MANUTENCOOP

2016

ANNUAL REPORT

AT 31 DECEMBER 2016

EXPLANATORY NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

REGISTERED OFFICE

Via U. Poli, 4
Zola Predosa (Bo)

BOARD OF DIRECTORS

Appointed by the Shareholders' Meeting of 30.11.2016

CHAIRMAN
Marco Canale

VICE CHAIRMAN
Giuliano Di Bernardo

CEO
Aldo Chiarini

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

BOARD OF STATUTORY AUDITORS

Appointed by the Shareholders' Meeting of 30.11.2016

STANDING AUDITORS
Germano Camellini
Monica Mastropaolo
Vieri Chimenti

ALTERNATE AUDITORS
Antonella Musiani
Augusto Bagnoli

INDEPENDENT AUDITORS

Ernst & Young S.p.A.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Euro)	NOTE	For the year ended 31 December 2016	For the year ended 31 December 2015
Net profit (loss) from continuing operations for the year		**32,481**	**(42,482)**
Income taxes for the year		14,738	18,032
Profit/(Loss) before taxes from continuing operations		**47,219**	**(24,450)**
Profit(loss) for the period from discontinued operations		1,052	(2,887)
Capital (profits)/losses from discontinued operations		(1,409)	2,225
Amortization, depreciation, write-downs and (write-backs) of assets		32,714	32,513
Accrual (reversal) of provisions for risks and charges		(10,107)	51,561
Employee termination indemnity provision		889	838
Payments of employee termination indemnity		(2,673)	(2,769)
Utilization of provisions for risks and charges		(7,503)	(11,244)
Share of net profit of associates, net of dividends collected		(1,688)	940
Financial charges (income) for the year		28,257	32,891
Operating cash flows before movements in Working Capital		**86,751**	**79,618**
Of which related to discontinued operations		(1,409)	(922)
Of which related to continuing operations		88,160	80,540
Decrease (increase) of inventories		381	(92)
Decrease (increase) of trade receivables		58,123	54,552
Decrease (increase) of other current assets		4,804	(985)
Increase (decrease) of trade payables		(33,828)	1,060
Increase (decrease) of other current liabilities		(8,621)	(28,742)
Change in Working Capital		**20,860**	**25,792**
Net interest received (paid) in the year		(26,471)	(32,639)
Income tax paid in the year		5,300	(5,072)
Net cash flow from operating activities		**86,441**	**67,699**
Purchase of intangible assets, net of sales	4	(6,857)	(6,502)
Purchase of property, plant and equipment	3	(23,677)	(17,389)
Proceeds from sales of property, plant and equipment	3	835	793
Acquisition of investments		(505)	848
Decrease (increase) of financial assets		(490)	(932)
Net cash used in business combinations		0	(408)
Discontinuing activities	21	9,274	4,932
Net cash flow used in investing activities		**(21,421)**	**(18,659)**
Proceeds from non-current borrowings	15	0	10,000
Repayment of non-current borrowings	15	0	(80,000)
Payment of financial lease liabilities	15	(570)	(804)
Proceeds from/(repayment of) short term bank debt	15	(22,207)	21,180
Proceeds from non-current borrowings	15	18,386	1,615
Dividends paid		(25)	(20)
Acquisition/sale of minority interests in subsidiaries		(4)	(1)

(in thousands of Euro)	NOTE	For the year ended 31 December 2016	For the year ended 31 December 2015
Net cash flow from / (used in) financing activities		**(4,419)**	**(48,030)**
Changes in cash and cash equivalents		**60,601**	**1,009**
Cash and cash equivalents at the beginning of the year		114,391	113,382
Changes in cash and cash equivalents		60,601	1,009
Cash and cash equivalents at the end of the year		**174,992**	**114,391**
Details of cash and cash equivalents:			
Cash and bank current accounts		174,992	114,391
TOTAL CASH AND CASH EQUIVALENTS		**174,992**	**114,391**

SUPPLEMENTARY INFORMATION

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

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

EXPLANATORY NOTES

1. GENERAL INFORMATION

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

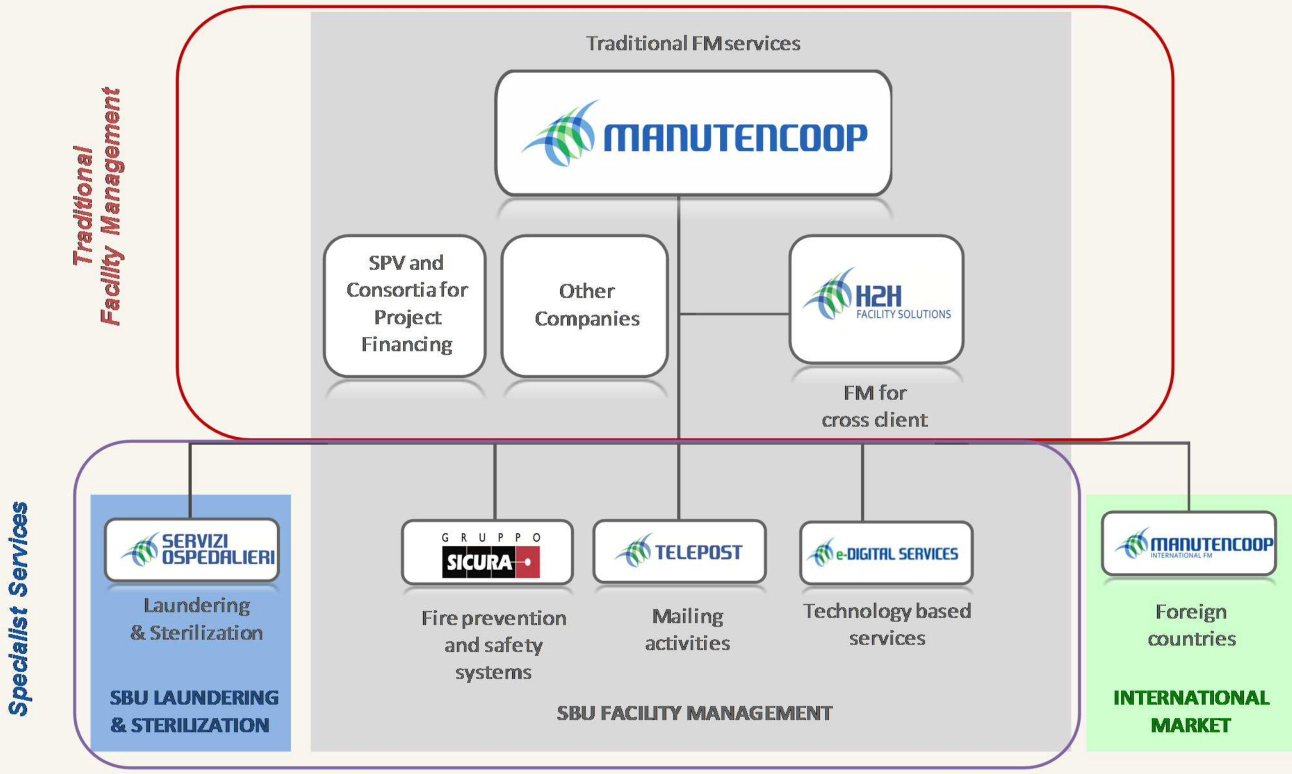
1.1 The business

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

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

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

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



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

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

- Cleaning;
- Technical Services;
- Landscaping.

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

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

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

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

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

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

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

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

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

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

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

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

2. ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

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

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

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

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

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

2.1 Statement of compliance with international accounting standards (IFRS)

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

2.2 Changes in accounting standards and disclosures

The criteria adopted for the preparation of the consolidated Financial Statements are consistent with those used to prepare the consolidated Financial Statements of the previous year, with the exception of the aspects detailed below for the standards and interpretations which are newly issued and applicable from 1 January 2016.

The Group did not provide for the early adoption of any standard, interpretation or improvement issued but still not obligatorily in force.

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

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

- *Amendments to IFRS10, IFRS12 and IAS28 – Applying the Consolidation Exception*. The amendments clarify the applicability of the consolidation exceptions for an investment entity. In fact, an Investment entity measures its investments at fair value, while its parent company (if any) will be required to consolidate the subsidiaries of the investment entity. Furthermore, it is also specified that said subsidiaries must be measured at fair value if they are other than investment entities and do not provide services related to the parent’s investments activities.
- *Amendments to IFRS11 – Joint Arrangements*. This amendment explains that if an entity acquires an interest in a joint operation which constitutes a form of business, it must apply, within the limits of its investment, the accounting standards and disclosure requirements laid down in IFRS 3, Business Combinations, and those in all other IFRSs that do not conflict with the provisions of IFRS 11.
- *Amendments to IAS16 and IAS38 – Clarification of Acceptable Methods of Depreciation and Amortisation.* This amendment explains that it is advisable to use methods of amortisation and depreciation of fixed assets that take the actual economic benefit of using them into account. If goods or assets are used in business operations, the ratio between the revenue generated by business and the entity’s total revenues is not a correct reflection of the amortisation or depreciation percentage to apply. This ratio may only be used in limited cases for the amortisation of intangible assets.
- *Amendments to IAS16 and IAS41*. This amendment explains that biological assets used in agriculture (e.g. fruit trees) continue to be subject to the requirements of IAS 16 while their products (e.g. the fruit gathered) continue to be subject to the requirements of IAS 41.

