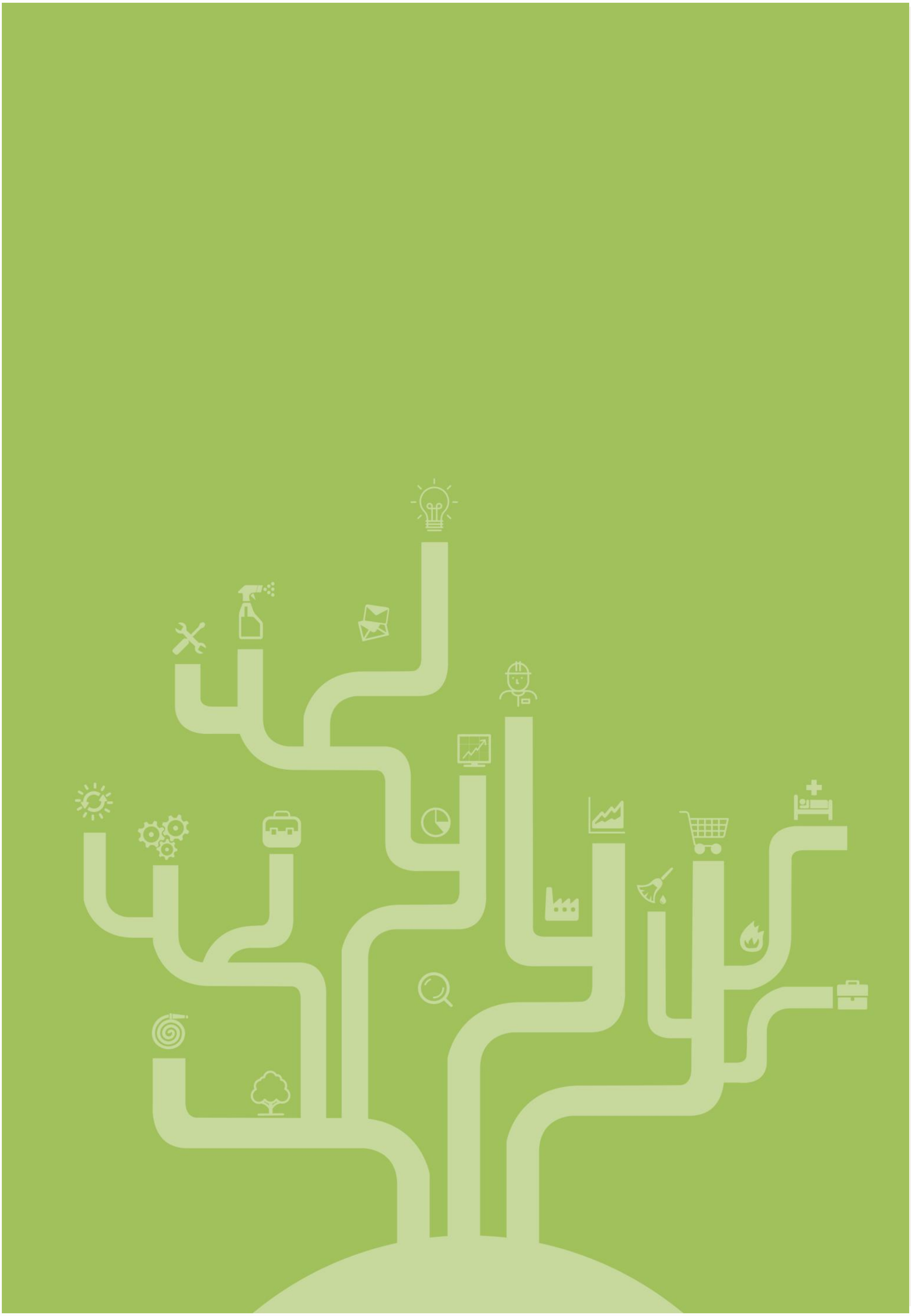
CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2017

2017

MANUTENCOOP



GENERAL INFORMATION

REGISTERED OFFICE

Via U. Poli, 4
Zola Predosa (Bo)

