



# Credit Investor Update

June 2017



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## Today's presenters

	Years with the company	
 <p><b>A. Chiarini</b> CEO of MFM</p>	~1 year	<ul style="list-style-type: none"> <li>✓ Mr. Chiarini has 30 years of experience in the oil &amp; energy industry:               <ul style="list-style-type: none"> <li>• Chairman of Engie Italia at the beginning of 2016</li> <li>• From 2012 to 2015 managed the Energy division of GdF Suez for Southern Europe</li> <li>• In 2010 - 2011 was a member of the Board of Directors of Acea</li> <li>• In 2009 became first General Manager of GDF Suez Energia Italia and then CEO</li> <li>• In 2000 appointed CEO of Elyo Italia (currently Cofely / Engie Servizi)</li> </ul> </li> </ul>
 <p><b>L. Buglione</b> Head of Business Development<sup>1</sup></p>	8 years	<ul style="list-style-type: none"> <li>✓ Mr. Buglione joined Manutencoop Group in 2009, he is also board member in Gruppo Sicura and Manutencoop International</li> <li>✓ Previously he worked for 8 years in M&amp;A advisory, with focus on cross border and financial sponsors transactions</li> </ul>
 <p><b>A. Fiorenzo</b> Head of Administration &amp; Control</p>	12 years	<ul style="list-style-type: none"> <li>✓ Mr. Fiorenzo joined MFM in 2005 after an experience as auditor at Ernst &amp; Young and an experience as financial analyst at Saeco International Group. Before becoming in 2016 Head of Administration &amp; Control, he has covered the following roles:               <ul style="list-style-type: none"> <li>• 2005-2009: in charge of the consolidated financial statement and accounting compliance</li> <li>• 2009-2016: head of group accounting and tax</li> </ul> </li> <li>✓ He is also board member of H2H, YouGenio, EDS, Sange and EOS JV</li> </ul>

<sup>1</sup> MSC representative

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## Manutencoop Group – Key highlights

**One-stop-shop and mission critical services**

### Six core services

- ✓ Cleaning
- ✓ Technical services
- ✓ Landscaping
- ✓ Property management
- ✓ Logistics
- ✓ Laundering & Sterilization

**Market leading position with national presence**

**#1** Player in the **Facility Management** industry

**#1** Player in the **Sterilization** industry

**#2** Player in the **Laundering** industry

**Contract-based business with multi-year backlog**

**3.0x** Revenue backlog

**90+%** Revenue from **existing contracted customers** each year

**99%** **Renewal rate** on top 30 customers<sup>1</sup>

**Strong financial profile**

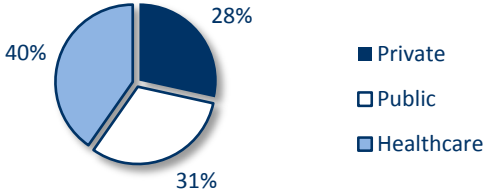
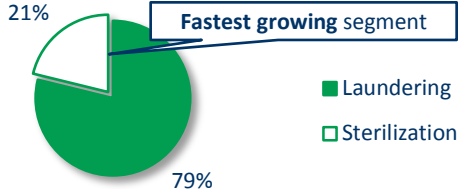


**€926mm** Revenues LTM

**€108mm** Normalized **EBITDA** LTM

**63%** Steady-state **cash conversion**<sup>2</sup>

Source: Company information

<sup>1</sup> Calculated by taking the average renewal rates of our top 30 customers in each of the last six years, 2010-2016, excluding Telecom Italia, FCA and Pirelli; <sup>2</sup> See slide 25 for a reconciliation of steady-state cash conversion (calculated as Normalized OCF / 17LTM Normalized EBITDA)







	Facility Management	Laundering & Sterilization
<b>Main Activities</b>	<ul style="list-style-type: none"> <li>✓ Maintenance, cleaning, energy services, fire prevention, safety of assets / people and property management</li> <li>✓ 47 branches across Italy</li> </ul>	<ul style="list-style-type: none"> <li>✓ Linen rental and industrial laundering service</li> <li>✓ Fabrics and surgical instruments sterilization</li> <li>✓ 100+ healthcare entities served (24 sterilization centers, 4 laundering plants)</li> </ul>
<b>17LTM Revenues</b>	€794mm (85.5% of total) <sup>1</sup>	€135mm (14.5% of total) <sup>1</sup>
<b>17LTM EBITDA</b>	€67mm (64.5% of the total – 8.4% margin) <sup>2</sup>	€37mm (35.5% of the total - 27.5% margin) <sup>2</sup>
<b>17LTM EBITDA-Capex<sup>3</sup></b>	€58mm (86.3% of EBITDA)	€22mm (58.9% of EBITDA)
<b>17LTM revenues breakdown</b>	 <p>40% 28% 31%</p> <p>■ Private □ Public ■ Healthcare</p>	 <p>21% 79%</p> <p>■ Laundering □ Sterilization</p> <p>Fastest growing segment</p>
<b>Brands</b>		
<b>Positioning in Italy</b>	# 1	# 1 in sterilization # 2 in laundering

Source: Company information

<sup>1</sup> Gross of intra-group eliminations accounting for €3mm, (0.3%); <sup>2</sup> Based on 17LTM EBITDA of €104mm; <sup>3</sup> Recurring capex excluding the acquisition of real estate assets for L&S

## ...with strong coverage and positioning in each customer segment



	Healthcare Customers	Public Customers	Private Customers
<b>17LTM Revenues (% on total)</b>	Revenues - <b>€447mm</b> 	Revenues - <b>€248mm</b> 	Revenues - <b>€230mm</b> 
<b>Clients</b>	<ul style="list-style-type: none"> <li>✓ <b>Public and private hospitals</b>, nursing and retirement homes</li> </ul> 	<ul style="list-style-type: none"> <li>✓ Regional, provincial and municipal <b>governments, schools, universities</b> and other public institutions</li> </ul> 	<ul style="list-style-type: none"> <li>✓ <b>Large / medium companies</b> in TLC, financial services, retail, industrial, services and logistic industries</li> </ul> 
<b>Contract Length</b>	<ul style="list-style-type: none"> <li>✓ FM healthcare: c.4-5 yrs</li> <li>✓ Laundering: c.5-6 yrs</li> <li>✓ Sterilization: c.7-8 yrs</li> </ul> <b>Backlog</b> ✓ €1,960mm	<ul style="list-style-type: none"> <li>✓ c.3 – 4 yrs</li> </ul> <b>Backlog</b> ✓ €589mm	<ul style="list-style-type: none"> <li>✓ 1 to 3 yrs (often containing automatic renewal clauses)</li> </ul> <b>Backlog</b> ✓ €217mm
<b>Market Coverage</b>	<ul style="list-style-type: none"> <li>✓ 140+ hospitals served<sup>1</sup>:                     <ul style="list-style-type: none"> <li>❑ c.24% of Italian hospitals</li> <li>❑ c.90% of the largest hospitals in Italy</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ The Group serves<sup>2</sup>:                     <ul style="list-style-type: none"> <li>❑ c.130 municipalities</li> <li>❑ 17 provinces</li> <li>❑ 5 regions</li> <li>❑ 27 government entities</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ Executed the largest outsourcings in Italy acquiring more than 1,500 people</li> </ul>
<b>Key Success Factors</b>	<ul style="list-style-type: none"> <li>✓ Complex and bundled services</li> <li>✓ Service quality guarantee</li> <li>✓ Reduction of risk hazard</li> <li>✓ Investments financing innovations (PFIs)</li> <li>✓ Complex tenders</li> </ul>	<ul style="list-style-type: none"> <li>✓ Large multi-service contracts</li> <li>✓ Costs efficiencies</li> <li>✓ Investments financing innovations (PFIs)</li> <li>✓ Complex projects</li> </ul>	<ul style="list-style-type: none"> <li>✓ Expertise in large FM outsourcing (personnel, assets)</li> <li>✓ Costs efficiencies</li> <li>✓ Guarantee service delivery</li> <li>✓ Large customers / multi-site operations (banks, retail chains)</li> </ul>

Source: Company information, Ministry of Health

<sup>1</sup> Management estimates based on FY14 figures; <sup>2</sup> Management estimates