- *Amendments to IAS27 – Equity Method in Separate Financial Statements*. This amendment explains that since the equity method is used for accounting for investments in subsidiaries and associates in certain countries, the option previously provided for in IAS 27 has been reinstated. Therefore, the investments in the Separate Financial Statements can be valued at cost (IAS27), in accordance with IAS39 or the new IFRS9 or by using the equity method (IAS27 amended). The method adopted must be applied homogeneously for all types of these investments.
- *Amendments to IAS1 – Presentation of Financial Statements*. The amendments provide clarifications on the requirements of materiality of IAS1 and of elements recognised in the OCI Statement and in the Statement of Financial Position, which may be further disaggregated. Furthermore, it is clarified that the share of OCI of equity-accounted associates and joint ventures should be reported in aggregate as single line items, based on whether or not it will subsequently be reclassified to the Statement of Profit/loss for the year.

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

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

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

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

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

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

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

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

Improvements to IFRS

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

As early as in 2014, the IASB issued a new series of amendments to IFRS (series 2012-2014, which follows the previous series 2009-2011, 2010-2012 and 2011-2013). These improvements have specifically concerned a change in the sales programmes under IFRS5 – Non-current Assets Held for Sale and Discontinued Operations, the applicability of IFRS7 – Financial Instruments in the condensed Interim Financial Statements, the use of discount rates under IAS19 – Employee Benefits and the disclosures to be supplemented with respect to IAS34 – Interim Financial Reporting. The amendments will be obligatory applicable as from the financial years that will end after 1 January 2016.

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

2.3 Discretionary assessments and significant accounting assumptions

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

Discretionary assessments

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

Uncertainty of estimates

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

Impairment test

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

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

Provisions for risks and charges and Allowance for doubtful accounts

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

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

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

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

Recognition of revenues and costs relating to contract work in progress

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

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

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

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

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

Consolidation principles

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

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

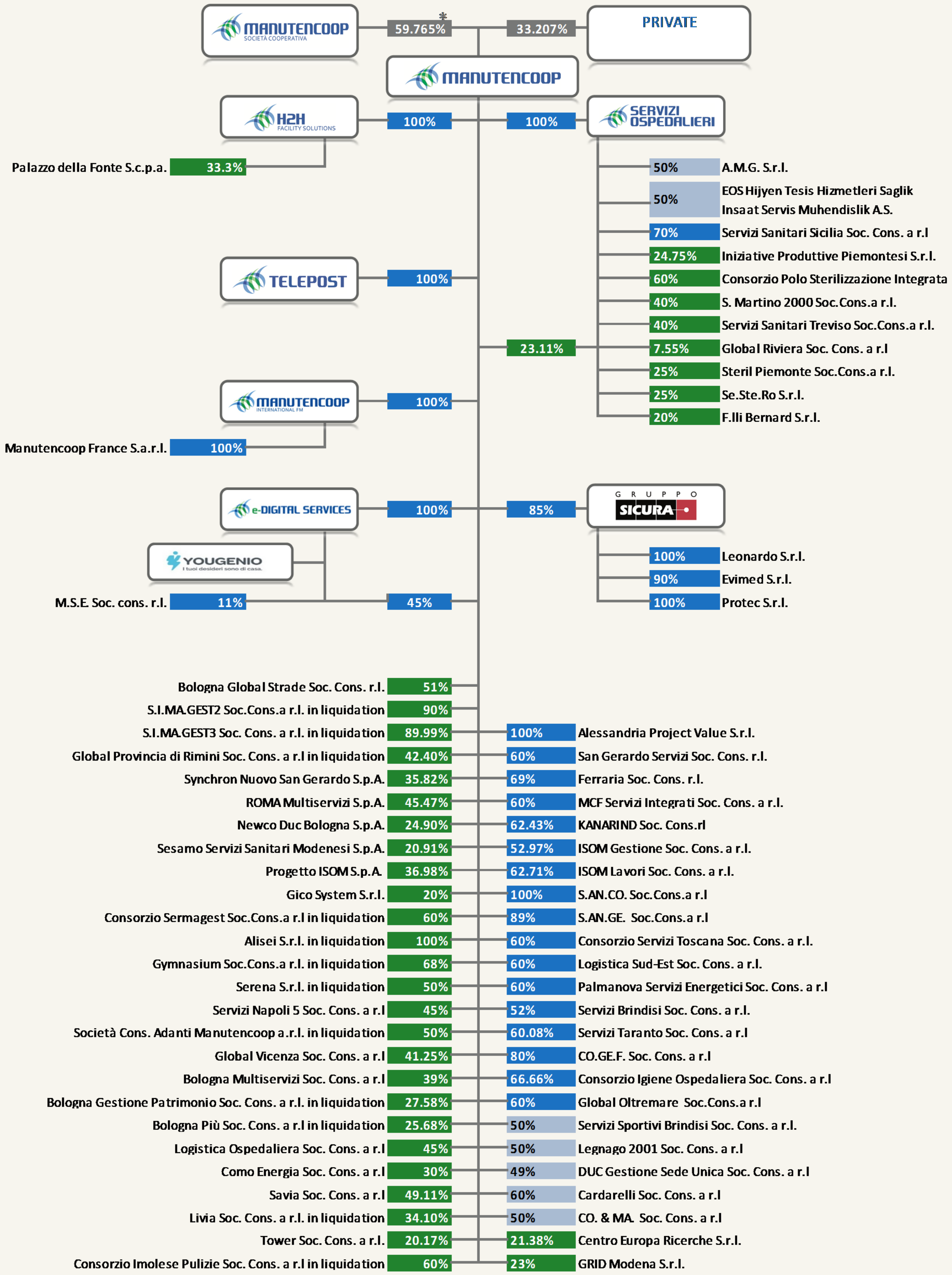
Subsidiaries are consolidated on a line-by-line basis starting from the acquisition date, i.e. the date on which the Group acquires control, and are deconsolidated on the date in which control is transferred out of the Group.

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

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

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

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



Legend:

- Subsidiaries consolidated on a line-by-line basis
- Joint Ventures consolidated by equity method
- Associates and other companies consolidated by equity method

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

During the year:

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

2.4 Summary of the main accounting policies

Conversion of foreign currency items

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

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

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

Property, plant and equipment

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

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

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

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

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

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

A qualifying asset is an asset that requires a certain period of time to be ready for use. The capitalisation of financial costs ceases when all the activities needed to make the qualifying asset ready for use have been completed.

Extraordinary maintenance expenses are only included in the carrying amount of the asset when the company is likely to receive the associated economic benefits in the future and the cost can be reliably measured. The costs of repairs, maintenance or other operations to ensure the functioning of the assets are charged to the income statement in the year in which they are incurred.

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

Goodwill

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

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

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

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

Other intangible assets

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

The useful life of the intangible assets is finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and subject to fairness tests whenever there is evidence of potential impairment losses. The amortisation period and method applied thereto are reviewed at the end of each

financial year or more frequently if necessary. Changes in the expected useful life or the methods with which the future economic benefits of the intangible asset are achieved by the Group are recorded by modifying the amortisation period or method, as necessary, and treated as changes in the accounting estimates. The amortisation charges of intangible assets with a finite useful life are recorded in the income statement under the cost category ‘amortisation, depreciation, write-downs and write-backs of assets’.
The Group did not record any intangible assets with an indefinite useful life, with the exception of goodwill.

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

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

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

Equity investments in joint venture and in associates

According to the equity method, the equity investment is recognized in the balance sheet at cost increased by changes, after the acquisition, in the Group’s share of the investee’s net assets. Goodwill relating to the associate is included in the carrying amount of the equity investment and not subject to amortisation. Following application of the equity method, the Group determines whether it is necessary to recognize any additional impairment losses with reference to the Group’s net equity investment in the investee. The income statement reflects the Group’s share of the investee’s result for the year. In the event in which the investee recognises adjustments directly in shareholders’ equity, the Group recognises its share, and presents this, where applicable, in the statement of changes in shareholders’ equity.
In the majority of cases, the end of the investees’ financial year is the same as that of the Group. Where this does not occur, in most cases, the investees prepare accounting statements at the reporting date of the Group’s financial year. The accounting standards used conform to those used by the Group.

Impairment of assets

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

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

Financial assets

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

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

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

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

The accounting policies applied by the Group are the following:

Loans and receivables

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

Available-for-sale financial assets

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

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

Inventories

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

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

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

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

Trade receivables and other receivables

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

Contracts for construction work and plant building

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

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

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

Cash and cash equivalents

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

Loans

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

Derecognition of financial assets and liabilities

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

› the contractual rights over cash flows arising from financial assets have expired;
› the Group has transferred the financial asset (transferring the right to receive cash flows from the asset or retaining the right to receive these but assuming the contractual obligation to pay them in full

and without delay to a third party) and has transferred substantially all risks and rewards of ownership of the financial asset.

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

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

Impairment of financial assets

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

Assets valued according to the amortised cost criterion

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

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

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

Assets recognised at cost

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

Available-for-sale financial assets

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

Provisions for risks and charges

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

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

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

Provision for employee termination benefits

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

Employee benefits

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

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

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

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

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

The Group has no other significant defined benefit pension plans.