BOARD OF DIRECTORS

Appointed by the Shareholders' Meeting of 13 October 2017

CHAIRMAN and CEO
Giuliano Di Bernardo

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

GENERAL MANAGER
Andrea Gozzi

BOARD OF STATUTORY AUDITORS

Appointed by the Shareholders' Meeting of 13 October 2017

CHAIRMAN
Germano Camellini

STANDING AUDITORS
Marco Benni
Monica Mastropaolo

ALTERNATE AUDITORS
Michele Colliva
Antonella Musiani

INDEPENDENT AUDITORS

EY S.p.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Euro)	NOTE	For the year ended	
		31 December 2017	31 December 2016
Net profit (loss) from continuing operations for the year		**715**	**32,481**
Income taxes for the year		16,010	14,738
Profit/(Loss) before taxes from continuing operations		**16,725**	**47,219**
Profit(loss) for the period from discontinued operations		0	*1,052*
Capital (profits)/losses from discontinued operations		0	*(1,409)*
Amortization, depreciation, write-downs and (write-backs) of assets		30,280	32,714
Accrual (reversal) of provisions for risks and charges		143	(10,107)
Employee termination indemnity provision		935	889
Payments of employee termination indemnity		(2,453)	(2,673)
Utilization of provisions for risks and charges		(6,252)	(7,503)
Share of net profit of associates, net of dividends collected		3,610	(1,688)
Financial charges (income) for the year		39,689	28,257
Operating cash flows before movements in Working Capital		**82,677**	**86,751**
Of which related to discontinued operations		*0*	*(1,409)*
Of which related to continuing operations		*82,677*	*88,160*
Decrease (increase) of inventories		(1,675)	381
Decrease (increase) of trade receivables		24,131	58,123
Decrease (increase) of other current assets		(5,902)	4,804
Increase (decrease) of trade payables		38,582	(33,828)
Increase (decrease) of other current liabilities		(7,212)	(8,621)
Change in Working Capital		**47,924**	**20,859**
Net interest received (paid) in the year		(43,495)	(26,471)
Income tax paid in the year		(17,231)	5,300
Net cash flow from operating activities		**69,876**	**86,439**
Purchase of intangible assets, net of sales	4	(6,501)	(6,857)
Purchase of property, plant and equipment	3	(25,048)	(23,677)
Proceeds from sales of property, plant and equipment	3	498	835
Acquisition of investments		(1,487)	(505)
Decrease (increase) of financial assets		(27)	(490)
Discontinuing activities	29	1,060	9,274
Net cash flow used in investing activities		**(31,504)**	**(21,420)**
Change in finance lease debt	15	2,708	(570)
Acquisition of non-current borrowings	15	195,300	0
(Repayment) of non-current borrowings	15	(324,310)	0
Proceeds from/(repayment of) short term bank debt	15	(5,857)	(22,207)
Proceeds from non-current borrowings	15	3,683	18,386
Dividends paid	11	(25,111)	(25)
Changes of minority interests in subsidiaries	11	93	(4)

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

SUPPLEMENTARY INFORMATION

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

1. GENERAL INFORMATION

The publication of the consolidated Financial Statements of the Manutencoop Facility Management Group (the "MFM Group" or the "Group") for the year ended 31 December 2017 was authorized by resolution of the Board of Directors of 19 March 2018.

At 31 December 2017 the Group was wholly owned by the sole shareholder CMF S.p.A..