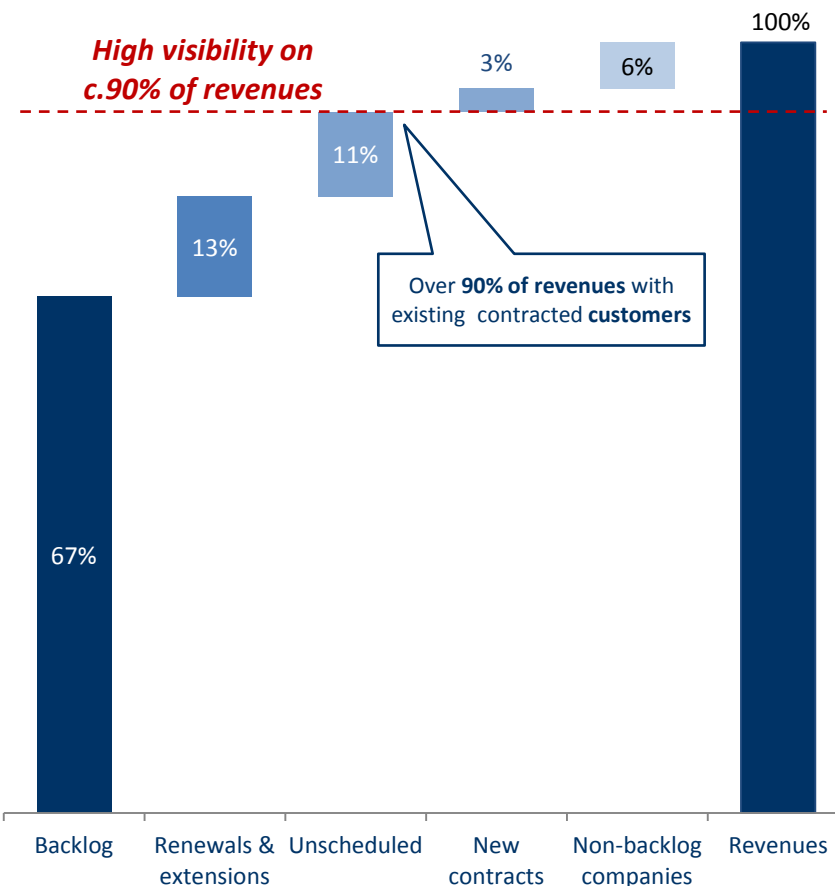
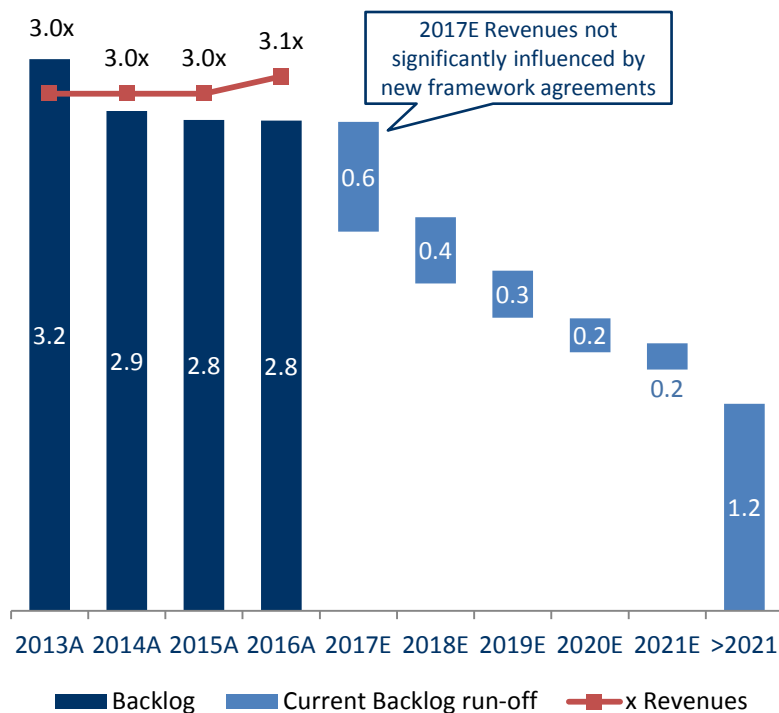


## Highly visible, recurring and diversified revenue base

### Backlog and framework agreements (€bn)

### Backlog contribution to annual revenues<sup>2</sup>

#### 1 Backlog run-off (signed contracts)



#### 2 €1.2bn framework agreements to translate into backlog when orders are issued<sup>1</sup>

High revenue visibility from backlog, contracts' renewals and extensions with further potential from framework agreements

Source: Company information

<sup>1</sup> Framework agreements amount estimated considering the entire actionable value as of today; <sup>2</sup> % on total revenues, average 2013-2015



## High customer retention rate, with strong focus on healthcare segment

	Backlog %	Revenue %	Retention rate <sup>1</sup>	
			Customers (#)	Revenues (€mm)
HEALTHCARE CUSTOMERS	71%	48%	100%	97%
PUBLIC CUSTOMERS	21%	27%	98%	94%
PRIVATE CUSTOMERS	8%	25%	96%	100%
TOTAL	€2,766mm	€926mm	99%	97%

Source: Company information

<sup>1</sup> Calculated by taking the average renewal rates of our top 30 customers in each of the last six years, 2010-2016, excluding Telecom Italia, FCA and Pirelli, each of which were among our top private sector customers in prior years but have had decreasing impact over time (see slide 21 for a partial quantification of such impact)

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## Key Credit Highlights

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**1**  **Industry with consistent growth and positive secular outsourcing trend**

**2**  **Leading position in a highly fragmented industry**

**3**  **Broadest service offering with a focus on the highly profitable healthcare segment**

**4**  **Nationwide presence in growing reference market**

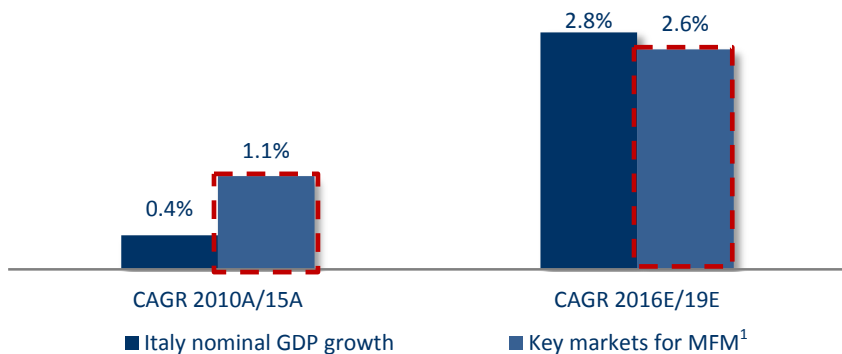
**5**  **Diversified and long-standing customer base**

**6**  **Highly visible, recurring and diversified revenue base**

**7**  **Highly variable cost structure and asset-light financial profile**

# 1 Industry with consistent growth and positive secular outsourcing trend

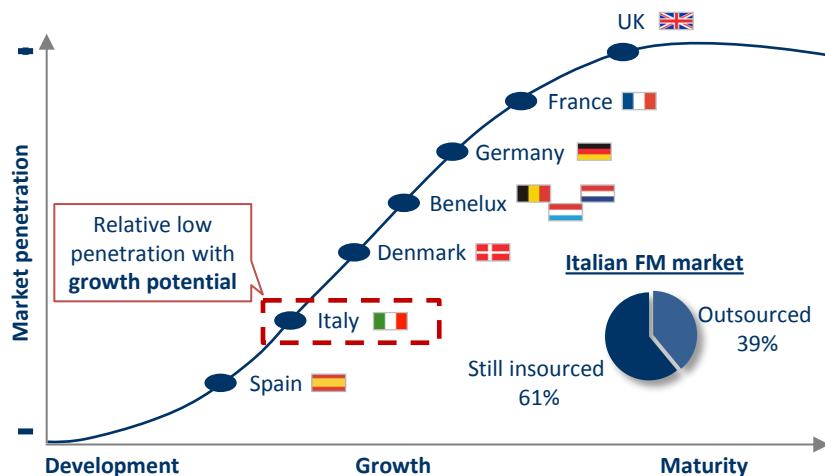
## GDP growth and proven resilience



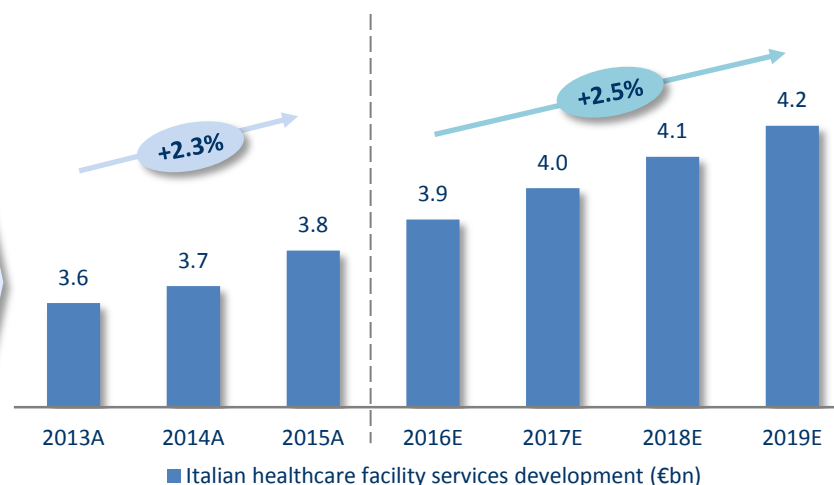
## Steady growth in facility management



## Upside potential thanks to positive outsourcing trend



## Outsourcing trend in healthcare services



Source: IC Market Tracking 2016, International Monetary Fund, MEF Economic and Financial Document 2016, Treasury Ministry DEF 2015

<sup>1</sup> Includes: government & education, healthcare, retail, transport and business