Leasing

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

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

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

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

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

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

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

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

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

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

Revenue recognition

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

Provision of services

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

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

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

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

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

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

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

Building activity

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

Sale of assets

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

Interest

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

Dividends

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

Government grants

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

Income taxes

Current taxes

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

Deferred taxes

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

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

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

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

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

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

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

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

VAT

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

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

Derivative financial instruments and cash flow hedges

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

In particular, the transaction is considered a hedge if documentation exists on the relationship between the hedging instrument and the liability hedged that shows risk management objectives, the hedging strategy and methods used to verify the effectiveness of the hedge. A transaction is considered a hedge if the effectiveness is verified at the moment it starts and, going forward, confirmed during its entire life.

Within the scope of the International Accounting Standards (IFRS), these instruments are viewed as derivative financial instruments.

These derivative financial instruments are initially recognised at fair value at the date they are stipulated; subsequently, said fair value is re-measured periodically. They are accounted as assets when the fair value is positive and liabilities in the case of a negative fair value.

Any profits or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are charged directly to the income statement in the year.

Service concession arrangements

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

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

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

Earnings per share

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

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

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

Operating segments

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

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

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

Methods of calculation of the costs allocated to the segments

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

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

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

Changes in accounting estimates and errors

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

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

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

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

recognised as a decrease in "Plant and equipment", equal to € 614 thousand, in the form of sterilisation machinery located at the industrial site in Teramo, as a result of the reorganisation of the Teramo production site after the acquisition of the property from Manutencoop Immobiliare S.p.A. and after the bad weather which affected the area.
The "other changes" mainly relate to reclassifications of lower amounts under classes and categories of assets, first of all after the repurchase of leased assets and equipment, including, in particular, the redemption of a property located in Genoa and used as a warehouse, which was previously held under a lease and was disposed of during the year.

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

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

4. OTHER INTANGIBLE ASSETS

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

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

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

Other intangible assets, amounting to € 26,114 thousand at 31 December 2016, mainly consist of investments in software carried out as part of the projects aimed at upgrading and enhancing the corporate information systems.

The additions from acquisitions for the period (€ 6,858 thousand) were mainly attributable to the Facility management SBU, for € 6,637 thousand, of which € 738 thousand related to the investments made by the start-up Yougenio for the creation of the e-commerce portal intended for the B2C market.

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

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

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

5. IMPAIRMENT TEST OF GOODWILL

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

SBU – Facility management

The SBU is identified with:

- Manutencoop Facility Management S.p.A.
- H2H Facility Solutions S.p.A.
- the Group controlled by Sicura S.p.A., operating in the facility management segment as supplier of specialist services
- Telepost S.p.A., a specialist company for internal mailing services for the Telecom Italia Group
- e-Digital Services S.r.l., which is active in the sector of high technology services to businesses
- Yougenio S.r.l., which is active in the facility management for the B2C market

- Manutencoop International F.M. S.r.l. and its foreign subsidiaries, dedicated to commercial development in international markets
- other minor investee companies operating in the same segment.

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

SBU – Laundering & Sterilization

The SBU is identified with:

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

SBU – Other

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

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

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

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

Facility management CGU goodwill

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

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

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

Laundering & Sterilization CGU goodwill

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

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

Impairment Test

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

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

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

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

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

6. INVESTMENTS IN COMPANIES VALUED UNDER THE EQUITY METHOD

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

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

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

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

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

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

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

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

7. OTHER ITEMS OF NON-CURRENT ASSETS

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

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

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

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

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

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

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

8. INVENTORIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

contracts, which fully acknowledged the payment of the amounts required by way of recourse for VAT (overall € 5,597 thousand) to MFM S.p.A., even in consideration of the payment of an amount of € 1,680 thousand to the customer by way of compensation, which was entered under Other operating costs as at 31 December 2016.
Furthermore, this item includes the receivables arising from the VAT settlements of Group companies (€ 12,197 thousand compared to € 10,648 thousand at 31 December 2015).
The same item had also been recognizing, since 2012, receivables of € 2,587 thousand from the Tax Authorities on account of refund following the petition submitted for the deduction of IRAP (Local Production Activities) tax from the IRES (Corporate Income) tax base by companies not adhering to the National Tax Consolidation agreement with Manutencoop Società Cooperativa. These receivables were assigned without recourse to Banca Farmafactoring during the period.

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

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

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

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

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

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

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

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

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

11. SHARE CAPITAL AND RESERVES

	31 December 2016	31 December 2015
Share Capital - Ordinary shares	109.150	109.150

Ordinary shares have a nominal value of Euro 1 each. Ordinary shares issued and fully paid up at 31 December 2016 amounted to 109,149,600.

The Parent Company does not hold own shares.

Reserves and Retained Earnings

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

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

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

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

The table below shows changes in *Retained earnings*:

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

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

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

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

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

12. EMPLOYEE TERMINATION INDEMNITY (TFR)

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

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

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

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

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

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

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

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

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

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

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

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

	For the Financial year ended	
	31 December 2016	31 December 2015
Executives	58	57
Office workers	1,253	1,358
Manual workers	15,009	14,764
AVERAGE STAFF	**16,320**	**16,179**

The average number of leased employees provided to the Group by Manutencoop Società Cooperativa was equal to no. 467 units at 31 December 2016 (31 December 2015: no. 526 units).

13. PROVISIONS FOR RISKS AND CHARGES

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

	Risks on investments	Risks on job orders	Pending legal disputes	Tax litigation	Agents' indemnity leave	Termination employee benefits	Bonuses	Other provisions	Total
At 1 January 2016	**65**	**8,157**	**57,717**	**478**	**192**	**4,254**	**1,326**	**1,064**	**73,253**
Accruals	8	1,640	4,366	0	0	1,400	0	417	**7,831**
Uses	0	(871)	(1,634)	0	(10)	(3,654)	(1,208)	(125)	**(7,503)**
Reversal	0	(402)	(17,356)	0	0	0	(119)	(61)	**(17,938)**
Others	0	(370)	(56)	0	20	0	0	0	**(406)**
At 31 December 2016	**72**	**8,153**	**43,037**	**478**	**202**	**2,000**	**0**	**1,294**	**55,237**
***At 31 December** 2016:*									
Current	*72*	*7,779*	*362*	*478*	*0*	*2,000*	*0*	*24*	***10,715***
Non-current	*0*	*374*	*42,676*	*0*	*202*	*0*	*0*	*1,270*	***44,522***

	Risks on investments	Risks on job orders	Pending legal disputes	Tax litigation	Agents' indemnity leave	Termination employee benefits	Bonuses	Other provisions	Total
***At 31 December** 2015:*									
Current	*65*	*7,885*	*432*	*478*		*4,254*	*1,326*	*75*	***14,515***
Non-current		*272*	*57,285*		*192*			*989*	***58,738***

Provision for risks on investments

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

Provision for risks on job orders

This provision includes, at consolidated level:

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

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

Provision for pending disputes

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

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

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

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

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

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

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

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

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

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

On 23 March 2017 AGCM notified MFM S.p.A. of the initiation of a preliminary investigation procedure against CNS – Consorzio Nazionale Servizi Società Cooperativa, Dussmann Service, S.r.l., Engie Servizi S.p.A. (formerly Cofely Italia S.p.A.), ManitalIdea S.p.A., MFM S.p.A., Romeo Gestioni S.p.A. and STI S.p.A. in order to establish whether these companies implemented any possible understanding restricting competition, concerning the coordination of the procedures to participate in the tender launched by Consip in 2014 for awarding the Facility Management services to be rendered to the properties that are mainly intended for office use on the part of the Public Authorities ("FM4 Tender").
To date AGCM has started preliminary investigations only. The Company firmly rejects the arguments holding an alleged collusive agreement with the other companies involved in the proceedings. The Directors believe that in no case are the requirements met in terms of probability, as well as of reliable estimate, required by the international accounting standards to set aside a provision for risks.

With reference to the events referred to above, the Directors also believe that: (i) the risk of being excluded from future Consip tenders for "work of the same type", as a result of the specific clause mentioned above, which is regarded as probable, should not entail significant effects, given that it should be limited to possible Consip tenders that should mainly concern school cleaning services, which at present do not fall within the scope of the pipeline of the tenders still being awarded; (ii) the risk of being excluded from public tenders (including, but not limited to, the tenders launched by Consip) at the initiative of the contracting authority or upon appeal by a competitor appears to be not probable; in fact, despite a context that is significantly affected by new laws and more restrictive approaches with respect to previous rules, the Company believes, also according to the opinions provided by its own legal counsels, that the risk may mainly arise from delays in awarding some tenders attributable to situations of further worsening of the disputes connected with the participation in or the awarding of said tenders; (iii) to date the risk of the

Company being temporarily excluded from public tenders as a result of an order issued by the ANAC can be reasonably regarded as not probable, in consideration of the defence arguments discussed with the Company's legal counsels, which may be submitted both upon participation in the ANAC procedure and at the time of any possible appeal filed with administrative courts, if required. ANAC shall complete its preliminary investigations within 180 days from the opening of the same, which has not yet occurred to date.

