Via Poli n. 4	Zola Predosa (BO)	50%	Joint Venture
Servizi Luce Soc.Cons.r.l.	Via Poli n. 4	Zola Predosa (BO)	50%	Joint Venture
Società Consortile Adanti Manutencoop a r.l.	Via Poli n. 4	Zola Predosa (BO)	50%	Joint Venture

Associates (accounted for under the equity method)				
Name	Registered office	City	% held	Type
Alisei S.r.l. in liquidazione	Via Cesari n. fr 68/1	Modena	100%	In Liquidation
Bologna Gestione Patrimonio Soc.Cons. r.l.	Via della Cooperazione n. 9	Bologna	27.58%	Associate
Bologna Multiservizi Soc.Cons. r.l.	Via Del Lavoro n. 23/4	Casalecchio di Reno (BO)	39%	Associate
Bologna Più' Soc.Cons. r.l. in liquidazione	Via M.E. Lepido n. 182/2	Bologna	25.68%	In Liquidation
CO.M.I. S.r.l. in liquidazione	Piazza De Calderini 2/2	Bologna	40%	In Liquidation
CO.S.I.S. a r.l. in liquidazione	Via Adolfo Gandiglio n. 27	Rome	26.33%	In Liquidation
Como Energia Soc.Cons. r.l.	Via Pietro Strazzi n. 2	Como	29%	Associate
Consorzio Energia Servizi Bologna in liquidazione	Viale Masini n. 46	Bologna	24.25%	In Liquidation

Associates (accounted for under the equity method)				
Name	Registered office	City	% held	Type
Consorzio Leader Soc.Cons. r.l. in liquidazione	Via Poli n. 4	Zola Predosa (BO)	50%	In Liquidation
Consorzio Polo Sterilizzazione Integrata a r.l.	Via Facciolati n. 84	Padua	60%	Associate
Consorzio Sermagest Soc.Cons. r.l. in liquidazione	Via Filippo Corridoni 23 Stradella Aquedotto n. 21	Rome Bari	60% 20%	In Liquidation Associate
F.lli Bernard S.r.l. Geslotto6 Soc.Cons. r.l. in liquidazione	Via Poli n. 4	Zola Predosa (BO)	55%	In Liquidation
Gico System S.r.l.	Via Calari n. 16/B	Zola Predosa (Bo)	20%	Associate
Global Provincia Di Rimini Soc.Cons. r.l.	Via Poli n. 4	Zola Predosa (BO)	42.40%	Associate
Global Riviera Soc.Cons. r.l.	Via Poli n. 4	Zola Predosa (BO)	30.66%	Associate
Global Vicenza Soc.Cons. a r.l.	Via Grandi n. 39	Concordia Sulla Secchia (MO)	41.25%	Associate
Gymnasium Soc.Cons. r.l. in liquidazione	Via Poli n. 4	Zola Predosa (BO)	68%	In Liquidation
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi n. 18	Turin	24.75%	Associate
Livia Soc.Cons. a r.l.	Via Isonzo n. 16	Casalecchio di Reno (BO)	34.10%	Associate
MCB Emirates LLC			49%	Associate
Newco Duc Bologna S.p.A.	Via M.E. Lepido n. 182/2	Bologna	24.90%	Associate
PBS Soc.Cons. r.l.	Via G. Negri n. 10	Milan	25%	Associate
Perimetro Gestione Proprietà Immobiliari S.C.p.A.	Via Garibaldi n. 60	Siena	20.10%	Associate
Headmost Division Service FM S.p.A.	Via del mare, 89	Pomezia (RM)	25%	Associate
Progetto ISOM S.p.A.	Via Poli n. 4	Zola Predosa (BO)	36.98%	Associate
Progetto Nuovo Sant'Anna S.r.l.	Viale Piero e Alberto Pirelli n. 21	Milan	24%	Associate
Roma Multiservizi S.p.A. San Martino 2000 Soc.Cons. a r.l.	Via Tiburtina n. 1072	Rome	45.47%	Associate
Savia Soc.Cons. a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Se.Ste.Ro S.r.l.	Via B. Vanzetti n. 1 Via San Pietro n. 59/B	Forlì fraz. Castellina—Soragna (PR)	49.11% 25%	Associate Associate
Servizi Marche Soc. Cons. a r.l. in liquidazione	Via Poli n. 4	Zola Predosa (BO)	60%	In Liquidation
Servizi Napoli 5 Soc.Cons. a r.l.	Via Poli n. 4	Zola Predosa (BO)	45%	Associate
Servizi Sanitari Treviso Soc.Cons.a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Servizi Sportivi Brindisi Soc.cons.r.l.	Via Licio Giorgieri n. 93	Rome	50%	Joint Venture
Sesamo S.p.A.	Via C. Pisacane n. 2	Carpi (MO)	20.91%	Associate
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi n. 18	Turin	25%	Associate