## 2 Leading position in a highly fragmented industry

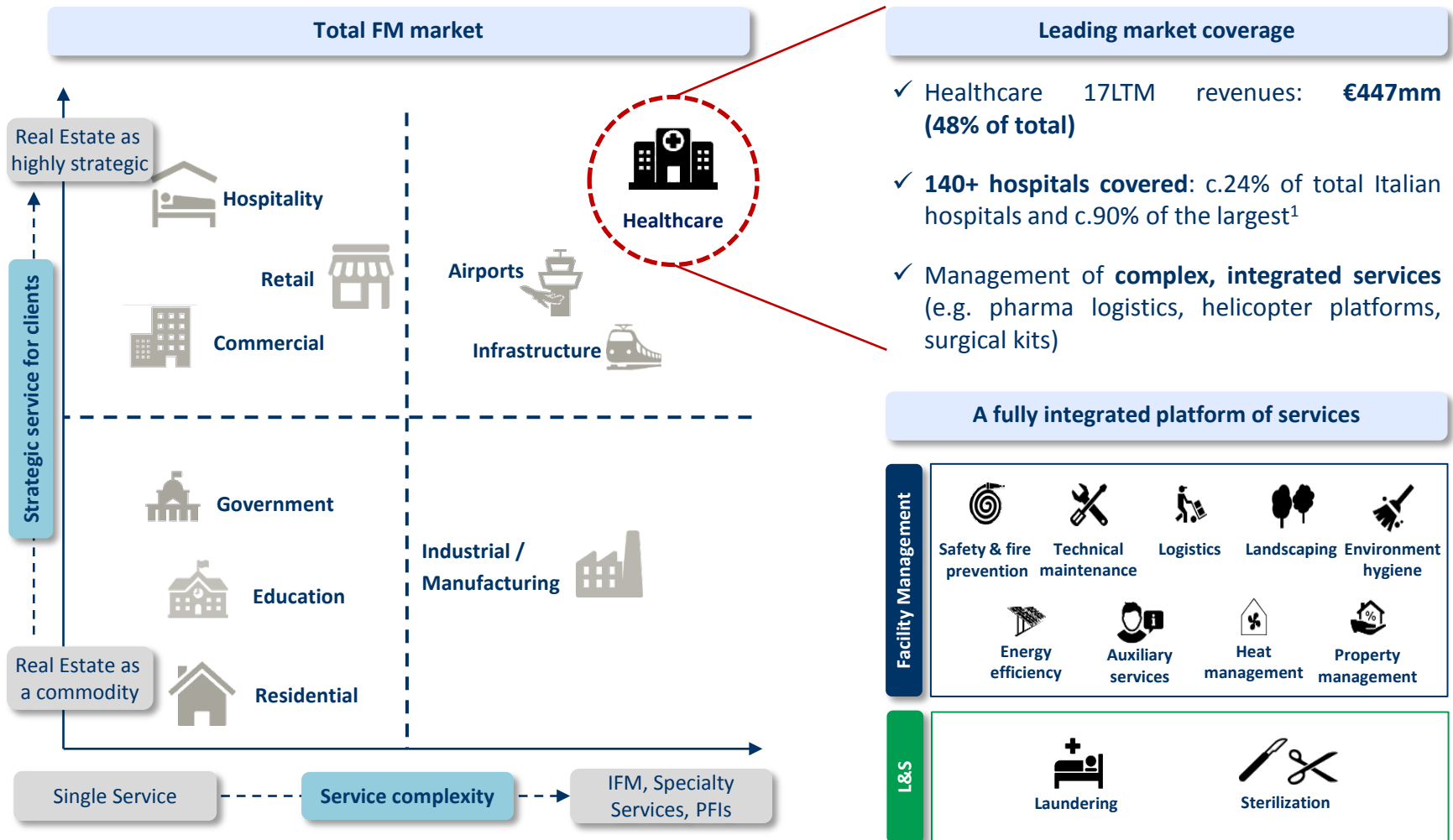
	2015 Market share	Contribution to 17LTM Revenues <sup>1</sup>	Highlights	Competitive Advantage
<b>FACILITY MANAGEMENT</b>	<p>MANUTENCOOP 3.4%</p> <p>Coopservice 2.7%</p> <p>sodexo 1.5%</p> <p>Dussmann Group 1.5%</p> <p>ENGIE 1.2%</p> <p>Others 89.9%</p>	<p>■ €794mm</p> <p>Facility Management 85.5%</p>	<p><b>#1 player</b> in Italian FM market</p>	<ul style="list-style-type: none"> <li>✓ Scale</li> <li>✓ Multiple location management</li> <li>✓ Multiservice capabilities</li> </ul>
<b>LAUNDERING &amp; STERILIZATION</b>	<p>Others 41%</p> <p>Servizitalia 28%</p> <p>GRUPPO MANUTENCOOP 18%<sup>3</sup></p> <p>SoGeSi 7%</p> <p>adapta 3%</p> <p>AMERICAN LAUNDRY 3%</p>	<p>■ €135mm</p> <p>Laundering &amp; Sterilization 14.5%</p>	<p><b>#1 player</b> in sterilization services</p> <p><b>#2 player</b> in laundering services</p>	<ul style="list-style-type: none"> <li>✓ Certifications, skills</li> <li>✓ Track record</li> <li>✓ Complex public tender rules</li> </ul>

**MFM Group is the clear leader with strong competitive advantages in a highly fragmented market**

Source: IC Market Tracking 2016, Smart Lavanderie Industriali - Databank Cerved Group, Apri, company information

<sup>1</sup> Gross of intra-group eliminations accounting for €3mm, (0.3%); <sup>2</sup> Listed company 59% controlled by Coopservice; <sup>3</sup> L&S revenues only

### 3 Broadest service offering with a focus on the highly profitable healthcare segment



MFM customer proposition targets strategic and mission critical services in the value chain

Source: Company information








<sup>1</sup> Management estimates based on FY14 figures

### 3 Fully integrated service provider with strong set of competitive advantages

#### Strong set of competitive advantages

Size	✓ <b>Largest</b> national player
Portfolio	✓ Breadth of service offering ✓ <b>Integrated, advanced</b> IFM solutions
Track record	✓ <b>70+ years</b> in operation ✓ Preferred counterparty of PAs
Organizational excellence	✓ Unique responsiveness to client requests ✓ <b>Best-in-class responses</b> to tenders ✓ Continuous quality checks
Technical capabilities	✓ Advanced IT systems and <b>digitalization</b> ✓ Highly integrated with <b>ability to scale-up</b>
IT platform	✓ <b>State-of-the art IT platform</b>
Certifications	✓ Health and Safety RINA, Quality IQNET

#### Widest breed of services among peers

Italian providers	Cleaning	Energy services	Land-scaping	Tech. services	Logistics services	L&S
	#1					#1/2
						
						
						
						
						
						
Value services add	✓	✓		✓		✓ ✓

Diversified service offering focused on generating value for customers



## 4 Nationwide presence in growing reference market

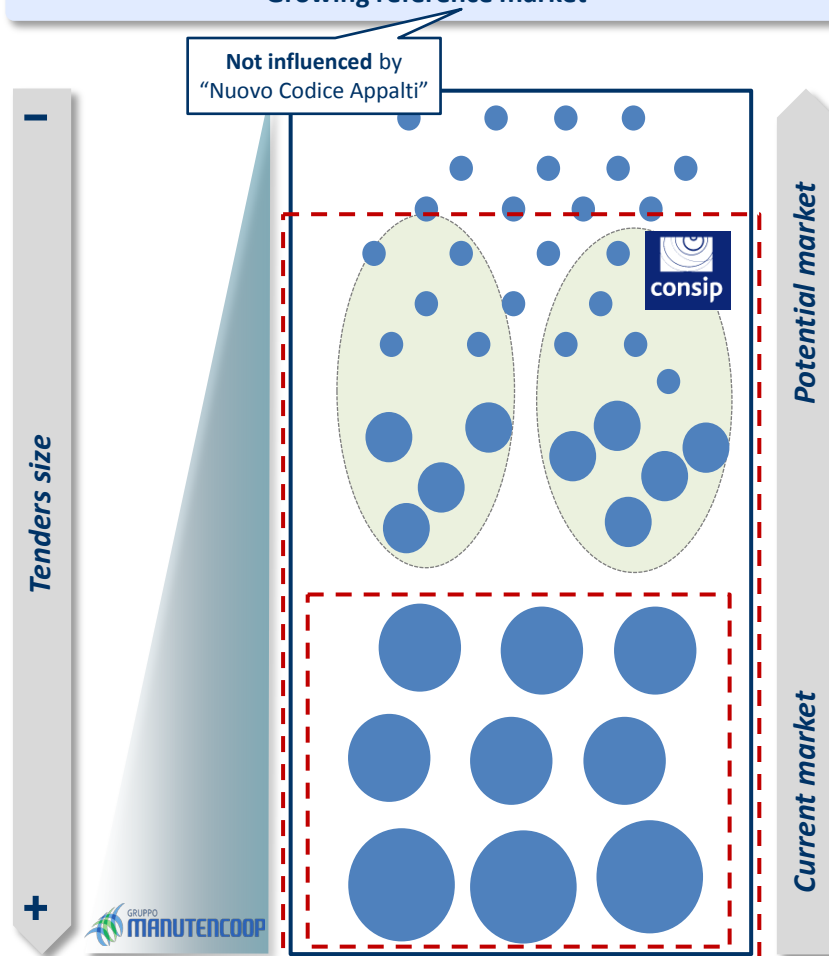
### Nationwide Presence



#### Customer proximity

- ✓ Key **purchasing criteria** for clients
- ✓ Key driver of **responsiveness**
- ✓ Service national, **regional and local contracts**
- ✓ **Increase visibility** and ability to capture commercial opportunities
- ✓ Allows for choice between **self-delivery/subcontracting**