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

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

Tax litigation

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

Provision for termination employee benefits

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

Provision for bonuses

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

Other provisions for risks and charges

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

14. DERIVATIVES

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

15. BORROWINGS, LOANS AND OTHER CURRENT FINANCIAL LIABILITIES

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

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

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

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

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

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

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

To protect the investment of the Bondholders of the notes, the rules governing the bond issue provide for a system of guarantees and restrictions (covenants). In fact, some limitations are envisaged on the financial operations of the Issuer and of its subsidiaries, while leaving the Group the freedom of movement insofar as the operations undertaken contribute, at least potentially, added value and cash flows to the Group. These restrictions consist of limitations on the possibility of incurrence of indebtedness and of making distributions of dividends, investments and some types of payments that fall outside the scope of the so-called Restricted Group payments. Furthermore, there are provisions in relation to the allocation of sums obtained from the transfer of fixed assets, extraordinary operations and transactions with related parties and the issue of collaterals to third parties on corporate assets. The restrictions in question lie not so much in the absolute prohibition on carrying out the abovementioned operations, but rather in checking for compliance with certain financial ratios (incurrence base financial covenants), the presence of certain conditions or a quantitative limit on the performance of the above operations. Finally, periodic disclosure obligations are provided for in relation to the Group's financial position, results of operation and cash flows.

The limits and provisions envisaged in the rules governing the bond issue are in line with the market practice for similar operations. The failure by the Issuer to comply with one or more covenants, in addition to significant events that express a state of insolvency, constitute events of default. For the most of them, there is the possibility of remediation within a certain period of time. The event of default relating to the state of insolvency or the absence of remediation of any other events of default are a reason for acceleration, i.e. the forfeiture of the right to the time limit and the early redemption of the bonds. As at the reporting date of these financial statements, no events of default had occurred and the financial covenants, in relation to which no periodic check is required, had been complied with.

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

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

Accrued interest expenses

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

Current account overdrafts, advance payments and hot money

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

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

Obligations arising from finance lease

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

Syndicated loans

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

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

Due to factoring agencies

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

Obligations from assignments of receivables with recourse

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

Share capital to be paid into investee companies

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

Debt for the acquisition of investments/business units

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

Options on subsidiaries' minority shareholdings

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

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

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

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

	31 December 2016	of which to related parties	31 December 2015	of which to related parties
Deferred income	1,366		1,167	
Accrued expenses and deferred income	**1,375**	**0**	**1,177**	**0**
OTHER CURRENT LIABILITIES	**85,909**	**45**	**94,572**	**593**

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

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

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

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

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

17. OPERATING SEGMENTS

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

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

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

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

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

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

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

	Facility Management	Laundering & Sterilization	Other Activities	Eliminations	Total
Segment Revenues	819,153	138,568	2,205	(4,197)	**955,729**
Segment costs	(823,180)	(124,891)	(2,845)	4,197	**(946,718)**
Operating income (loss) by segment	**(4,027)**	**13,678**	**(640)**	**0**	**9,011**
Share of net profit of associates	(96)	186			90
Net financial income (costs)					(33,550)
Profit (loss) before taxes					**(24,451)**
Income taxes					(18,031)
Profit (loss) from discontinued operations	(2,887)				(2,887)
NET PROFIT (LOSS) FOR THE YEAR ENDED 31 DECEMBER 2015					**(45,369)**

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

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

Geographical areas

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

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

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

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

18. REVENUES FROM SALES AND SERVICES

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

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

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

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

19. OTHER REVENUES

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

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

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

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

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

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

20. COSTS OF RAW MATERIALS AND CONSUMABLES

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

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

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

21. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

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

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

For the year ended 31 December 2016, Costs for services and use of third party assets totalled € 331,365 thousand, marking a decrease of € 4,749 thousand compared to the previous year, mainly due to lower costs for third party services (€ 8,708 thousand). As early as in previous years the Group started up a process to increase insourcing of certain activities, which resulted in a change in the mix of production factors in favour of the cost of labour, as described in detail under note 22 below. At the same time, the Group set targets for limiting overheads relating to its organizational structures.

22. PERSONNEL COSTS

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

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

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

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

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

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

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

23. OTHER OPERATING COSTS

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

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

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

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

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

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

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

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

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

25. DIVIDENDS, INCOME AND CHARGES FROM INVESTMENTS

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

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

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

26. FINANCIAL INCOME

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

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

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

27. FINANCIAL COSTS

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

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

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

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

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

28. CURRENT, PREPAID AND DEFERRED TAXES

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

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

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

More specifically, the main changes are as follows:

- An increase of € 3,278 thousand in the current IRES tax balance;
- A decrease of € 403 thousand in the current IRAP tax balance;
- A decrease of € 2,546 thousand in the balance of income from tax consolidation;
- Negative adjustments to current taxes relating to previous years for € 3 thousand (€ 222 thousand in positive adjustments at 31 December 2015);
- recognition of a net income amounting to € 1,245 thousand, relating to the total balance of prepaid and deferred taxes against the recognition of a net charge of € 7,250 thousand in the previous year.

The future recovery of deferred tax assets has been assessed on the basis of the same forecasts as those used by the Management for the impairment test on goodwill (see note 5).

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

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

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

	31 December 2016		31 December 2015	
		%		%
PRE-TAX PROFIT	**48,604**		**(28,164)**	
of which discontinued operations	*1,385*		*(3,713)*	
Ordinary rate applicable		1.17%		1.17%
		2.30%		2.30%
		2.68%		2.68%
		2.78%		2.78%
		2.93%		2.93%
		2.98%		2.98%
		3.44%		3.44%
		3.90%		3.90%
		4.60%		4.60%
		4.73%		4.73%

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

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

Deferred and prepaid taxes

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

	Financial Statement Tax Effect		Economic Tax Effect	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Prepaid taxes:				
Multi-year costs	120	197	77	136
Maintenance exceeding deductible limit	57	89	32	40
Presumed losses on receivables	5,259	4,481	(368)	2,120
Provisions for risks and charges	5,115	5,442	303	2,034

	Financial Statement Tax Effect		Economic Tax Effect	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Write-downs on asset items	659	1,049	390	749
Discounting-back of receivables		401		(16)
Fees due to Directors, Statutory Auditors and Independent Auditors	330	211	(119)	(20)
Amortization	906	788	(173)	184
Interest expense	6,302	4,110	(2,192)	1,965
Employee benefits and length of service bonuses	30	43	12	52
Employee incentives	4	247	243	247
Cash cost deduction	8	7	(1)	6
Other adjustments	2,181	1,978	(195)	646
Total prepaid taxes	**20,971**	**19,044**	**(1,991)**	**8,143**
Deferred taxes:				
Tax amortisation	(1)	(15)	(14)	
Lease for tax purposes		(39)	(39)	(8)
Employee benefit discounting		(51)	(51)	
Goodwill amortisation	(9,454)	(8,616)	837	(310)
Purchase Price Allocation (PPA)	(1,828)	(1,873)	(68)	(310)
Capital gains - deferred taxation		(10)	(10)	1
Undistributed profit	(326)	15	38	(359)
Other temporary differences	(203)	(181)	32	(28)
Other consolidation adjustments		(398)		309
Total deferred taxes	**(11,812)**	**(11,167)**	**725**	**(705)**
NET PREPAID/(DEFERRED) TAXES	**9,159**	**7,877**	**(1,266)**	**7,438**

29. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

As early as in 2014, MFM S.p.A. classified, as held for sale, the public lighting business that was only conducted by subsidiary SMAIL S.p.A. and was subsequently transferred to third parties on 13 November 2015. Furthermore, on 30 December 2014 MFM S.p.A. transferred the total stake in MIA S.p.A., the sub-holding company of the group active in the maintenance and installation of lifting equipment (MIA Group).

In the Consolidated Financial Statements at 31 December 2016, as well as at 31 December 2015, the economic results achieved by these activities have been excluded from the perimeter of "Continuing operations" and are recognized under a single item of the Statement of Profit or Loss as "Profit (loss) from discontinued operations", in accordance with IFRS5.

Profit (loss) from discontinued operations

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

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

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

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

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

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

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

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

The cash flows reported at 31 December 2016 mainly related to the collection of an amount of € 3,948 thousand and € 5,000 thousand on 9 May 2016 and 30 December 2016 respectively, relating to the receivable for escrowed sums on the transfer of the total quota held in MIA S.p.A. (the sub-holding company of the related group of companies operating in the market of lifting equipment installation and maintenance) which took place on 30 December 2014. The transfer agreement provided for the definition of a preliminary price of the investment, in addition to the full repayment of the intragroup loan, which was outstanding, as at that date, between the transferred company and the transferor MFM S.p.A.. On the closing date of the transaction, a portion of the transfer price (€ 10 million) was paid by the buyer into an escrow account, as security for the future commitments entered into by the parties, which had been settled in full on the reporting date. The financial items were settled in 2015 for € 18 thousand.

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

30. EARNINGS PER SHARE

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

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

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

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

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

Dividends

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

31. COMMITMENTS AND CONTINGENT LIABILITIES

Financial lease

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

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

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

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

Guarantees given within the Senior Secured Notes

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

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

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

The guarantees listed above may be enforced by the counterparties only in the case that one of the events of default envisaged in the abovementioned contracts occurs; up to the occurrence of the same, the assets covered by the guarantee are fully available to the Group. At 31 December 2016 no events of default had occurred.