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

1.1 The business

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

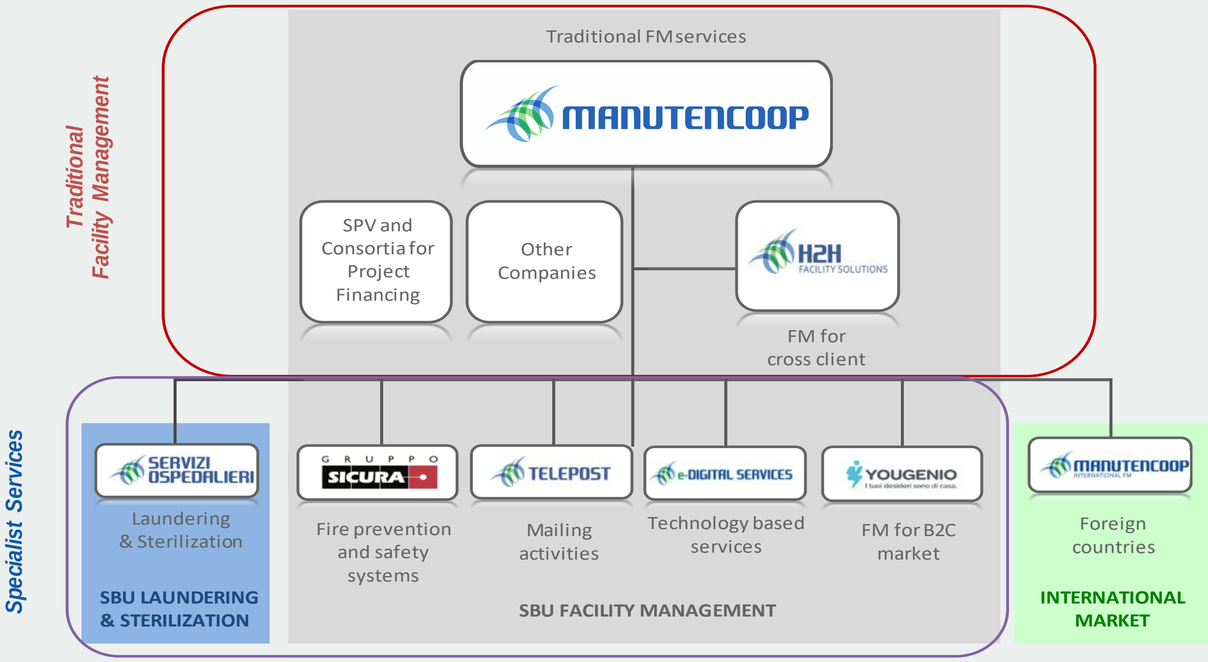
In particular, the MFM Group provides a wide and coordinated range of integrated services throughout Italy, aimed at rationalising and improving the quality of the non-strategic and auxiliary activities of major private groups, public authorities and health care facilities.

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

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

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

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



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

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

- Cleaning;
- Technical Services;
- Landscaping.

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

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

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

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

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

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

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

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

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

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

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

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

2. ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

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

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

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

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

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

2.1 Statement of compliance with international accounting standards (IFRS)

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

2.2 Changes in accounting standards and disclosures

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

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

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

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

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

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

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

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

IFRS9 – Financial Instruments (applicable from the financial years that will end after 1 January 2018). The aim of the new standard is to make it simpler for the user of the financial statements to understand the amounts, timing and uncertainty of cash flows by replacing the different types of financial instruments referred to in IAS 39. In fact all financial assets are initially accounted for at fair value, adjusted by transaction costs if they are not accounted for at fair value through profit or loss (FVTPL). Nevertheless, trade receivables that do not have a significant financial component are initially measured at their transaction price, as defined by the new IFRS 15 – Revenues from Contracts with Customers. Debt instruments are measured on the basis of the contract cash flows and the business model on the basis of which they are held. Instruments only involving cash flows for the payment of interest and principal are accounted for according to the amortised cost method, while those also involving the exchange of financial assets are measured at fair value in the OCIs and subsequently reclassified in profit or loss (FVOCI). Finally, there is an express option for accounting at fair value (FVO). Similarly, all equity instruments are initially measured at FVTPL but the entity has an irrevocable option to account for it at FVTOCI. Any additional classifications and the measurement rules laid down under IAS39 have been reported under the new IFRS9. As regards impairment, the IAS39 model based on the losses incurred has been replaced by the ECL (Expected Credit Loss) model. Finally, some changes are made in Hedge Accounting, with the possibility of conducting a prospective effectiveness and quality test, measuring risk factors independently if they can be identified. No potential significant impact is expected to affect the Group's financial position, results of operations and cash flows based on a preliminary qualitative evaluation of IFRS9.

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

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

IFRS17 – Insurance Contracts (applicable from the financial years that will end after 1 January 2021). The standard replaces the previously applicable IFRS 4 and requires all insurance contracts to be accounted for in a consistent manner, as well as insurance obligations to be accounted for by using current values instead of historical costs. The new standard requires the current estimates of future cash flows and the recognition of the profit in the period in which services are provided under the contract. IFRS 17 also requires the entities to disclose the results from insurance services (including the presentation of insurance revenue) separately from revenue or costs in the insurance sector, as well as to make an accounting policy choice on the recognition of all financial income and costs from insurance services through profit or loss or to state some of these income or costs in other comprehensive income. The standard will be applicable for financial years commencing on 1 January 2021, with early adoption permitted. No significant impact is expected from the application of the new standard on the Consolidated Financial Statements.

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

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

Amendments to IAS28 - Long-term interests in associates and joint ventures (applicable from the financial years that will end after 1 January 2019). It clarifies how entities must use IFRS 9 to recognise long-term interests in associates or joint ventures, for which the equity method is not applied. The Group is assessing the impact from the adoption of these amendments on the Consolidated Financial Statements.