## Annex II—Valuation of equity investments using the Equity Method

(thousands of Euro)		%	Net book	Additions/ Disposals	Dividends	Write- downs/ write- backs	Investment provision	Effects on the	Net book	Book	Investments'
			value 31/12/2010					shareholders' equity from associates under the equity method	value 31/12/2011	value 31/12/2011	reserve 31/12/2011
Alisei s.r.l. in liquidazione	100%	(28)		12		(9)	(10)	0	(35)	12	(47)
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	
Co.S.I.S. Soc.Cons. a r.l.	26.33%	3		2		(6)			(1)	0	(1)
Como Energia Soc.Cons. a R.L.	29%	13				(8)			5	5	
Consorzio Energia Servizi BO	24.25%	3		(3)					0	0	
Consorzio Leader Soc.Cons. a r.l. in liquidazione	50%	0		5					5	5	
Consorzio Polo sterilizzazione Integ.	60%	23							23	23	
Consorzio Sermagest in liquidazione	60%	(205)				(35)			(240)	0	(240)
Costruzione Manutenzione Immobili	40%	91				(7)			84	84	
F.lli Bernard S.r.l.	20%	623		46		89			758	758	
Geslotto 6 soc. cons. a r.l.	55%	50							50	50	
GICO Systems S.r.l.	20%	31				2			33	33	
Global Provincia di Rimini Soc.Cons. a r.l.	42.40%	4							4	4	
Global Riviera Soc.Cons. a R.L.	23.11%	9							9	9	
Global Vicenza	41.25%	4							4	4	
Gymnasium soc. cons. a r.l. in liq.	68%	7							7	7	
Altri				(120)					(120)		(120)
Headmost Division Service FM S.p.A.	25%	0		0					0	0	
IPP s.r.l.	25%	415				37			452	452	
LIVIA SOC CONS R.L.	34.10%	3							3	3	
MCB Emirates LLC	49%	0							0	0	
Newco DUC Bologna S.p.A.	24.90%	1,003				162		(781)	384	384	
P.B.S. Soc.Cons. a R.L.	25%	25							25	25	
Perimetro Gestione Proprietà Immobiliari Soc.Cons.a.r.l.	20.10%	1,111							1,111	1,111	
Progetto ISOM S.p.A.	36.98%	0		2,420					2,420	2,420	
Progetto Nuovo Sant'Anna S.r.l.	24%	1,321				54		(198)	1,177	1,177	
Promoz. Impr. e Territ. Soc.Cons.	100%	110		(116)		6			0	0	
ROMA Multiservizi S.p.A.	45.47%	7,665			(1,533)	1,203		(15)	7,320	7,320	
San Martino 2000 Soc.Cons. a r.l.	40%	4							4	4	
Savia soc.cons.a.r.l.	49.11%	5							5	5	
SE.SA.MO. S.p.A.	20.91%	829				(34)			795	795	
Se.Ste.Ro S.r.l.	25%	100		50		(42)			108	108	
Ser.San. Servizi Sanitari S.p.A.	20%	60		(60)					0	0	
Serena S.r.l.	50%	50							50	50	
Servizi Marche soc.Cons. a r.l. in liquidazione	60%	0		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%	0		5					5	5	
Servizi Taranto Soc.Cons.a.r.l.	44.30%	4		(4)					0	0	
Steril Piemonte Soc. Cons. a r.l.	25%	986				14			1,000	1,000	
Telepost S.p.A.	20%	24							24	24	
Tower Soc.Cons. a r.l.	20.17%	20							20	20	
Net book value		14,392		2,243	(1,533)	1,426	(9)	(995)	15,523	15,931	(408)