Contingent liabilities

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

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

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

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

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

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

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

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

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

32. TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

- e-Digital Solutions S.r.l. signed a contract with associate Roma Multiservizi S.p.A. on the basis of which it is committed to providing an Information System service. The contract, expiring on 31 December 2017, makes provision for an annual consideration of € 815 thousand.
- Manutencoop Cooperativa sub-leased to MFM S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The duration of the lease has a 5-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 1,723 thousand, to be paid in 12 monthly instalments. The contract is currently being renewed.
- The affiliate company Manutencoop Immobiliare S.p.A. leased to Sicura S.r.l. the property located in Vicenza (VI), at via Zamenhof no. 363, for use as offices/warehouse. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 390 thousand, to be paid in 12 monthly instalments.
- The affiliate company Manutencoop Immobiliare S.p.A. leased to MFM S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 348 thousand, to be paid in 12 monthly instalments.
- On 6 July 2007, MFM S.p.A. signed a framework agreement with its parent company, Manutencoop Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Cooperativa to MFM S.p.A, pursuant to Title III, Chapter I of Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a legislative contract that does not grant rights to third parties, MFM and the parent company Manutencoop Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Cooperativa, and the operating rules for establishing and terminating said contracts.
- Manutencoop Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the MFM Group, to preparing pay packets.
- MFM S.p.A. signed agreements with Manutencoop Cooperativa and its subsidiaries for the provision of tax consultancy services.

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

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

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

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

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

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

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

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

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

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

33. MANAGEMENT OF FINANCIAL RISKS

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

In 2013 the Parent Company issued secured high-yield bond due August 2020, which radically revised the composition of the sources of financing. The bond issue that has been described has then rationalised our debt structure with a view to greater future financial stability that is more consistent with medium- and long-term strategic growth and development targets. The other financial instruments that are traditionally used by the Group Companies are made up of:

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

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

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

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

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

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

The other financial assets posted in the Statement of financial position are not measured at fair value.
The Group has no financial liabilities measured at fair value at 31 December 2016 and 31 December 2015.
During the period under consideration there were no transfers between fair value measurement levels.

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

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

Classes of financial assets and liabilities

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

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

	31 December 2016	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	305,482		305,482
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	50		50
Total non-current financial liabilities	**305,532**	**0**	**305,532**
Current financial liabilities			
Trade payables and advances from customers	346,308		346,308
Current tax payables	1,363		1,363
Other current liabilities	85,909		85,910
Bank borrowings and other financial liabilities	52,839		52,839

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

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

	31 December 2015	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	3,502	3,502	
Non-current financial assets	15,657		15,657
Other non-current assets	2,180		2,180
Total non-current financial assets	**21,339**	**3,502**	**17,837**
Current financial assets			
Trade receivables and advances to suppliers	519,194		519,194
Current tax receivables	23,430		23,430
Other current assets	31,138		31,138
Current financial assets	5,257		5,257
Cash and cash equivalents	114,391		
Total current financial assets	**693,410**	**0**	**579,019**
TOTAL FINANCIAL ASSETS	**714,749**	**3,502**	**596,856**
Financial income (costs)	**525**	**(459)**	**984**

	31 December 2015	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	311,686		311,686
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	28		28
Total non-current financial liabilities	**311,714**	**0**	**311,714**
Current financial liabilities			
Trade payables and advances from customers	380,215		380,215

	31 December 2015	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Current tax payables	0		0
Other current liabilities	94,572		94,572
Bank borrowings and other financial liabilities	48,563		48,563
Total current financial liabilities	**523,350**	**0**	**523,350**
TOTAL FINANCIAL LIABILITIES	**835,064**	**0**	**835,064**
Financial income (Costs)	**(34,066)**	**0**	**(34,066)**

Liquidity risk

The Group's objective is to maintain a balance between funding and flexibility through the use of current account overdrafts, short-term bank loans (hot money and advances), finance leases and medium/long-term loans.

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

During the previous year, following the considerable fine issued by the Competition Authority, the Group has reviewed its financial planning in order to create the conditions for meeting this potential extraordinary outflow of cash. To this end, on 23 February 2016, MFM S.p.A. and Servizi Ospedalieri S.p.A. entered into a factoring maturity contract, without recourse (pro-soluto), with Banca Farmafactoring S.p.A. in relation to the assignment of receivables from entities in the National Health System, for an annual cumulative amount of up to € 100 million. It is a committed credit line with a term of three years.

Price risk

Risks of this nature which the Group is exposed to could involve changes in the price:

- of oil products relating to heat management activities,
- of cotton, the raw material in the linen used for laundering activities.

However, concerning oil products, these changes are, for the most part, accommodated by the conditions of contracts in place with customers, given that price revision is provided for both by contract, and by art. 115 of Decree Law no. 163 of 12 April 2006. Therefore, it is deemed that the effect on the Group's profit for the year arising from changes in prices, even significant, would essentially have been insignificant, in terms of amount.

Credit risk

The Group's portfolio mix, which, in the past, was made up mainly of contracts with the Public Administration, a situation that did not present insolvency problems, but which required constant contact with customers in order to minimise delays caused by the Authority's red-tape and jointly resolve problems relating to their financial management.

At present the portfolio mix also includes some large Italian industrial and banking groups, mainly organised as a network all over the country.

There are no significant credit concentration risks to report, which are carefully monitored by the Group. Furthermore, given the continuing economic downturn, the Group has equipped itself with specific procedures and structures aimed at a more efficient management of its working capital, as well as of debt collection.

Fair value

The carrying amount of the Group's financial instruments recorded in the Consolidated Financial Statements does not deviate from the fair value, including the value of those classified as assets held for sale. Market interest rates were applied to financial assets and liabilities as at the balance sheet date.

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

	Carrying Amount		Fair value	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Financial assets				
Cash and cash equivalents	174,992	114,391	174,992	114,391
Receivables and other current financial assets	2,387	5,257	2,387	5,257
Other minority interests	3,850	3,502	3,850	3,502
Non-current financial receivables	11,769	15,657	11,769	15,657
Financial liabilities				
Loans:				
- Variable rate loans	23,846	42,332	23,846	42,332
- Fixed rate loans	328,197	303,435	328,197	303,435
Other current financial liabilities	6,278	14,482	6,278	14,482

Interest rate risk

With the bond issue launched in 2013, the Management restructured the Group's financial structure, definitely strengthening a mix between short- and medium/long-term debt in favour of the latter. The Senior Secured Notes was launched at a discount of 98.713%, with a fixed-rate coupon of 8.5% to be

settled on a six-monthly basis and due in 2020. The proceeds from the Notes have been used to repay a significant portion of the loans that were previously in place, in addition to the derivative contracts.
As early as 2015 the Group's Management deemed it appropriate to rebalance the mix between short- and medium-to-long term debt, through the repurchase of an additional quota of the bond issue (June 2015) and the use of current account overdrafts, the execution of short- and very short-term (hot money) bank loan agreements and assignments of receivables. However, the financial cost of the Group's debt mainly remains fixed.
The other financial instruments of the Group exposed to interest rate risks are those listed in note 15 (to which reference is made) such as Loans (other than the Senior Secured Notes), as well as financial statement items recorded under *Cash and cash equivalents, and Receivables and other current financial assets* (note 10) and *Non-current financial assets* (note 7).

Interest rate sensitivity analysis
The structure of the consolidated debt is affected, to a marginal extent, by the changes in market rates, as it is mainly based on the bond issue described above, for which the Group has set the cost for its recourse to credit market at the rate of return it ensures on the coupons. For the remaining amount, the Group makes recourse to variable rate loans, which are linked to the EURIBOR performance.
The table below shows the sensitivity of pre-tax profit to reasonably possible variations in interest rates, all the other variables being kept constant.

	Increase / Decrease	Effect of the profit (loss), gross of taxes
Financial year ended 31 December 2016	+ 150 bps	(896)
	- 30 bps	179
Financial year ended 31 December 2015	+ 150 bps	(1,424)
	- 30 bps	285

Exchange rate risk
The Group operates predominantly in the national market, where it is not exposed to exchange rate risks.

Capital management
The key objective of the Group's capital management is to guarantee that a solid credit rating is maintained as well as adequate capital ratios to support operations and to maximise value for shareholders.
The Group manages the capital structure and amends it on the basis of changes in economic conditions. In order to maintain or adjust the capital structure, the Group can adjust the dividends paid to shareholders, repay principal or issue new shares.

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

	31 December 2016	31 December 2015
Employee termination indemnity	17,043	18,424
Interest-bearing loans	305,489	345,767
Trade payables and advances from customers	346,308	380,215
Other current payables	85,909	94,572
Other current financial liabilities	52,832	14,482
Cash and cash equivalents	(174,992)	(114,391)
Other current financial assets	(2,387)	(5,257)
Total Net Debt	**630,202**	**733,811**
Group shareholders' equity	323,137	289,585
Undistributed net profit (loss)	(33,649)	45,412
Total capital	**289,488**	**334,997**
EQUITY AND NET DEBT	**919,690**	**1,068,808**
INDEBTEDNESS RATIO	68.5%	68.7%

The debt ratio substantially remained stable compared to the previous year since, against a decrease of € 45.5 million in the capital as a result of the allocation of the 2015 loss to reserves, a reduction was recorded in net debt for € 103.6 million.