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

Improvements to IFRS

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

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

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

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

2.3 Discretionary assessments and significant accounting assumptions

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

Discretionary assessments

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

Uncertainty of estimates

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

Impairment test

Goodwill is subject to impairment test at least annually, or more frequently if there is an indication of potential impairment in the carrying amounts. This requires an estimate of the value in use of the CGU (cash-generating unit) to which the goodwill is allocated, in turn based on an estimate of expected cash flows from the CGU and their discounting on the basis of a suitable discount rate.
At 31 December 2017 the carrying amount of the Goodwill was equal to € 370,363 thousand (down by € 93 thousand compared to 31 December 2016). See note 5 for details.

Provisions for risks and charges and Allowance for doubtful accounts

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

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

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

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

Recognition of revenues and costs relating to contract work in progress

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

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

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

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

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

Consolidation principles

The Consolidated Financial Statements include the financial statements of MFM S.p.A. (the ''Parent Company") and its subsidiaries, prepared as at 31 December 2017. The financial statements of the subsidiaries have been prepared by adopting for each closing date the same accounting standards as those applied for the parent company.

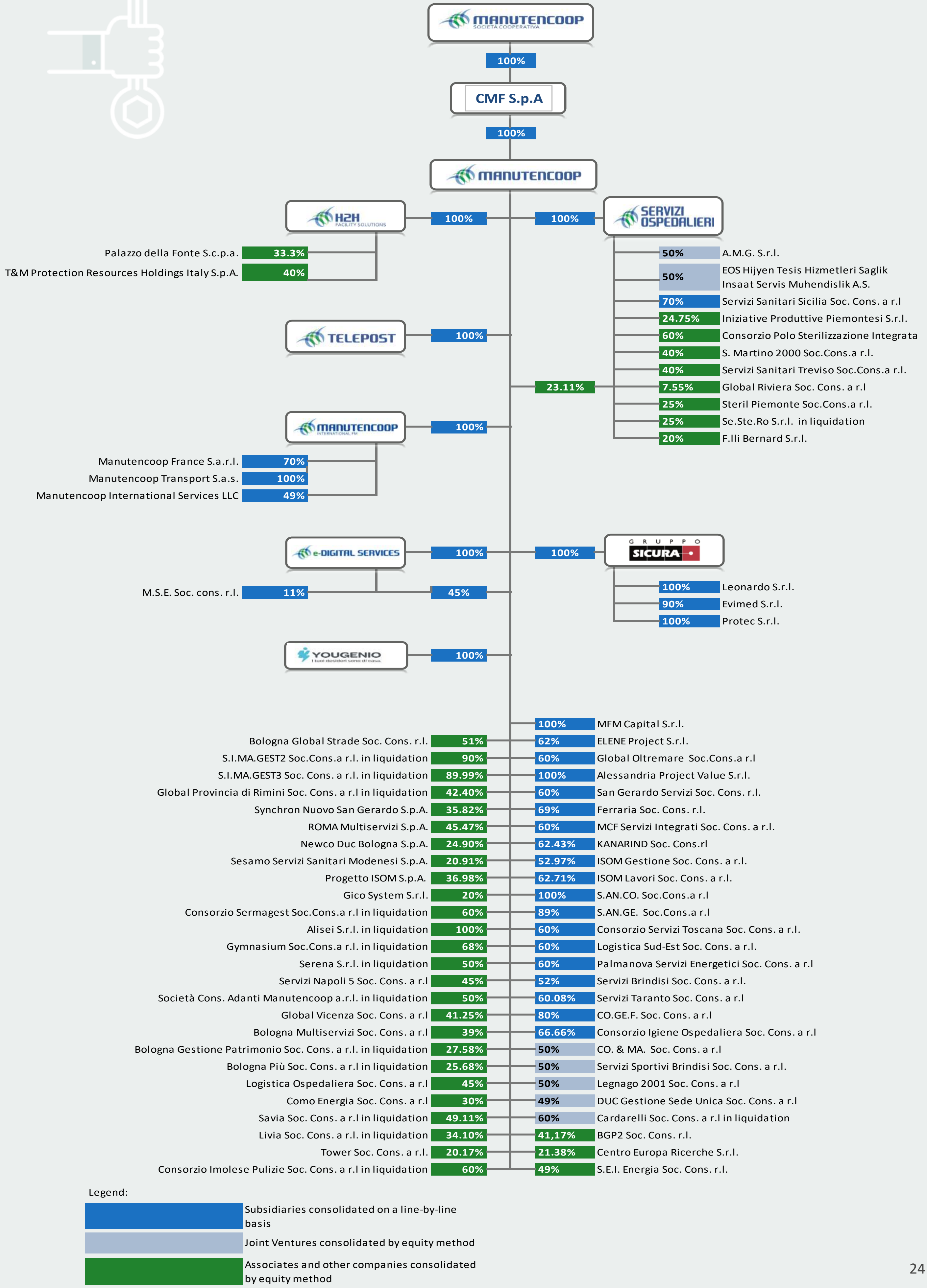
All Intra-Group balances and intercompany transactions, including unrealized profits or losses arising from intra-Group transactions, which are recognized under assets, are eliminated in full.