### Growing reference market



Unique granularity of network and national reach

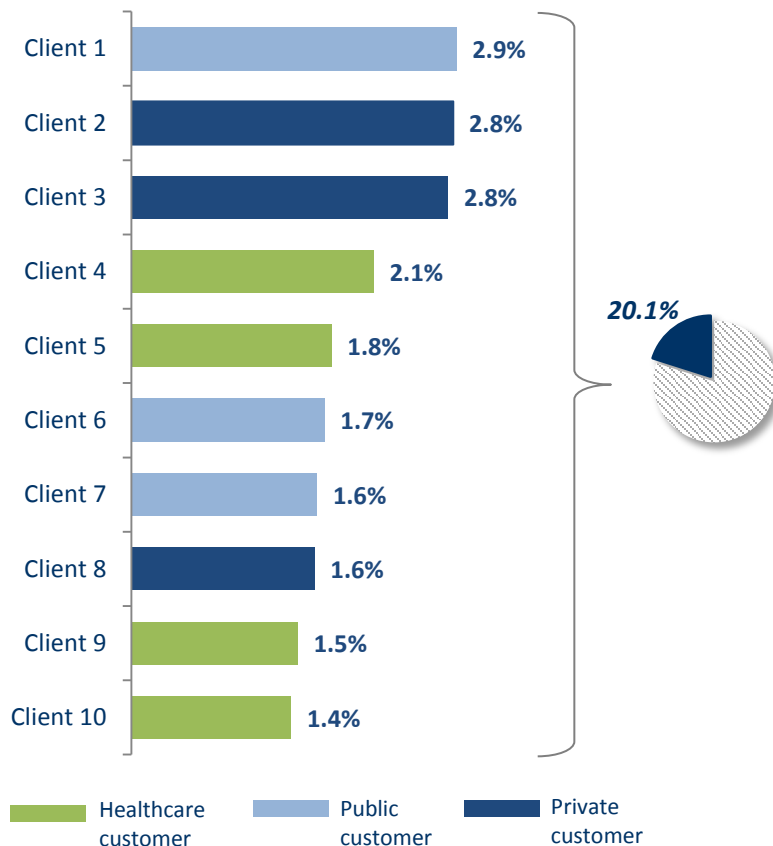
Source: Company information

<sup>1</sup> Rent of business unit

## 5 Diversified and long-standing customer base

### Diversified client base

**Top 10 clients**  
(% on total revenues FY16A)



### Diverse range of reputable and top-tier clients (<1% receivables write downs)

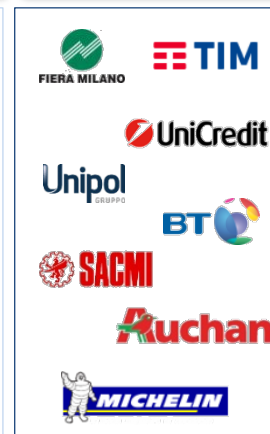
#### HEALTHCARE



#### PUBLIC

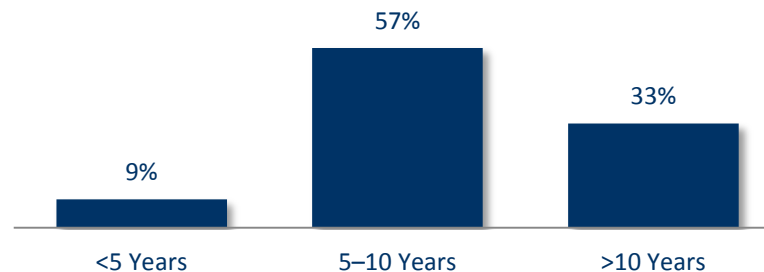


#### PRIVATE



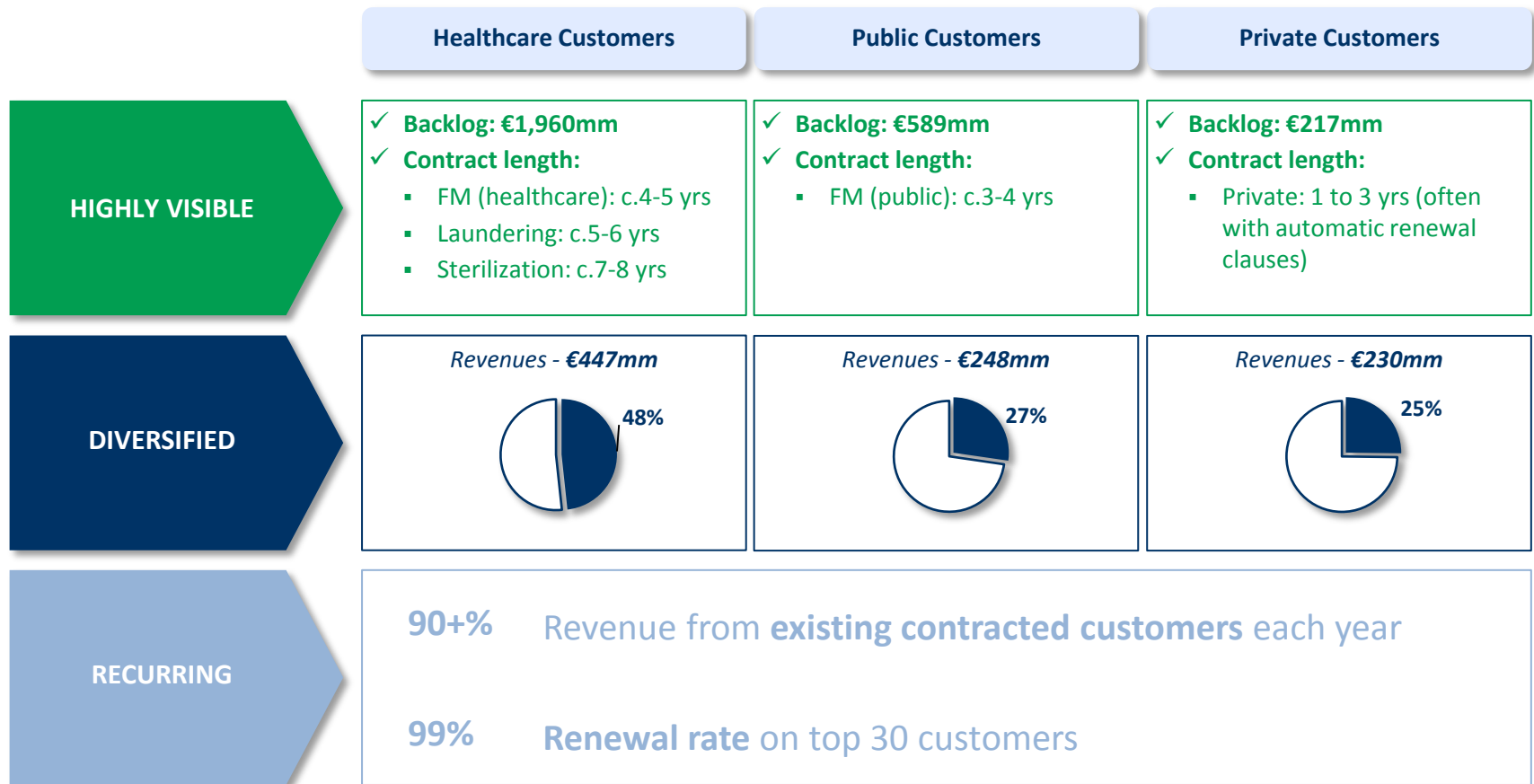
### Long-standing relationships

**Split of revenues for top 40 clients**  
(% on total top 40 clients revenues FY16A)



**Long term relationships with a highly diversified and reputed customer base**

## 6 Highly visible, recurring and diversified revenue base

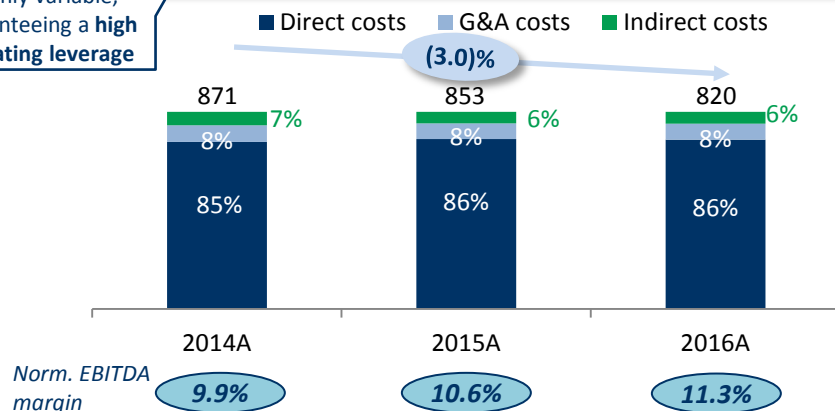


Revenue base is highly visible through backlog and contracted nature of the business, recurring through high renewal rates and limited ramp-up of new business each year, diversified through a balanced split in the three key segments