## Annex III—Related party transactions (in thousands of Euro)

Parent	Year	Revenues	Costs	Financial income	Financial expenses	Year	Trade receivables and others	Financial assets	Trade payables and others	Financial liabilities
Manutencoop Soc. Coop. . .	12/31/10	242	36,349	0	43	12/31/10	73	2,052	5,634	4,603
	12/31/11	283	36,271	0	42	12/31/11	97	4,725	10,585	3,358

Associates	Year	Revenues	Costs	Financial income	Financial expenses	Year	Trade receivables and others	Financial assets	Trade payables and others	Financial liabilities
Roma Multiservizi S.p.A. . . .	12/31/10	2,018	5,749	0	0	12/31/10	1,065	1	8,893	0
	12/31/11	1,739	7,102	0	0	12/31/11	2,360	0	8,568	0
Gico Systems S.r.l. . . . . .	12/31/10	7	331	0	0	12/31/10	5	0	154	0
	12/31/11	7	332	0	0	12/31/11	7	28	207	0
Se.Sa.Mo. S.p.A. . . . . .	12/31/10	4,553	9	41	0	12/31/10	5,097	606	31	1
	12/31/11	4,629	(23)	41	0	12/31/11	4,496	710	5	0
S.I.MA.GEST2 Soc. Cons. r.l. in liquidazione . . . . .	12/31/10	0	0	0	0	12/31/10	0	0	0	0
	12/31/11	0	0	0	0	12/31/11	0	0	0	0
Servizi Taranto Soc. Cons. a r.l. . . . . .	12/31/10	0	67	0	0	12/31/10	0	0	67	0
	12/31/11	0	0	0	0	12/31/11	0	0	0	0
Global Provincia di RN Soc.Cons.a r.l. . . . . .	12/31/10	455	1,682	0	0	12/31/10	273	170	816	0
	12/31/11	459	1,719	0	0	12/31/11	375	170	1,030	0
Bologna Più Soc.Cons.a r.l. . . . . .	12/31/10	0	0	0	0	12/31/10	(2)	90	3	0
	12/31/11	0	41	0	0	12/31/11	(2)	39	3	0
Global Riviera Soc.Cons.a r.l. . . . . .	12/31/10	1,630	5,539	0	0	12/31/10	1,212	0	3,511	0
	12/31/11	1,685	5,161	0	0	12/31/11	1,282	136	3,020	0
Como Energia Soc.Cons.a r.l. . . . . .	12/31/10	0	1,229	0	0	12/31/10	0	0	1,883	0
	12/31/11	0	912	0	0	12/31/11	0	0	735	0
NEW DUC Soc.Cons.a r.l. . . . . .	12/31/10	243	850	0	0	12/31/10	2,696	0	725	0
	12/31/11	251	169	0	0	12/31/11	1,367	0	26	69
Cons.Energia Servizi Bologna Soc.Cons. a r.l. . . . . .	12/31/10	0	22	0	0	12/31/10	54	0	28	0
	12/31/11	0	0	0	0	12/31/11	0	0	0	0
P.B.S. Soc.Cons. a r.l. . . . . .	12/31/10	4	48	0	0	12/31/10	343	502	299	0
	12/31/11	(32)	(68)	0	0	12/31/11	311	0	(23)	0
Tower Soc.Cons. a r.l. . . . . .	12/31/10	2	2,195	0	0	12/31/10	0	0	0	0
	12/31/11	0	6	0	0	12/31/11	0	35	31	0
Bologna Multiservizi Soc.Cons. a r.l. . . . . .	12/31/10	1,325	3,989	0	0	12/31/10	1,566	0	3,319	0
	12/31/11	1,970	4,529	0	0	12/31/11	3,059	0	5,665	0
Global Vicenza Soc.Cons. a r.l. . . . . .	12/31/10	397	1,903	0	0	12/31/10	131	0	919	0
	12/31/11	327	2,021	0	0	12/31/11	520	0	811	0
Bologna Gestione Patrimonio Soc.Cons. a r.l. . . . . .	12/31/10	75	146	0	0	12/31/10	24	0	104	0
	12/31/11	280	148	0	0	12/31/11	308	0	266	0
Progetto Sant'Anna . . . . .	12/31/10	5,668	180	354	0	12/31/10	5,606	4,932	180	0
	12/31/11	13,261	104	170	0	12/31/11	5,691	5,154	45	0
S.I.MA.GEST3 Soc. Cons. r.l. in liquidazione . . . . .	12/31/10	0	0	0	0	12/31/10	0	0	0	0
	12/31/11	0	0	0	0	12/31/11	0	0	0	0
Telepost . . . . .	12/31/10	728	0	0	0	12/31/10	0	0	0	0
	12/31/11	0	0	0	0	12/31/11	0	0	0	0
Steril Piemonte Soc. cons. a.r.l. . . . . .	12/31/10	0	703	5	0	12/31/10	0	1,255	178	0
	12/31/11	0	930	24	0	12/31/11	5	1,274	253	0
HEADMOST . . . . .	12/31/10	725	0	0	0	12/31/10	1,455	0	0	0
	12/31/11	0	0	0	0	12/31/11	1,054	0	0	0
IPP . . . . .	12/31/10	55	70	1	0	12/31/10	28	100	70	0
	12/31/11	148	245	2	0	12/31/11	180	101	293	0
Alisei s.r.l. in liquidazione . . . . .	12/31/10	1	1	0	0	12/31/10	1	0	0	0
	12/31/11	1	1	0	0	12/31/11	3	0	1	0