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

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

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

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



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

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

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

2.4 Summary of the main accounting policies

Conversion of foreign currency items

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Goodwill

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

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

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

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

Other intangible assets

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

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

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

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

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

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

Equity investments in joint venture and in associates

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

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

Impairment of assets

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

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

Financial assets

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

› financial assets at fair value with changes through profit or loss, a category which includes the financial assets held for trading, i.e. all assets acquired for short-term sale;

› loans and receivables, defined as non-derivative financial assets with fixed or determinable payments that are not listed on an active market;

› investments held to maturity, i.e. financial assets that are not derivative instruments and that are characterised by fixed or determinable payments on maturity for which the owner has the intention and capacity to hold them in the portfolio until maturity;

› available-for-sale financial assets, i.e. financial assets, excluding derivative financial instruments, which have been designated as such or are not classified in one of the other three previous categories.

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

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

The accounting policies applied by the Group are the following:

Loans and receivables

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

Available-for-sale financial assets

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

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

Inventories

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

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

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

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

Trade receivables and other receivables

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

Contracts for construction work and plant building

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

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

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

Cash and cash equivalents

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

Loans

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

Derecognition of financial assets and liabilities

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

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

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

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

Impairment of financial assets

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

Assets valued according to the amortised cost criterion

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

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

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

Assets recognised at cost

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

Available-for-sale financial assets

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

Provisions for risks and charges

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

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

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

Provision for employee termination benefits

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

Employee benefits

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

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

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

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

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

The Group has no other significant defined benefit pension plans.

Leasing

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

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

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

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

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

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

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

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

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

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

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

Revenue recognition

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

Provision of services

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

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

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

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

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

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

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

Building activity

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

Sale of assets

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

Interest

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

Dividends

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

Government grants

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

Income taxes

Current taxes

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

Deferred taxes

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

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

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

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

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

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

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

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

VAT

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

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

Service concession arrangements

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

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

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

Earnings per share

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

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

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

Operating segments

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

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

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

Methods of calculation of the costs allocated to the segments

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

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

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

Changes in accounting estimates and errors

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

4. OTHER INTANGIBLE ASSETS

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

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

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

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

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

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

5. IMPAIRMENT TEST OF GOODWILL

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

SBU – Facility management

The SBU is identified with:

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

SBU – Laundering & Sterilization

The SBU is identified with:

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

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

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

Facility management CGU goodwill

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

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

Laundering & Sterilization CGU goodwill

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

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

Impairment Test

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

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

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

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

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

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

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

6. INVESTMENTS IN COMPANIES VALUED UNDER THE EQUITY METHOD

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

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

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

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

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

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

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

7. OTHER ITEMS OF NON-CURRENT ASSETS

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

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

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

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

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

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

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

8. INVENTORIES

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

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

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

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

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

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

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

In 2017 work continued on the assignments without recourse of trade receivables claimed from the National Health System under the contract that was entered into between the Parent Company MFM S.p.A.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- An overall amount of € 302 thousand of receivables from short-term loans and financial accounts held with non-consolidated Group companies (€ 717 thousand at 31 December 2016);
- The balance of pledged current accounts dedicated to the operation of the service within the scope of assignments of trade receivables without recourse with Banca Farmafactoring, equal to € 1,494 thousand (€ 524 thousand at 31 December 2016).

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

11. SHARE CAPITAL AND RESERVES

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

Ordinary shares have a nominal value of Euro 1 each. Ordinary shares issued and fully paid up at 31 December 2017 amounted to 109,149,600.
The Parent Company does not hold own shares.