34. SUBSEQUENT EVENTS

*Amendments to regulations governing "*Oneri di sistema*"*

MFM S.p.A. holds some major contracts for energy services for which operating payables relating to "*Oneri di Sistema*" had been recognised for a total amount of € 6.2 million during 2015. During 2016 the Group reviewed the measurements of these charges for some sites which had previously not been considered eligible for concessions; therefore no additional charges on the energy contracts involved were recognised in 2016.

On 23 February 2017 the Chamber of Deputies finally approved Decree Law 244 of 30 December 2016, the "*Milleproroghe*" Decree, and converted it into law. Specifically, the amendments affect the current regulations governing "*Oneri di sistema*" and in particular "the following paragraphs are repealed: paragraph 5 of Article 33 of Law 99 of 23 July 2009, as well as paragraphs 1 to 7 and paragraph 9 of Article

24 of Decree Law 91 of 24 June 2014, as amended and converted by law 116 of 11 August 2014. The effects (if any) of repealed rules also cease to apply, which have not yet been felt".

In short, the rule was repealed, which, except for the RIUs (Reti Interne di Utenza, Internal Utility Networks), general *oneri di sistema* are calculated by making reference to energy consumption. According to the previous Bersani Decree (Legislative Decree 79/99), *oneri di sistema* are payable according to the energy withdrawn from the grid and, accordingly, any entity that does not withdraw energy from the grid, because it produces electricity on its own account, is exempt from the payment of said charges. Therefore, according to the new regulations, the management of MFM S.p.A. believes that no additional *Oneri di Sistema* must be recognised during 2017, also given that payment obligations have ceased to apply to those relating to previous years. On the other hand, this case will remedy some distorting effects of the complex regulations governing energy self-production until 31 December 2017, which would have wrongly changed the regulatory framework for investments already made, in particular in industrial districts, thus frustrating their sustainability. Furthermore, a general reform of the relevant Regulations is desirable and expected during 2018.

Other events after the year-end

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

On 3 April the Naples Public Prosecutor's Office served a search order against some executives of the Company, which was executed at the registered office of the same. These executives are involved in the investigation started by the Naples Public Prosecutor's Office as to the tender for awarding cleaning services at a local hospital.

For more details, reference should be made to note 31.

Zola Predosa, 19 April 2017

The Chairman of the Board of Directors

Marco Canale

ANNEX I

GROUP COMPANIES

PARENT COMPANY

Name	Registered Office	City
Manutencoop Facility Management S.p.A.	Via Poli n. 4	Zola Predosa (BO)

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Name	Registered Office	City	% held	Type
Alessandria Project Value S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
CO.GE.F. Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	80%	Subsidiary
Consorzio Igiene Ospedaliera Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	66.66%	Subsidiary
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Evimed S.r.l.	Via Zamenhof 363	Vicenza	90%	Subsidiary
e-Digital Services S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Ferraria Soc. cons. a r.l.	Via Poli 4	Zola Predosa (BO)	69%	Subsidiary
Global Oltremare Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
H2H Facility Solutions S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
ISOM Lavori Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	62.71%	Subsidiary
ISOM Gestione Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	52.97%	Subsidiary
KANARIND Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	62.43%	Subsidiary
Leonardo S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
Logistica Sud Est Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Manutencoop International FM S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Manutencoop France S.a.r.l.	4 place Louis Armand-Tour de l'Horloge	Paris	100%	Subsidiary
MCF servizi Integrati Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Palmanova Servizi Energetici Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Protec S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
S.AN.CO S.c.a.r.l.	Via A. Saffi, 51	Bologna	100%	Subsidiary
S.AN.GE S.c.a.r.l.	Viale Sarca 336 – Strada Privata Breda – Edificio 12	Milan	89%	Subsidiary
San Gerardo Servizi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Servizi Brindisi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	52%	Subsidiary
Servizi Ospedalieri S.p.A.	Via Calvino 33	Ferrara	100%	Subsidiary
Servizi Sanitari Sicilia Soc.Cons. a r.l.	Via Calvino 33	Ferrara	70%	Subsidiary

Name	Registered Office	City	% held	Type
Servizi Taranto Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60.08%	Subsidiary
Sicura S.p.A.	Via Zamenhof 363	Vicenza	85%	Subsidiary
Telepost S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Yougenio S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary

JOINT VENTURES ACCOUNTED FOR UNDER THE EQUITY METHOD

Name	Registered Office	City	% held	Type
AMG S.r.l.	SS Laghi di Avigliana 48/a	frazione Roata Raffo Busca (CN)	50%	Joint Venture
Cardarelli Soc.cons.r.l.	S.S. Appia 7 bis Km. 11,900 Zona A.s.i. Aversa Nord	Carinaro (CE)	60%	Joint Venture
CO. & MA. Soc. Cons. a r.l.	Via del Parco n. 16	Tremestieri Etneo (CT)	50%	Joint Venture
DUC Gestione Sede Unica Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	49%	Joint Venture
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	Üniversiteler Mahallesi, Bilkent Plaza, A3 Blok, n. 4	Çankaya/ Ankara	50%	Joint Venture
Legnago 2001 Soc.cons.r.l.	Via Poli 4	Zola Predosa (BO)	50%	Joint Venture
Malaspina Energy Soc.cons.r.l.	Via Varesina 118	Lurate Caccivio (CO)	50%	Joint Venture
Servizi Sportivi Brindisi Soc.cons.r.l.	Via Licio Giorgieri 93	Rome	50%	Joint Venture

ASSOCIATES AND OTHER COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

Name	Registered Office	City	% held	Type
Alisei S.r.l. in liquidation	Via Cesari 68/1	Modena	100%	in liquidation
Bologna Gestione Patrimonio Soc.Cons. r.l. in liquidation	Via della Cooperazione 9	Bologna	27.58%	in liquidation
Bologna Global Strade Soc.Cons. r.l.	Via Zanardi n372	Bologna	51%	Associate
Bologna Multiservizi Soc.Cons. r.l.	Via Del Lavoro 23/4	Casalecchio di Reno (BO)	39%	Associate
Bologna Più' Soc.Cons.r.l in liquidation	Via M.E. Lepido 182/2	Bologna	25.68%	in liquidation
Centro Europa Ricerche S.r.l.	Via G. Zanardelli n. 34	Rome	21.38%	Associate
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	Via Poiano 22	Imola (BO)	60%	in liquidation
Como Energia Soc.Cons. r.l.	Via Pietro Strazzi 2	Como	30%	Associate
Consorzio Polo Sterilizzazione Integrata a r.l.	Via Facciolati 84	Padova	60%	Associate
Consorzio Sermagest Soc.Cons. a r.l. in liquidation	Via Filippo Corridoni 23	Rome	60%	in liquidation
F.lli Bernard S.r.l.	Stradella Aquedotto 21	Bari	20%	Associate
Gico System S.r.l.	Via Finelli 8	Calderara di Reno (BO)	20%	Associate
Global Provincia Di Rimini Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	42.40%	in liquidation

Name	Registered Office	City	% held	Type
Global Riviera Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	30.66%	Associate
Global Vicenza Soc.Cons. a r.l.	Via Grandi 39	Concordia Sulla Secchia (MO)	41.25%	Associate
Gymnasium Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	68%	in liquidation
GRID Modena S.r.l.	Via Divisione Acqui, 129	Modena (MO)	23%	Associate
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi 18	Turin	24.75%	Associate
Livia Soc.Cons. a r.l. in liquidation	Via Roma 57/B	Zola Predosa (BO)	34.10%	in liquidation
Logistica Ospedaliera Soc. Cons. a r.l	Via C. Alberto Dalla Chiesa 23/I	Caltanissetta (CL)	45%	Associate
Newco Duc Bologna S.p.A.	Via M.E. Lepido 182/2	Bologna	24.90%	Associate
Palazzo della Fonte S.c.p.a.	Via Calamandrei, 255	Arezzo (AR)	33.30%	Associate
Progetto ISOM S.p.A.	Via Poli 4	Zola Predosa (BO)	36.98%	Associate
Roma Multiservizi S.p.A.	Via Tiburtina 1072	Rome	45.47%	Associate
San Martino 2000 Soc.Cons. a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Savia Soc.Cons. a r.l.	Via B. Vanzetti 1	Forlì	49.11%	Associate
Società Consortile Adanti Manutencoop a r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	in liquidation
Serena S.r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	in liquidation
Se.Ste.Ro S.r.l.	Via San Pietro 59/B	fraz. Castellina - Soragna (PR)	25%	Associate
Servizi Napoli 5 Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	45%	Associate
Servizi Sanitari Treviso Soc.Cons.a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Sesamo S.p.A.	Via C. Pisacane 2	Carpi (MO)	20.91%	Associate
Simagest 2 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	90%	in liquidation
Simagest 3 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	89.99%	in liquidation
Synchron Nuovo San Gerardo S.p.A.	Via Poli 4	Zola Predosa (BO)	35.82%	Associate
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi 18	Turin	25%	Associate
Tower Soc.Cons. a r.l. in liquidation	Via Zanardi 372	Bologna	20,17%	Associate