Associates	Year	Revenues	Costs	Financial income	Financial expenses	Year	Trade receivables and others	Financial assets	Trade payables and others	Financial liabilities
San Martino 2000 Soc.Cons. r.l. . . . .	12/31/10	1,763	3,205	0	0	12/31/10	785	0	597	0
	12/31/11	1,769	3,370	0	0	12/31/11	1,273	211	963	0
Livia Soc. cons. a r.l. . . . .	12/31/10	244	1,021	0	0	12/31/10	331	0	1,203	0
	12/31/11	161	1,034	0	0	12/31/11	468	0	1,435	0
Gymnasium Soc. cons. a r.l. . . . .	12/31/10	0	6	0	0	12/31/10	1	7	28	5
	12/31/11	0	5	0	0	12/31/11	1	7	33	5
Geslotto 6 Soc. cons. a r.l. . . . .	12/31/10	0	4	0	0	12/31/10	6	20	26	0
	12/31/11	0	8	0	0	12/31/11	6	20	34	0
Fr.Ili Bernard s.r.l. . . . .	12/31/10	38	145	0	0	12/31/10	107	0	117	0
	12/31/11	36	368	0	0	12/31/11	107	0	148	0
SESATRE . . . . .	12/31/10	10	4,103	99	98	12/31/10	0	5,686	2,013	0
	12/31/11	10	4,193	111	111	12/31/11	394	4,066	2,210	919
Savia Soc. Cons. a r.l. . . . .	12/31/10	474	0	0	0	12/31/10	498	0	0	0
	12/31/11	898	2,213	0	0	12/31/11	415	0	1,191	0
Consorzio Sermagest Soc.Cons.a r.l in liquidazione . . . . .	12/31/10	0	0	0	0	12/31/10	77	0	4	0
	12/31/11	0	0	0	0	12/31/11	77	0	4	0
Se.Ste.Ro S.r.l. . . . .	12/31/10	2	30	0	0	12/31/10	2	0	32	0
	12/31/11	9	387	0	0	12/31/11	14	100	355	0
Napoli 5 Soc.Cons. a r.l. . . . .	12/31/10	1,307	1,224	0	0	12/31/10	1,266	0	229	0
	12/31/11	1,373	1,234	0	0	12/31/11	2,536	0	1,259	0
PIT-Promoz. Impr. e Territ. Soc.Cons.a r.l. . . . .	12/31/10	0	0	0	0	12/31/10	0	10	0	0
	12/31/11	0	0	0	0	12/31/11	0	0	0	0
Servizi Marche Soc. Cons. r.l. in liquidazione . . . . .	12/31/10	0	0	0	0	12/31/10	0	0	0	0
	12/31/11	3	1	0	0	12/31/11	12	0	5	0
Consorzio Leader Soc. Cons. a r.l. in liquidazione . . . . .	12/31/10	0	0	0	0	12/31/10	0	0	0	0
	12/31/11	3	0	0	0	12/31/11	13	0	6	0
Perimetro Gestione Proprietà Immobiliari Soc. Cons. p.A. . . . .	12/31/10	0	0	0	0	12/31/10	0	0	0	0
	12/31/11	335	0	0	0	12/31/11	165	0	0	0