Reserves and Retained Earnings

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

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

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

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

The Shareholders' Meeting of the Parent Company MFM S.p.A., convened on 27 April 2017 for the approval of the 2016 Financial Statements, resolved to distribute to the shareholders a dividend of €

25,091 thousand, after fully covering losses from previous years amounting to € 44,256 thousand by partially using the Extraordinary Reserve. The dividend was paid on 25 May and on 26 May.

The table below shows changes in *Retained earnings*:

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

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

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

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

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

MFM S.p.A. held a stake of 85% in the share capital of Sicura S.p.A.. However, no equity attributable to minority interests has been recognized as the Parent Company held a Call option on the minority interest, linked to an additional put option in favour of the minority shareholders which is recognised as a financial liability in the Consolidated Financial Statements. The call option was subsequently exercised on 30 June 2017 and, therefore, MFM S.p.A. held the entire share capital of the sub-holding Sicura S.p.A. at 31 December 2017.

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

12. EMPLOYEE TERMINATION INDEMNITY (TFR)

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

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

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

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

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

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

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

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

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

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

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

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

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

13. PROVISIONS FOR RISKS AND CHARGES

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

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

Provision for risks on investments

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

Provision for risks on job orders

This provision includes, at consolidated level:

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

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

Provision for pending disputes

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

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

As a result of the Competition Authority's fine ruling, on 4 February 2016 Consip S.p.A. initiated a procedure to terminate the Agreements entered into within the tender in question, also informing the Company that it would consider the possibility of excluding it from future tenders for "work of the same type", including pursuant to article 38, paragraph 1, letter f) of Legislative Decree 163/06. On 23 November 2016 Consip S.p.A. also gave MFM S.p.A. notice of the final termination of the agreements, expressly stating that it would confiscate the part of the final guarantee deposit (performance bond) which remained after the deposit had been partially released considering the work done normally up to the termination date. It also notified the intention to report the facts to the Italian Anti-Corruption Authority (*Autorità Nazionale Anti-Corruzione*, ANAC) and to the Public Prosecutor's Office. On 24 April 2017, Italian Law Decree no. 50 was published on the O.G.: Article 64 (Services in school) of this law decree envisages the continuation of the acquisition of cleaning services and other auxiliary services until 31 August 2017 for the regions in which the Consip framework agreements have been terminated. In the subsequent Decree Law no. 91 of 20 June 2017, converted with amendments into Law on 3 August 2017, these services were further extended until 31 December 2017; finally, Article 1, paragraph 687, of Law no. 205 of 27 December

2017 (“2018 Budget Law”) provided for these agreements to continue until 30 June 2019, in order to allow the regular performance of educational activities for the 2018-2019 school year.

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

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

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

On 23 March 2017 AGCM notified MFM S.p.A. of the initiation of a preliminary investigation procedure against CNS – Consorzio Nazionale Servizi Società Cooperativa, Dussmann Service, S.r.l., Engie Servizi S.p.A. (formerly Cofely Italia S.p.A.), ManitalIdea S.p.A., MFM S.p.A., Romeo Gestioni S.p.A. and STI S.p.A. in order to establish whether these companies implemented any possible understanding restricting competition, concerning the coordination of the procedures to participate in the tender launched by Consip in 2014 for awarding the Facility Management services to be rendered to the properties that are mainly intended for office use on the part of the Public Authorities ("FM4 Tender").
To date AGCM has started preliminary investigations only and has allowed the Companies to access the papers of the proceedings. By an order of 22 November 2017 the Competition Authority also extended, both objectively and subjectively, the proceedings that had already been started; to date these proceedings also concern the SIE3 and MIES2 tenders and involve the industrial holding companies which control the entities initially involved (even if they have not been extended to the parent company Manutencoop Società Cooperativa). The Company firmly rejects the arguments holding an alleged collusive agreement with the other companies involved in the proceedings. The Directors believe that in no case are the requirements met in terms of probability, as well as of reliable estimate, required by the international accounting standards to set aside a provision for risks.

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

Provision for termination employee benefits

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

Other provisions for risks and charges

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

14. DERIVATIVES

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

15. BORROWINGS, LOANS AND OTHER CURRENT FINANCIAL LIABILITIES

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

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

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

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

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

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

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

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

Proceeds Loan (MFM S.p.A.)