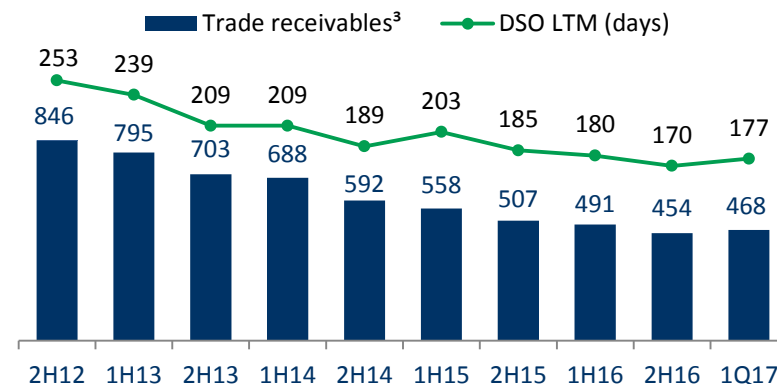
## 7 Highly variable cost structure and asset-light financial profile

### Cost structure composed mainly of direct costs (€mm)

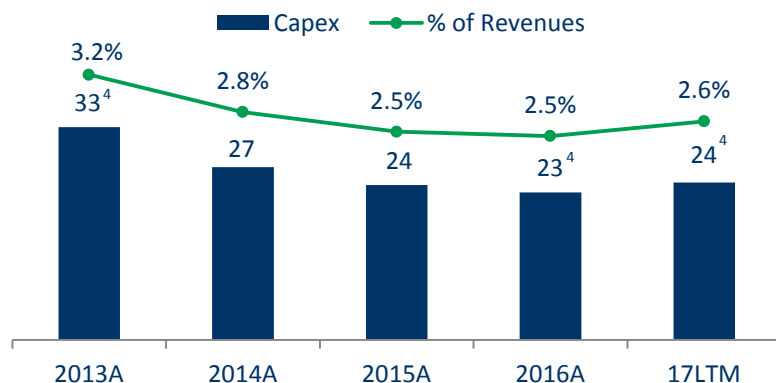
Mainly variable, guaranteeing a **high operating leverage**



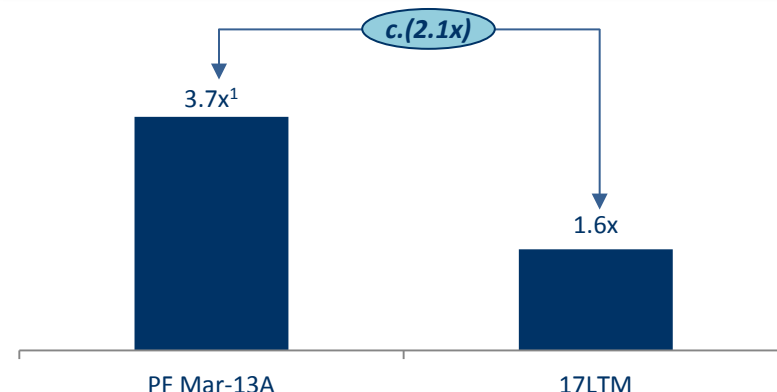
### More efficient working capital management (€mm)



### Disciplined and low capex requirements (€mm)



### Deleveraging profile since bond debut (Net Debt<sup>2</sup> / Normalized EBITDA)



**Consistent track record of resilient margins, flexible cost structure, low capex requirements and efficient NWC management**

Source: Company information; <sup>1</sup> Pro forma leverage for the issuance of €425mm SSNs 8.5% due in 2020. Computed as the ratio between net debt and normalised EBITDA recomputed according to the definitions applied in this Transaction; <sup>2</sup> Includes outstanding nominal SSNs, bank debt, factoring with recourse and financial leasing net of cash and cash equivalents and current financial assets; <sup>3</sup> As per management accounts, differs from statutory for (i) inclusion of advances from customers and (ii) reversal of advances to suppliers; <sup>4</sup> Excludes 19

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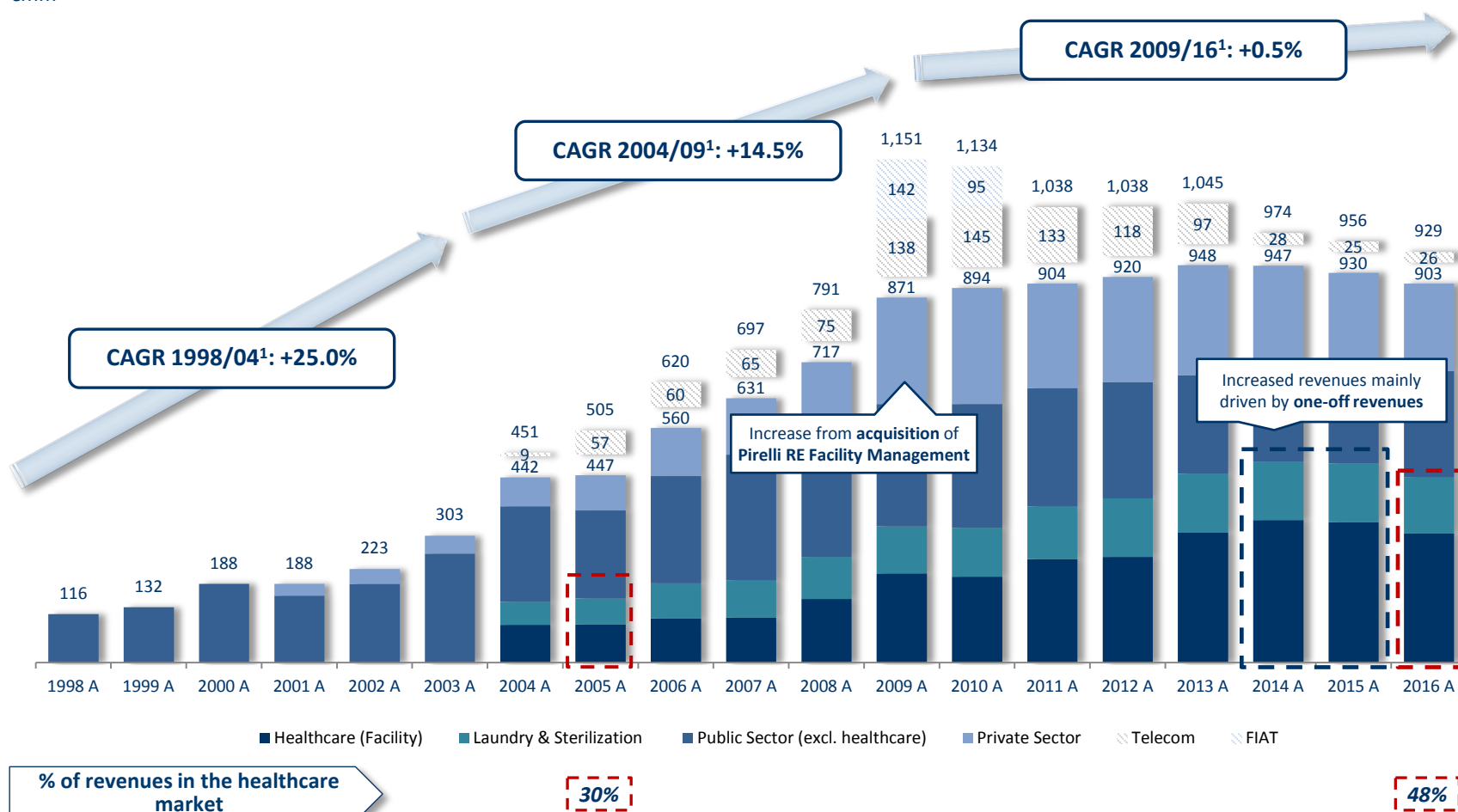
**II** Key credit highlights

**III** **Historical financials**

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## Long term history of growing revenue base

€mm



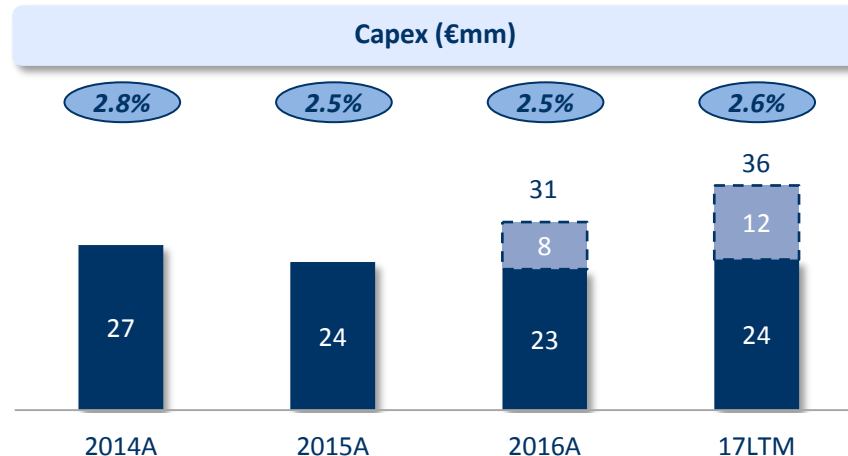
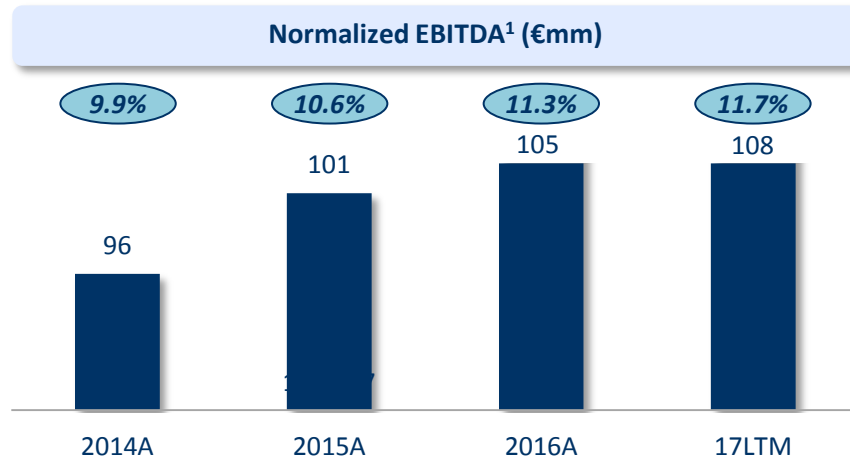
Long term growth trajectory thanks to a mix of organic and M&A expansion