ANNEX II

VALUATION OF INVESTMENTS USING THE EQUITY METHOD

	%	Net Book Value Dec 31, 15	Changes of the year					Net Book Value Dec 31, 16	Book Value	Investment Provision
			Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves			
Alisei S.r.l. in liquidation	100%	(65)				(8)		(72)	0	(72)
A.M.G. S.r.l.	50%	2,257			82			2,339	2,339	
Bologna Gestione Patrimonio Soc. Cons. a. r.l. in liquidation	27.58%	6						6	6	
Bologna Global Strade Soc. Cons. a. r.l.	51%	0	51					51	51	
Bologna Multiservizi Soc. Cons. a r.l.	39%	4						4	4	
Bologna Più Soc. Cons. a r.l.	25.68%	5						5	5	
Cardarelli Soc. Cons. a r.l.	60%	5						5	5	
Centro Europa Ricerche S.r.l.	21.38%	0	69					69	69	
Co. & Ma. Soc. Cons. a r.l.	50%	5						5	5	
Como Energia Soc. Cons. a r.l.	30%	11						11	11	
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	60%	6						6	6	
Consorzio Polo sterilizzazione Integrata	60%	23			(22)			1	1	
Consorzio Sermagest in liquidation	60%	0						0	0	
DUC Gestioni Soc.Cons. a r.l.	49%	10						10	10	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	50%	391			(163)			228	228	
F.lli Bernard S.r.l.	20%	1.239			66			1,305	1,305	
GICO Systems S.r.l.	20%	79			71			150	150	
Global Provincia di Rimini Soc.Cons. a r.l.	42.40%	4						4	4	
Global Riviera Soc.Cons. a r.l.	30.66%	9						9	9	
Global Vicenza Soc.Cons. a r.l.	41.25%	4						4	4	
Gymnasium soc. Cons. a r.l. in liquidation	68%	7						7	7	
GRID Modena S.r.l.	23%	24	6		(6)			24	24	
IPP S.r.l.	25%	434			(45)			389	389	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34.10%	3						3	3	
Logistica Ospedaliera Soc. Cons. a r.l	45%	5						5	5	
Malaspina Energy Soc. Cons. a r.l.	50%	50	(50)					0	0	
Newco DUC Bologna S.p.A.	24.90%	387			89		(51)	425	425	
Palazzo della Fonte S.c.p.a.	33.30%	8,000						8,000	8,000	
Progetto ISOM S.p.A.	36.98%	1,143			(151)		394	1,385	1,385	
ROMA Multiservizi S.p.A.	45.47%	6,540			1,581		(58)	8,063	8,063	
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	

	%	Net Book Value Dec 31, 15	Changes of the year					Net Book Value Dec 31, 16	Book Value	Investment Provision
			Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves			
Savia soc.cons.a.r.l.	49.11%	5						5	5	
Società Consortile Adanti Manutencoop a r.l. in liquidation	50%	10						10	10	
SE.SA.MO. S.p.A.	20.91%	1,724			281			2,005	2,005	
Se.Ste.Ro S.r.l.	25%	139			(16)			123	123	
Serena S.r.l.	50%	9						9	9	
Servizi L'Aquila Soc. Cons. a r.l. in liquidation	60%	0	0					0	0	
Servizi Napoli 5 Soc. Cons. a r.l.	45%	5						5	5	
Servizi Sanitari Treviso (SE.SA.TRE)	40%	8						8	8	
Servizi Sportivi Brindisi Soc. Cons. a r.l.	50%	5						5	5	
Simagest 2 Soc.Cons.a r.l. in liquidation	90%	45						45	45	
Simagest 3 Soc.Cons.a r.l. in liquidation	89.99%	45						45	45	
Synchron Nuovo San Gerardo S.p.A.	35.82%	4,808			(77)			4,731	4,731	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000						1,000	1,000	
Tower Soc.Cons. a r.l.	20.17%	20						20	20	
NET BOOK VALUE		**28,419**	**77**	**-**	**894**	**(8)**	**285**	**30,462**	**30,534**	**(72)**

ANNEX III

RELATED PARTY TRANSACTIONS

PARENT COMPANY

		Revenues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Manutencoop Società Cooperativa	31-dec-15	184	32,893		15	31-dec-15	74	18,384	6,421	145
	31-dec-16	153	32,278		498	31-dec-16	60	2,659	4,770	1,771

ASSOCIATES AND JOINT-VENTURES

		Revenues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Alisei s.r.l. in liquidation	31-dec-15					31-dec-15	3			1
	31-dec-16					31-dec-16	3			1
AMG S.r.l.	31-dec-15		254	2		31-dec-15	19	502	162	
	31-dec-16		234	1		31-dec-16	1		117	
Bologna Gestione Patrimonio Soc.Cons. a r.l. in liquidation	31-dec-15	36	65			31-dec-15	175		50	
	31-dec-16					31-dec-16			50	
Bologna Multiservizi Soc.Cons. a r.l.	31-dec-15		250			31-dec-15	195		1.619	
	31-dec-16	63	247			31-dec-16	276		1.491	
Bologna Più Soc.Cons.a r.l. in liquidation	31-dec-15					31-dec-15	(2)	39	13	
	31-dec-16					31-dec-16	(2)	3	3	
Bologna Global Strade Soc. Cons. a r.l	31-dec-15					31-dec-15				
	31-dec-16	2.674	4.788			31-dec-16	572	336	1.395	
Cardarelli Soc. Cons. a r.l.	31-dec-15		2.132			31-dec-15			1.042	
	31-dec-16		1.547			31-dec-16			793	
Centro Europa Ricerche S.r.l.	31-dec-15					31-dec-15				
	31-dec-16	8				31-dec-16				
Como Energia Soc.Cons.a r.l.	31-dec-15		878			31-dec-15			900	
	31-dec-16		932			31-dec-16			1.461	
Consorzio Imolese	31-dec-15					31-dec-15	49	36	48	

		Revenues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Pulizie soc.Cons. in liquidation	31-dec-16					31-dec-16		36	12	
Consorzio Leader Soc. Cons. a r.l. in liquidation	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
Consorzio Polo Sterilizzazione Integrata a r.l.	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
Consorzio Sermagest Soc.Cons.a r.l in liquidation	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
CO.& MA. Soc. Cons. a r.l	31-dec-15	360	1.263			31-dec-15	360	20	2.287	
	31-dec-16	360	1.383			31-dec-16		20	1.007	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31-dec-15	6.104	2.824			31-dec-15	5.799		997	
	31-dec-16	6.716	2.987			31-dec-16	3.403		437	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	31-dec-15	78			10	31-dec-15	188	2	54	267
	31-dec-16	215	11			31-dec-16	496	1.175	(20)	256
Fr.lli Bernard s.r.l.	31-dec-15	29	1			31-dec-15	58	50		
	31-dec-16	12				31-dec-16	70	50		
Gestlotto 6 Soc. cons. a r.l in liquidation	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
Gico Systems S.r.l.	31-dec-15	6	980			31-dec-15	9		624	
	31-dec-16	14	646			31-dec-16	49		380	
Global Provincia di RN Soc.Cons.a r.l. in liquidation	31-dec-15					31-dec-15	25	70	18	
	31-dec-16					31-dec-16		70	13	
Global Riviera Soc.Cons.a r.l.	31-dec-15		12			31-dec-15	55		(105)	
	31-dec-16		52			31-dec-16	55		(53)	
Global Vicenza Soc.Cons. a r.l.	31-dec-15	228	1.420			31-dec-15	34	570	933	
	31-dec-16	103	866			31-dec-16	144	748	594	
Grid Modena S.r.l.	31-dec-15		12			31-dec-15	2			
	31-dec-16					31-dec-16				
Gymnasium Soc. cons. a r.l in liquidation	31-dec-15					31-dec-15	1	7	33	5
	31-dec-16					31-dec-16	1	8	33	5
HEADMOST in liquidation	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
IPP S.r.l.	31-dec-15	423	250			31-dec-15	313	60	152	
	31-dec-16	361	199			31-dec-16	177	60	96	
Legnago 2001 Soc. Cons. r.l.	31-dec-15		4			31-dec-15	216		84	
	31-dec-16		4			31-dec-16	158		41	
Livia Soc. cons. a r.l.	31-dec-15			22		31-dec-15				
	31-dec-16		8			31-dec-16			8	
Logistica Ospedaliera	31-dec-15		426			31-dec-15			140	