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

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

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

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

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

Super Senior Revolving (RCF)

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

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

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

The Super Senior Revolving loan agreement provides for compliance with a financial covenant, which is preliminary to the possible use of the line granted. This financial covenant is in line with the market practice for similar financing transactions and is recognised on a quarterly basis on the basis of the data relating to the last 12 months, as resulting from the financial position, results of operations and cash flows approved during the quarter prior to the date of the application for use of the credit facility. On the reporting date of these financial statements the financial covenants had been complied with and no use of the facility had been requested from the execution of the agreement.

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

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

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

Obligations arising from finance lease

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

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

Syndicated loans

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

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

Due to factoring agencies

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

Obligations from assignments of receivables with recourse

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

Options on subsidiaries' minority shareholdings

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

Prepaid interest expenses

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

Share capital to be paid into investee companies

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

Debt for the acquisition of investments/business units

This item amounted to € 66 thousand at 31 December 2017 (€ 226 thousand at 31 December 2016). The change was due to the settlement agreement reached by subsidiary Sicura S.p.A. on the residual consideration relating to the acquisition of the business unit from Triveneta Servizi S.r.l. in the 2015 financial year.

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

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

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

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

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

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

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

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

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

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

17. OPERATING SEGMENTS

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

The SBUs identified coincide with the CGUs where the Group's activities are conducted. See note 5 for details.

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

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

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

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

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

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

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

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

Geographical areas

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

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

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

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

18. REVENUES FROM SALES AND SERVICES

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

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

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

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

19. OTHER REVENUES

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

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

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

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

20. COSTS OF RAW MATERIALS AND CONSUMABLES

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

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

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

21. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

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

	For the year ended	
	31 December 2017	31 December 2016
Third-party services	221,594	219,384
Consortia services	10,754	11,017
Equipment maintenance and repair	7,244	7,044
Professional services	39,238	38,302

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

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

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

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

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

22. PERSONNEL COSTS

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

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

At 31 December 2017, Personnel Costs, equal to € 382,138 thousand, showed an increase of € 5,872 thousand compared to the previous year (when they amounted to € 376,266 thousand).
During 2017 work continued on the reorganisation efforts of certain Group companies, which entailed additional costs for early retirement incentives for € 4,619 thousand. This item includes non-recurring costs arising from the reorganisation of the Company's units.
At 31 December 2017 the item also included costs arising from a non-recurring bonus paid to the employees in relation to the complex reorganisation of the Manutencoop Group, which led to the exit of the private equity funds that held minority interests in MFM S.p.A. (€ 3,809 thousand).

The total change in Group personnel costs is necessarily correlated to the cost of services, as the mix of production costs linked to "internal" work (i.e. work performed by employees of Group companies) and "external" work (i.e. work performed by third-party providers) can change significantly according to organisational changes aimed at increasing overall productivity.
The ratio between *Revenues from sales and services* and the total amount of costs for internal personnel ("*make*") and services costs ("*buy*") relating to third-party services, services provided by consortia and professional services, came to 141% at 31 December 2017 against 144% at 31 December 2016. The "make-or-buy ratio" shows that the Group is continuing to implement an organisational preference for producing by greater recourse to internal production factors than to purchasing services from external sources.

23. OTHER OPERATING COSTS

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

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

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

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

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

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

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

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

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

25. DIVIDENDS, INCOME AND CHARGES FROM INVESTMENTS

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

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

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

26. FINANCIAL INCOME

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

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

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

27. FINANCIAL COSTS

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

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

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

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

loan (€ 14,310 thousand) repaid on 12 December 2017, to provide CMF S.p.A. with the financial resources required to pay the six-monthly coupon due 15 December 2017.

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

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

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

28. CURRENT, PREPAID AND DEFERRED TAXES

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

	For the year ended	
	31 December 2017	31 December 2016
Current IRES tax	9,621	13,108
Current IRAP tax	4,064	4,407
(Income) costs from tax consolidation	(1,857)	(1,534)
Adjustments to current taxes of previous years	(878)	3
Current taxes	**10,950**	**15,984**
Prepaid/deferred IRES tax	4,756	(1,259)
Prepaid/deferred IRAP tax	272	(8)
Prepaid/deferred taxes relating to previous years	32	21
Prepaid/deferred taxes	**5,060**	**(1,246)**
CURRENT, PREPAID AND DEFERRED TAXES	**16,010**	**14,738**

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

More specifically, the main changes are as follows:

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

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

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

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

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

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

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

	31 December 2017		31 December 2016	
		%		%
- of which at 3.90%	60,018		68,125	
- of which at 4.73%	1,099		1,389	
- of which at 4.82%	29,515		29,861	
- of which at 4.97%	4,085		3,963	
EFFECTIVE TAX / RATE	**4,064**	**24.30%**	**4,407**	**9.07%**
OF WHICH DISCONTINUED OPERATIONS	*0*		***0***	