Source: Company information, IMF

Note: Management account figures excluding certain discontinued business;

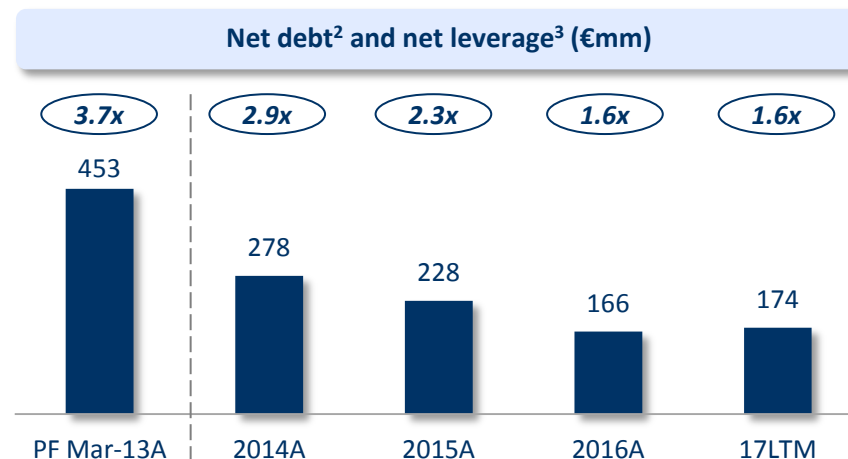
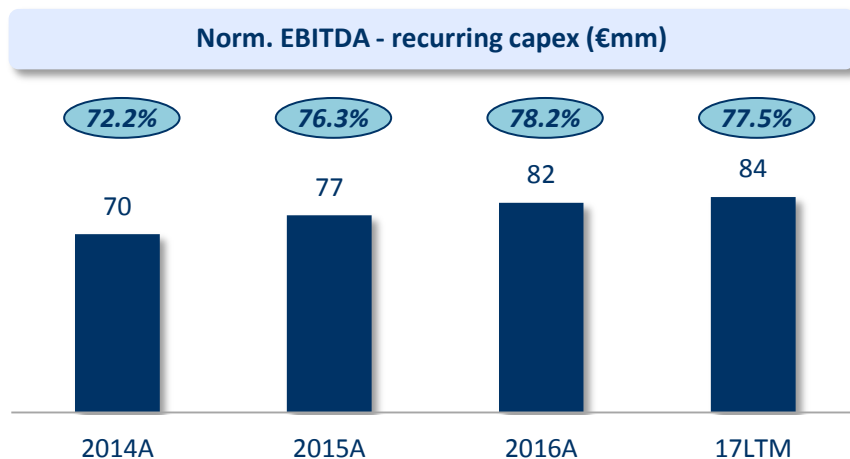
<sup>1</sup> CAGR total (excl. FIAT & TIM discontinued contracts)

## Attractive cash flow generation over the years



Non recurring capex referred to the acquisition of real estate assets for L&S

% of recurring capex on revenues



Net leverage

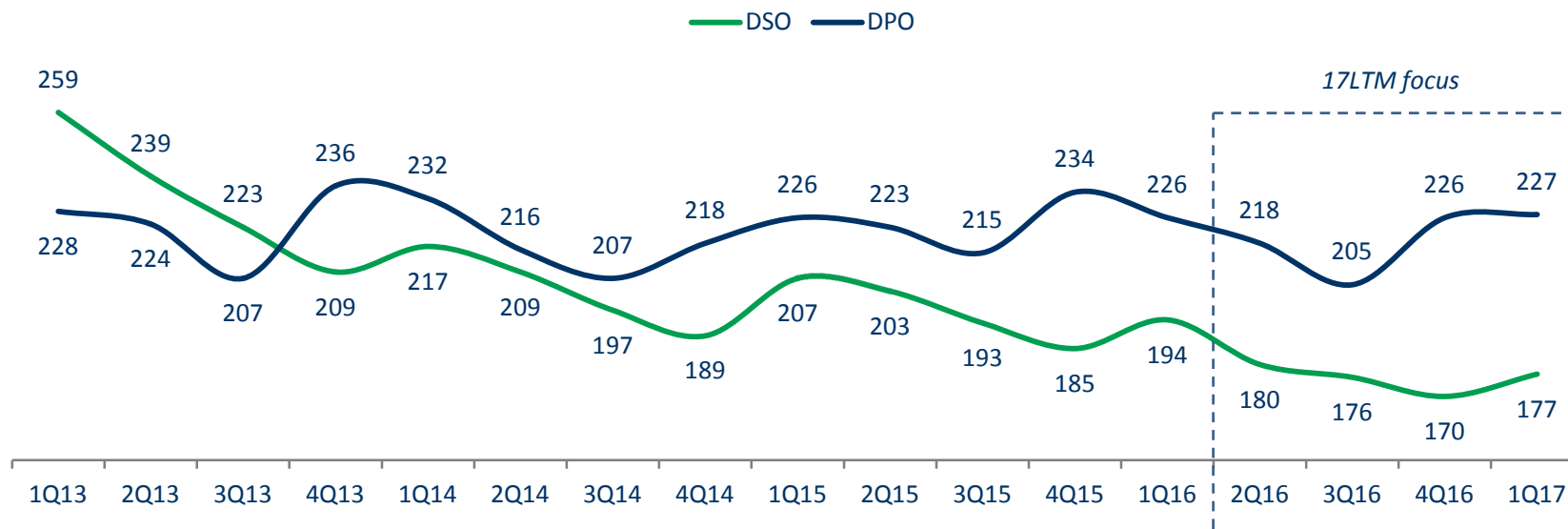
Source: Company information

<sup>1</sup> Figures adjusted for non-recurring expenses and one-off items and, for 2016 and 17LTM, start-up costs; <sup>2</sup> Includes outstanding nominal SSNs, bank debt, factoring with recourse and financial leasing net of cash and cash equivalents and current financial assets. For FY13, net debt has been recomputed according to the definition applied in this Transaction; <sup>3</sup> Computed as the ratio between net debt and normalised EBITDA. For FY13, net debt and normalised EBITDA have been recomputed according to the definition applied in this Transaction



## Improving working capital management thanks to digitalisation of invoicing

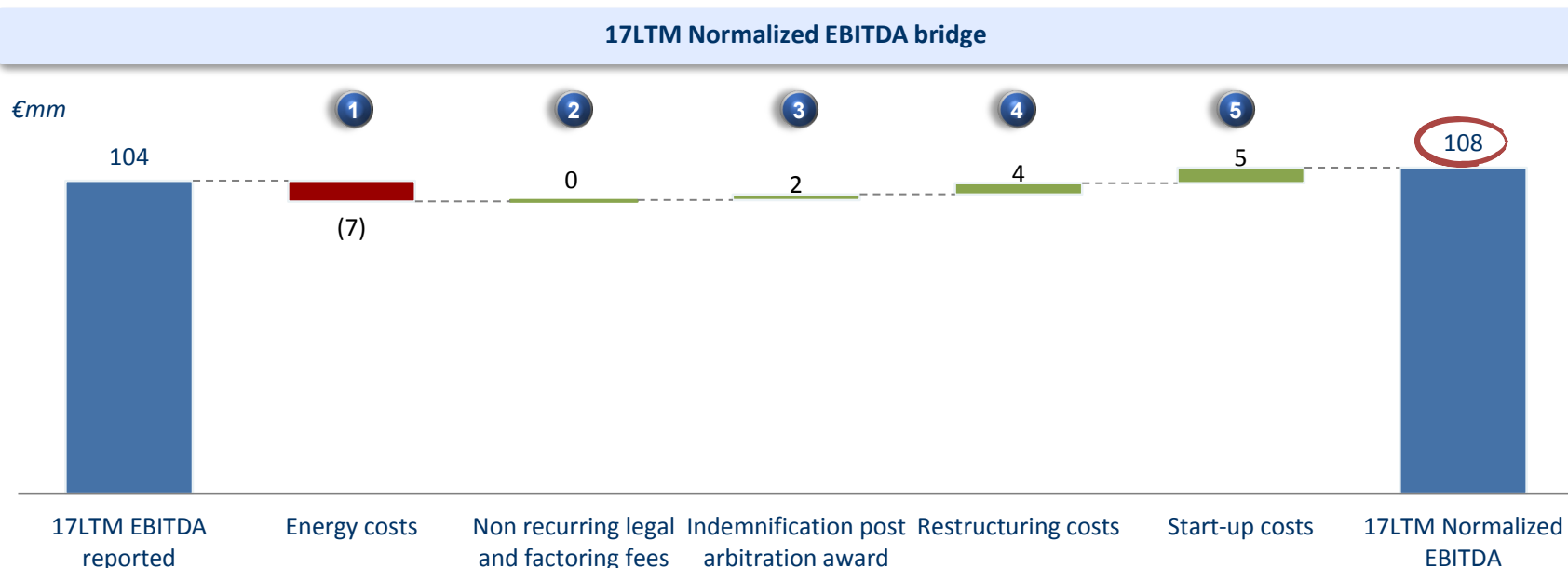
### DSOs and DPOs evolution over the last four years