		Revenues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Soc. Cons. a r.l.	31-dec-16		412			31-dec-16			24	
Malaspina Energy Soc. Cons. a r.l.	31-dec-15		39	4		31-dec-15	1,047	180	91	
	31-dec-16		15	3		31-dec-16				
Newco DUC Bologna S.p.A	31-dec-15					31-dec-15			25	
	31-dec-16		7			31-dec-16			33	
Palazzo della Fonte S.c.p.a.	31-dec-15	3,994				31-dec-15	723			
	31-dec-16	4,009				31-dec-16	804			
P.B.S. Soc.Cons. a r.l. in liquidation	31-dec-15		(39)			31-dec-15		1		
	31-dec-16					31-dec-16				
Progetto ISOM S.p.A.	31-dec-15	233	371	24		31-dec-15	13,630	1,802	131	
	31-dec-16	257	78	120		31-dec-16	17,325	1,922	203	
Progetto Nuovo Sant'Anna S.r.l.	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
Roma Multiservizi S.p.A.	31-dec-15	1,582	1,971		4	31-dec-15	516		1,330	462
	31-dec-16	3,326	1,584			31-dec-16	2,416		980	
San Martino 2000 Soc.Cons. r.l.	31-dec-15	1,708	3,509			31-dec-15	717		675	
	31-dec-16	1,610	3,436			31-dec-16	573		423	
Savia Soc. Cons. a r.l	31-dec-15		1,202			31-dec-15	18		965	
	31-dec-16		1			31-dec-16			314	
Serena S.r.l. - in liquidation	31-dec-15					31-dec-15		3	1	
	31-dec-16					31-dec-16		3		
Servizi l'Aquila Soc.Cons. a r.l. in liquidation	31-dec-15					31-dec-15				
	31-dec-16	0	5			31-dec-16				
Servizi Luce Soc. Cons. a r.l.	31-dec-15	35	1,542			31-dec-15	339		(93)	
	31-dec-16					31-dec-16				
Servizi Marche Soc. Cons. r.l. in liquidation	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
Servizi Napoli 5 Soc.Cons. a r.l.	31-dec-15	1,395	1,282			31-dec-15	2,076		1,287	
	31-dec-16	1,414	1,318			31-dec-16	1,944		1,311	
Se.Sa.Mo. S.p.A.	31-dec-15	5,161		27		31-dec-15	2,608	606	6	
	31-dec-16	5,182		25		31-dec-16	1,486	618	6	
SESATRE S.cons. a r.l.	31-dec-15	15	4,526	19		31-dec-15	(14)	1,221	1,475	
	31-dec-16	16	4,419	9		31-dec-16	4	524	1,687	
Se.Ste.Ro S.r.l.	31-dec-15	15	501			31-dec-15	46		921	
	31-dec-16					31-dec-16	46		815	
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation	31-dec-15					31-dec-15	20	75	4	2
	31-dec-16					31-dec-16		75	13	2
S.I.MA.GEST3 Soc. Cons. r.l in liquidation	31-dec-15					31-dec-15			3	
	31-dec-16					31-dec-16			3	
Società Consortile	31-dec-15					31-dec-15				

		Revenues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Adanti Manutencoop in liquidation	31-dec-16	25	52			31-dec-16	37		63	
Steril Piemonte Soc. cons. a.r.l	31-dec-15	(1)	727	3		31-dec-15	11	578	334	
	31-dec-16		696	1		31-dec-16	7	576	267	
Synchron Nuovo San Gerardo S.p.A.	31-dec-15	7,979	631	78		31-dec-15	7,915	2,123	646	
	31-dec-16	5,246	433	173		31-dec-16	10,173	2,333	658	
Tower Soc.Cons. a r.l. in liquidation	31-dec-15					31-dec-15		11		
	31-dec-16					31-dec-16	33	17	(11)	

SUBSIDIARIES OF MANUTENCOOP COOPERATIVA

		Revenues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Cerpac S.r.l. in liquidation	31-dec-15					31-dec-15	1			
	31-dec-16					31-dec-16	1			
Manutencoop Immobiliare S.p.A.	31-dec-15	10	2,483			31-dec-15	6		114	
	31-dec-16	10	2,382			31-dec-16	6		(47)	
Nugareto Società Agricola Vinicola S.r.l.	31-dec-15	9	52			31-dec-15	8		39	
	31-dec-16	7	43			31-dec-16	16		42	
Segesta servizi per l'Ambiente S.r.l.	31-dec-15	17				31-dec-15	9			
	31-dec-16	17				31-dec-16	17			

ASSOCIATES OF MANUTENCOOP COOPERATIVA OR OTHER RELATED PARTIES

		Revenues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consorzio Karabak Società Cooperativa	31-dec-15	62	2			31-dec-15	11		2	
	31-dec-16	123	1			31-dec-16	23		1	
Consorzio Karabak 2 Società Cooperativa	31-dec-15	3	1			31-dec-15			1	
	31-dec-16	80	1			31-dec-16			1	
Consorzio Karabak 3 Società Cooperativa	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				

		Revenues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consorzio Karabak 4 Società Cooperativa	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16			1	
Consorzio Karabak 5 Società Cooperativa	31-dec-15					31-dec-15				
	31-dec-16					31-dec-16				
Consorzio Karabak 6 Società Cooperativa	31-dec-15		1			31-dec-15		1		
	31-dec-16					31-dec-16				
Sacoa S.r.l.	31-dec-15	75	20			31-dec-15	50		8	
	31-dec-16	81	19			31-dec-16	58		8	

		Revenues	Costs	Financial income	Financial expences		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
TOTAL	**31-dec-15**	**29,740**	**62,484**	**179**	**29**	**31-dec-15**	**37,310**	**26,340**	**23,437**	**882**
	31-dec-16	**32,082**	**61,084**	**332**	**498**	**31-dec-16**	**40,432**	**11,233**	**19,423**	**2,035**

ANNEX IV

STATEMENT OF RECONCILIATION OF THE RECLASSIFIED STATEMENT OF CASH FLOWS AND THE STATUTORY SCHEDULES ITEMS

	For the year ended 31 December			
	2016		2015	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**114,391**		**113,382**
CASH FLOW FROM CURRENT OPERATIONS:		**64,778**		**55,676**
Profit before taxes for the year	47,219		(24,450)	
Profit (loss) from discontinued operation	1,052		(2,887)	
Capital gain on disposal of discontinued operation	(1,409)		2,225	
Amortization, depreciation, write-downs and (write-backs) of assets	32,713		32,513	
Accrual (reversal) of provisions for risks and charges	(10,107)		51,561	
Employee termination indemnity provision	889		838	
Share of net profit of associates, net of dividends collected	(1,688)		940	
Financial charges (income) for the period	28,257		32,891	
Net interest received (paid) in the period	(26,471)		(32,639)	
Income tax paid in the period	5,299		(5,072)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	(1,507)		(243)	
Cash flow relating to the assignment of receivables without recourse for taxes under tax consolidation regime, included in changes in other operating assets	(9,471)			
USES OF PROVISIONS FOR RISKS AND CHARGES AND PAYMENTS OF THE EMPLOYEE TERMINATION INDEMNITY:		**(10,175)**		**(14,012)**
Payments of Employee termination indemnity	(2,672)		(2,769)	
Utilization of provisions	(7,503)		(11,244)	
CHANGE IN ADJUSTED NWOC:		**13,193**		**55,588**
Decrease (increase) of inventories	381		(92)	
Decrease (increase) of trade receivables	58,123		54,552	
Increase (decrease) of trade payables and advances from customers	(33,828)		1,060	
Adjustments:				
Change in the amount of trade receivables assigned without recourse to Factoring agencies and not yet collected by the latter	(11,484)		69	
INDUSTRIAL AND FINANCIAL CAPEX:		**(25,247)**		**(17,047)**
(Purchase of intangible assets, net of sales)	(6,857)		(6,502)	

	For the year ended 31 December			
	2016		2015	
(Purchase of property, plant and equipment)	(23,677)		(17,389)	
Proceeds from sales of property, plant and equipment	835		793	
(Acquisition of investments)	(505)		848	
Decrease (increase) of financial assets	(490)		(932)	
Net cash used in business combinations	0		(408)	
Net cash from assets held for sale	9,274		4,932	
Reclassifications:				
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	(3,411)		1,685	
Payables for acquisition of equity investments and business combinations	(415)		(433)	
CHANGE IN ADJUSTED NET FINANCIAL LIABILITIES:		**12,426**		**(49,089)**
Proceeds from non-current borrowings	0		10,000	
Repayment of non-current borrowings	0		(80,000)	
Payment of financial lease liabilities	(570)		(804)	
Proceeds from/(repayment of) short term bank debt	(22,207)		21,180	
Other changes in financial debt	18,386		1,615	
Adjustments:				
Change in the amount of receivables assigned without recourse to Factoring agencies and not yet collected by the latter	11,484		(69)	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of Profit or Loss	1,507		243	
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	3,411		(1,685)	
Payables for acquisition of equity investments and business combinations	415		433	
OTHER CHANGES:		**5,625**		**(29,747)**
Decrease (increase) of other current assets	4,804		(985)	
Increase (decrease) of other current liabilities	(8,621)		(28,742)	
Dividends paid	(25)		(20)	
Change in scope of consolidation	(4)		0	
Reclassification:				
Cash flow relating to the assignment of receivables without recourse for taxes under tax consolidation regime, included in changes in other operating assets	9,471		0	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**174,992**		**114,391**

Manutencoop Facility Management S.p.A.
Registered office in Zola Predosa (BO)
Via U. Poli no. 4

F.C.– VAT – Bologna Register of Companies
no. 02402671206
Share Capital: € 109,149,600.00 fully paid-up

“The Company is subject to the management and
coordination activities of Manutencoop
Società Cooperativa Zola Predosa (BO)”