Subsidiaries of Parent	Year	Revenues	Costs	Financial income	Financial expenses	Year	Trade receivables and others	Financial assets	Trade payables and others	Financial liabilities
Manutencoop Immobiliare S.p.A. . . . .	12/31/10	1,310	2,178	0	0	12/31/10	688	0	36	0
	12/31/11	1,912	1,957	0	0	12/31/11	564	267	437	0
Manutencoop Servizi Ambientali S.p.A. . . . .	12/31/10	75	50	0	0	12/31/10	15	0	40	0
	12/31/11	36	9	0	0	12/31/11	34	0	14	5
Sies S.r.l. . . . .	12/31/10	1,876	0	0	0	12/31/10	543	0	154	0
	12/31/11	451	0	0	0	12/31/11	88	0	23	12
Cerpac S.r.l. . . . .	12/31/10	0	0	0	0	12/31/10	1	0	0	0
	12/31/11	0	0	0	0	12/31/11	1	0	0	0

Associates of the Parent and other related parties	Year	Revenues	Costs	Financial income	Financial expenses	Year	Trade receivables and others	Financial assets	Trade payables and others	Financial liabilities
Consorzio Cooperativo Karabak Soc.a r.l. . . . .	12/31/10	49	0	0	0	12/31/10	4	0	2	0
	12/31/11	65	0	0	0	12/31/11	20	0	2	0
Consorzio Karabak Tre Società Cooperativa . . . . .	12/31/10	2	0	0	0	12/31/10	2	0	0	0
	12/31/11	0	0	0	0	12/31/11	0	0	0	0
Consorzio Karabak Quattro Società Cooperativa . . . . .	12/31/10	1	0	0	0	12/31/10	1	0	0	0
	12/31/11	0	0	0	0	12/31/11	0	0	0	0
Consorzio Karabak Cinque Società Cooperativa . . . . .	12/31/10	3	0	0	0	12/31/10	3	0	0	0
	12/31/11	0	0	0	0	12/31/11	0	0	0	0
Consorzio Karabak Due Società Cooperativa . . . . .	12/31/10	0	0	0	0	12/31/10	0	0	0	0
	12/31/11	1	0	0	0	12/31/11	1	0	0	0
Socoa S.r.l. . . . .	12/31/10	5	37	0	0	12/31/10	3		36	0
	12/31/11	71	70	0	0	12/31/11	72		151	0

Total Related Parties	Year	Revenues	Costs	Financial income	Financial expenses	Year	Trade receivables and others	Financial assets	Trade payables and others	Financial liabilities
	12/31/10	25,287	73,065	500	141	12/31/10	23,960	15,431	31,331	4,609
	12/31/11	32,140	74,449	348	153	12/31/11	27,373	17,043	39,791	4,368

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