### Commentary

- ✓ Sharp **decrease** in **DSOs** since the last 4 years (**c.80 days**), of which c.17 days in the last twelve months, resulting from:
  - Constant **improvement** in **PA payment terms**, reflecting shift towards European payment standards
  - Introduction of **electronic invoicing** from 2015
- ✓ Historically, **seasonality** negatively affects the ending balance of DSO and DPO in the first and third quarter of each year

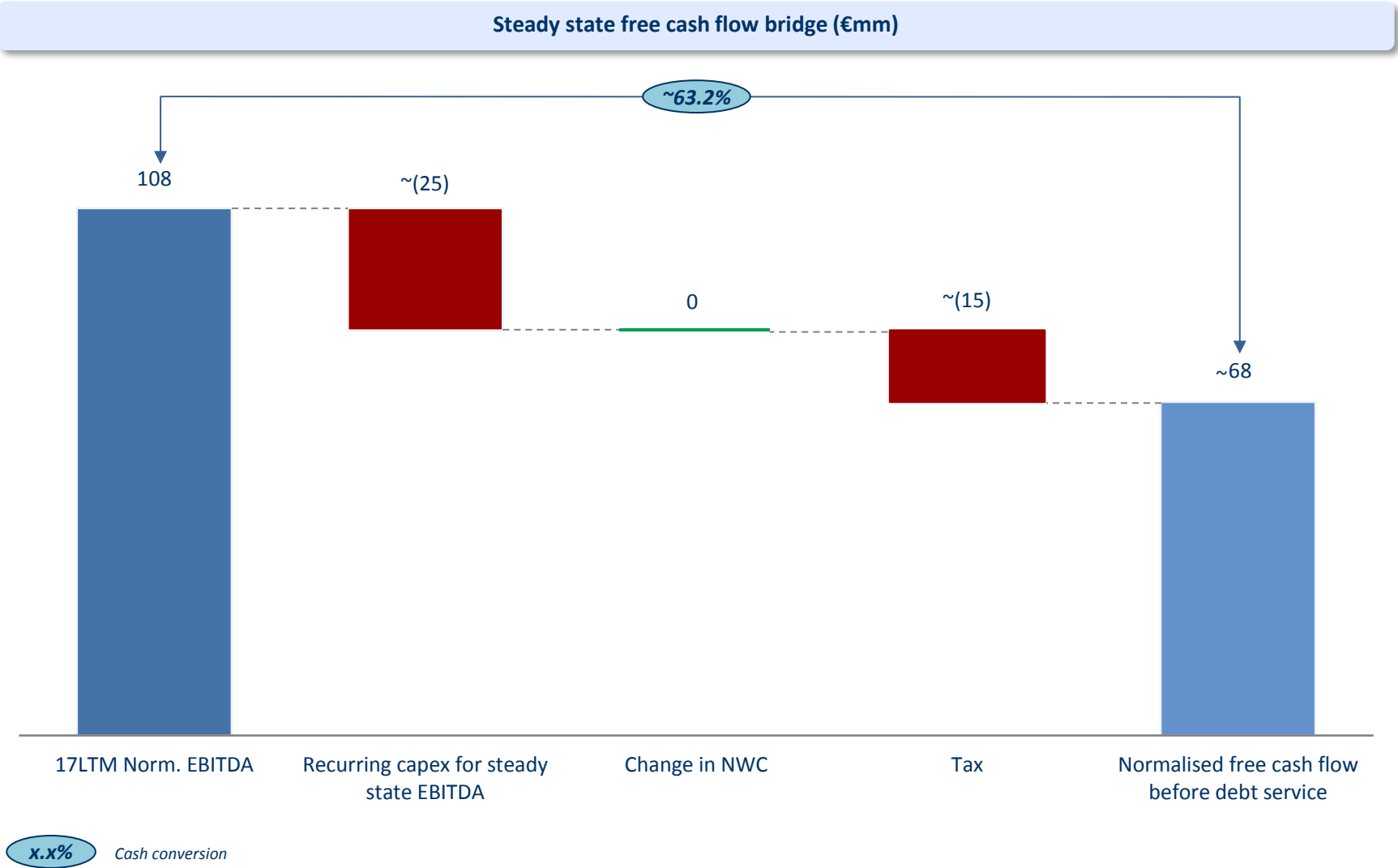
## 17LTM Normalized EBITDA bridge



### Commentary

- 1 **Energy costs:** one-off adjustment for the release of the provision related to '*oneri di sistema*' (initially accrued in 2015) following a new law in February 2017 which exempted MFM from those payment obligations
- 2 **Non recurring legal and factoring fees** associated with the ongoing administrative case initiated by the Italian Antitrust Authority (ICA) and for factoring without recourse agreements with Banca Farmafactoring
- 3 Cash outflows following the issuance of an arbitration award in August 2016 in connection with a proceeding regarding the application of VAT to a customer (Enasarco). The adjustment include the **payment to the customer** and **incurred legal fees**
- 4 Commissions and fees paid to **financial and legal advisors** for reorganizational efforts, including the sale of SMAIL (public lighting subsidiary), hiring of new key managers and establishment of MINT, Manutencoop subsidiary for international tenders, and e-Digital Services
- 5 Negative EBITDA impact from new ventures still in **start-up phase**: YouGenio, a B2C platform, for €2.6mm and MINT for €2.5mm

# Illustrative normalized free cash flow



Source: Company information

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## Summary of current legal proceedings

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- ✓ Our business is **largely exposed** to public administrations and we continuously participate in **complex and large public tenders** to be awarded with public contracts
- ✓ The market in which we operate is characterized by complex regulation and by intense competition, which results in a litigious market environment among competitors
- ✓ As a consequence, our industry and our Company are under **continuous scrutiny** and more so have been over **the last few years**
- ✓ We are currently involved in **3 main legal proceedings**; we describe herein what we believe to be the worst case scenario for illustrative purposes, however, we are not aware of recent cases in the market where consequences as severe as those described herein have been suffered by our competitors; on the contrary, in other cases, the operation of affected businesses has continued, even when injunctions or other sanctions have been imposed
  - **Consip School**
    - Anti-trust allegation where company has been **fined** for **€14.7mm**
    - Company **appealed** this decision before **Italy's Supreme Court**
    - Contract has **limited backlog remaining**
  - **FM4**
    - Anti-trust related investigation at an **early stage of the process**
    - FM4 has not **generated** any **revenue or backlog**
  - **Naples investigation**
    - **Bribery-related investigation** for **3 employees** of the Company and **1 former employee**
    - The investigation is at an **early stage**
    - **Temporary injunction** from contracting with public entities for the Company has been **rejected**
    - **Contract** has been performed with minimal remaining payments to be collected and **negative profitability**

## Update on legal proceedings - Consip School Tender litigation

<p><b>Facts</b></p>	<ul style="list-style-type: none"> <li>✓ <b>Cleaning services for c.550 public schools in Italy</b></li> <li>✓ <b>ICA</b> ("Italian Competition Authority"), issued a decision in December 2015 <b>on alleged antitrust violations in the public tender process to MFM and 3 other competitors</b> <ul style="list-style-type: none"> <li>▪ Following a series of administrative/court decisions, MFM was assessed a <b>€14.7mm fine</b> (<i>reduced from the original €48.5mm fine as considered not as serious as originally assumed</i>) <b>payable in 30 monthly installments</b></li> <li>▪ Consip <b>terminated</b> the <b>Consip School Framework Agreement in November 2016</b> (which Company appealed at Civil Court in Rome)</li> </ul> </li> <li>✓ As this decision is against MFM only, other Group legal entities (e.g. Servizi Ospedalieri in the L&amp;S Segment) are not subject to sanction</li> <li>✓ <b>MFM appealed</b> the decision before the <b>Italian Supreme Court</b> on technical/jurisdictional grounds (a decision is expected in 18-24 months)</li> <li>✓ In June 2017, we were informed that a criminal investigation against our former CEO and a current MFM employee was concluded in relation to the Consip School public tender process, however, to date no criminal charges have been filed</li> </ul>
<p><b>Results and Potential Losses</b></p>	<ul style="list-style-type: none"> <li>✓ All the Consip School Contracts will remain in force until August 31, 2017<sup>1</sup> and will be extended until new contracts / FAs are awarded: <ul style="list-style-type: none"> <li>▪ If all the Consip School Contracts were to be <b>terminated</b> on <b>August 31, 2017</b>, the estimated <b>loss of revenue</b> and <b>EBITDA</b><sup>2</sup> for 2017 would be <b>€14.2mm</b> and <b>€1.4mm</b>, respectively</li> <li>▪ If all the Consip School Contracts were to be <b>terminated</b> on <b>December 31, 2017</b>, the estimated <b>loss of backlog</b> and <b>EBITDA</b><sup>2</sup> between 2018 and 2020 would be <b>€8.8m</b> and <b>€0.9mm</b>, respectively</li> </ul> </li> <li>✓ MFM could be <b>excluded</b>, on a case by case basis by public contracting entities arranging the applicable tender or upon a decision of an administrative court following a claim by competitors suing to block our participation in a tender, from public <b>school cleaning tenders</b> over a period not exceeding <b>3 years</b> (for illustrative purposes, such an exclusion could result in a potential loss in <b>annual revenues and EBITDA</b><sup>2</sup> of c. <b>€43mm</b><sup>3</sup> and c. <b>€4mm</b><sup>3</sup>, respectively, <b>for a period of c.4-5 years</b> in respect of such school cleaning tenders in the event that MFM is made ineligible to participate)<sup>4</sup></li> <li>✓ MFM could be <b>excluded</b> from all <b>public tenders for up to 1 year</b>. In the last two years the contracts subject to potential exclusion (i.e. all contracts other than L&amp;S and Private sector ones) accounted for c. <b>€74mm</b><sup>5</sup> in <b>revenue</b> and c. <b>€7mm</b><sup>5</sup> in <b>EBITDA</b><sup>2</sup> p.a. for the typical contract duration of approximately 5 years</li> <li>✓ Finally, Manutencoop might still be liable to pay-back <b>performance bonds</b> to Consip for an amount up to c. <b>€17mm</b>, if enforced<sup>6</sup></li> </ul>

<sup>1</sup> Pursuant to a law decree to be converted into law by June 23<sup>rd</sup>, 2017 to be confirmed; <sup>2</sup> EBITDA estimated multiplying the annual revenue of contracts by the EBITDA margin for the relevant year, annual revenue calculated multiplying the backlog figure by average contract duration for the relevant year (loss estimates are net of unscheduled revenues);

<sup>3</sup> Revenues / EBITDA generated from public school cleaning services estimated as 2015-16

average of actual revenues and EBITDA margin; <sup>4</sup> Assuming value of new FA in line with the 2013 tender; <sup>5</sup> Average of 2015 and 2016; <sup>6</sup> A provision has been accrued

## Update on legal proceedings - Consip School Tender litigation (cont.)

### Mitigating Factors

- ✓ Following the termination of the Consip School Framework Agreement, **no schools have terminated** MFM's existing Consip School cleaning contracts
- ✓ MFM has **not** been **excluded** from **any public tenders** as a result of the Consip School Tender litigation and, in the event that this should occur, **we would vigorously defend our interests**, both on the merits and, on the advice of our legal counsel, on the basis of our adoption and implementation of Self-Cleaning Measures (described below)
- ✓ We believe that there is **no significant termination risk** for MFM's existing contracts as a result of the Consip School Tender litigation
- ✓ MFM has adopted / implemented **internal policies and procedures** to minimize the possibility of future antitrust violations ("**Self-Cleaning Measures**") and, from April 2016, MFM implemented a reorganization to achieve, among other things, changes to certain primary management functions, the nomination of a new board of directors, the separation of the powers and responsibilities of the President and the Chief Executive Officer, and a change of the corporate governance structure of MFM, replacing the so-called "dualistic" model with a traditional governance model
- ✓ Historically, exclusions from public tenders have been shorter than the maximum allowed
- ✓ **No performance bond** has ever been **enforced** by Consip



## Update on legal proceedings - FM4 Tender

### Facts

- ✓ **Cleaning and maintenance services for offices** used by **Italian public entities** that MFM tendered to Consip in June 2014
- ✓ In March 2017, ICA opened an **investigation**, expected to be concluded by May 2018, against MFM and six other competitors to determine if **antitrust violations** were committed in the FM4 Tender

### Results, Potential Losses and Mitigating Factors

- ✓ The **investigation** is at a very **preliminary stage** and MFM believes that there has **not been any wrongdoing**, but if a violation were found and a fine were to be imposed, and if computed consistently with the fine for the Consip School Tender Litigation, it would be up to a maximum of 5% of the approximately €530mm base tender value. The final amount **may be increased** if the violation is deemed as a **more serious offense** than the Consip School Tender and / or a repeat offense
- ✓ While the theoretical impacts of an adverse result could be similar to those described in connection with the Consip School Tender, MFM believes that it is premature to speculate on potential losses or adverse effects on the business
- ✓ **FM4 Tender** has **not** generated **revenue** or **backlog**
- ✓ In connection with the FM4 Tender, we would have similar defences and arguments to be made in our favour, including with respect to the Self-Cleaning Measures and organizational changes adopted, described further ahead
- ✓ At this stage, **no provisions** have been **set aside** by MFM as the potential liability and the likelihood cannot be estimated

## Update on legal proceedings - Naples Investigation

<b>Facts</b>	<ul style="list-style-type: none"> <li>✓ In April 2017, a <b>search warrant and notice of a criminal investigation against</b> three MFM <b>employees</b> and a <b>former employee</b> was served by the Naples Public Prosecutor alleging corruption for winning the tender for the cleaning services project at the Santobono-Pausilipon Public Health Agency in Naples in 2014. Under the scope of LD 231<sup>1</sup>, MFM is under investigation as the employer</li> <li>✓ In 2016, the <b>project</b> generated <b>c.€2.5mm</b> in <b>revenue</b> and had a <b>negative contribution margin</b>; work under the project concluded on May 31, 2017</li> </ul>
<b>Results and Potential Losses</b>	<ul style="list-style-type: none"> <li>✓ <b>If convictions were to be obtained</b>, they could trigger <b>administrative liability</b> for MFM under LD 231, following final, unappealable judgements through three levels of courts, resulting in monetary fines and/or temporary prohibitions from entering into contracts with public entities and/or give the right to certain private sector counterparties to terminate existing contracts.</li> </ul>
<b>Mitigating factors</b>	<ul style="list-style-type: none"> <li>✓ MFM believes the <b>claims against its employees are baseless</b>. Initial restrictions and precautionary measures imposed on a employee were later revoked on the basis of the retraction of certain accusatory testimony</li> <li>✓ The Public Prosecutor requested a temporary injunction on MFM from contracting with public authorities pending the conclusion of the criminal investigation. Following the hearing in May 26, 2017, the judge <b>rejected the temporary injunction</b>, finding that the conditions for such injunction were not satisfied</li> <li>✓ On June 2, 2017, news reports described a recent proceeding involving a company operating in our market where the court, despite finding that the conditions for a temporary injunction were satisfied, at the same time <b>suspended the temporary injunction</b> and substituted such sentence with an order for the implementation of internal organizational policies and structures to prevent crimes under LD 231, which demonstrates that there are cases where injunctions have been mitigated with alternative sentences that allow the company to continue full operations in the market</li> <li>✓ To be held liable, LD 231 requires the conviction of top management while the <b>employees</b> in question are <b>not</b> among <b>MFM's top management</b> or, in case of conviction of an employee reporting to a top manager, it requires sufficient proof of the weakness of the Company's organization. In both cases, MFM must have derived a <b>material benefit</b> from the <b>criminal behaviour of its employees</b></li> <li>✓ Since <b>2008</b>, MFM has had in place the required <b>internal organizational policies</b> and <b>structures</b> to prevent crimes under LD 231</li> <li>✓ At this stage, <b>no provisions</b> have been <b>set aside</b> by MFM as the process is at a preliminary stage</li> </ul>

<sup>1</sup> Italian LD 231 introduced administrative liability for companies for specific crimes (including, among others, corruption, bribery, money laundering and manslaughter) committed by directors, executives, their subordinates and those acting on behalf of the company, provided that the illegal conduct was carried out in the interest of, or for the benefit of, the company itself; this liability regime is generally acknowledged to correspond to criminal liability

## Enhanced internal operating procedures - Self-Cleaning Measures

### Regulatory Background

- ✓ **Statutory law** provides that Self-Cleaning Measures adopted and implemented by a company may be **taken into consideration** by public purchasing entities and courts **not to exclude the Company** from current and future public tenders announced in the same sector
- ✓ The adoption and implementation of **Self-Cleaning Measures** does **not automatically avoid the risk of exclusion** from the relevant public tender procedure. However, the public contracting entity is required to provide **adequate justifications** regarding the insufficiency of the Self-Cleaning Measures to prove the entity's reliability and integrity

### Actions Undertaken and Potential Mitigating Factors

- ✓ As a general response to the Consip School Tender litigation and in relation to certain requests from the ICA, **the Company designed an Antitrust Compliance Program launched on February 23, 2017**
- ✓ In addition, the Company has implemented the following Self-Cleaning Measures:
  - Internal policy concerning **public tender procedures** (e.g. adoption of a self-limitation principle in relation to its participation through consortia and a procedure governing the exchange of correspondence between the Company and its subsidiaries)
  - Adoption of a **code of conduct**
  - Approval of **specific training activities**
  - Adoption of **certain procedural measures** (e.g. whistle-blowing in relation to potential antitrust infringements, a general encouragement of timely communication to the legal department and disciplinary measures)
  - Appointment of an Antitrust Compliance Officer, which shall supervise antitrust compliance
- ✓ In addition, from April 2016, MFM implemented a reorganization to achieve, among other things, changes to certain primary management functions, the nomination of a new Board of Directors, the separation of the powers and responsibilities of the President and of the Chief Executive Officer and a change of the corporate governance structure of MFM, replacing the so-called "dualistic" model with a traditional governance model

# Update on legal proceedings