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

Deferred and prepaid taxes

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

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

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

29. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

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

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

Profit (loss) from discontinued operations

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

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

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

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

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

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

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

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

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

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

30. EARNINGS PER SHARE

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

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

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

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

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

Dividends

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

31. COMMITMENTS AND CONTINGENT LIABILITIES

Financial lease

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

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

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

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

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

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

Guarantees given within the Senior Secured Notes bond issue of 2013

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

› first-recorded pledge on the shares held by MFM S.p.A. in H2H Facility Solutions S.p.A. and in Servizi Ospedalieri S.p.A., equal to 100% of the capital of the same;
› assignment as security of receivables from private customers claimed by MFM S.p.A. and H2H Facility Solutions S.p.A.;
› execution of a deed of pledge on the current accounts held with Unicredit S.p.A., which were credited with the amounts collected from private customers assigned as security;

- the release by Servizi Ospedalieri S.p.A. and H2H Facility Solutions S.p.A. of a personal security.

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

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

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

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

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

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

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

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

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

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

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

Contingent liabilities

As at the date of approval of the Consolidated Financial Statements at 31 December 2017 contingent liabilities had arisen for the MFM Group which had not been recognised in the accounts, for which the Management believes that the related financial risks can be regarded as possible but unlikely.

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

MFM S.p.A. is the entity liable to compensate the aggrieved party for damages for the offences of fire by negligence and violations of safety regulations following the fire which broke out in the former Olivetti area at Scarmagno, in the Province of Turin, on 19 March 2013. During 2017 hearings continued to be held before the Court of Ivrea, until the Court of first instance's ruling was issued on 24 February 2017, whereby the defendants were acquitted "for not having committed the crime". However, this judgment was appealed against by the Public Prosecutor's Office and by the aggrieved parties Prelios SGR, Telecom Italia S.p.A and Olivetti S.p.A in July 2017 and we are waiting for the hearing to be set before the Turin Court of Appeal.

In relation to this fire, the insurance companies involved paid the injured parties over € 38 million in damages and then formalised their application to recover the sum from both the individual persons charged and their employers, including MFM S.p.A.. The claim for damages amount to about € 50 million in all, including the claims from the owners of the properties affected and the above insurance company claims. On the other hand, on 24 February 2017, a writ of summons was served by AIG Europe Limited (one of the insurance companies party to the action) on MFM S.p.A. and the persons involved in order to obtain, by way of subrogation, what had already been paid to Telesystem Electronics S.r.l (owner of goods stored at the factory of Scarmagno) for a value of € 187 thousand. As part of the above proceedings, Generali Assicurazioni also appeared before the court with notice of voluntary joinder by making a similar claim for more than € 24 million.

After careful assessment of the available evidence and also following the acquittal in first instance, the Directors considered the risk as possible but unlikely.

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

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

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

With regard to the only two employees who at the time of the facts were executives, on 2 August, the Judge for Preliminary Investigations of the Court of Naples, at the request of the Public Prosecutor, ordered the dismissal of the related proceedings.

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

32. TRANSACTIONS WITH RELATED PARTIES

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

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

The Parent Company not only provides technical-production services relating to the core business, but also administrative and IT services for certain Group companies. The Parent Company also has some administrative, financial and lease service contracts in place with its indirect parent company Manutencoop Società Cooperativa, as well as a loan agreement named Proceeds Loan with its direct controlling company CMF S.p.A..

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

- e-Digital Solutions S.r.l. signed a contract with associate Roma Multiservizi S.p.A. on the basis of which it is committed to providing an Information System service. The contract makes provision for an annual consideration of € 815 thousand and will expire on 31 December 2018.
- Manutencoop Società Cooperativa sub-leased to MFM S.p.A. the part of the property located in Zola Predosa, via Poli no. 4 (BO), for office use. The lease is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 1,325 thousand to be paid in monthly instalments.
- The affiliate company Manutencoop Immobiliare S.p.A. leased to Sicura S.r.l. the property located in Vicenza (VI), at via Zamenhof no. 363, for use as offices/warehouse. The duration of the lease has a 6-year term and is tacitly renewable, except in the event of termination by one of the parties. Annual rent is expected to be € 370 thousand, to be paid in monthly instalments.
- The affiliate company Manutencoop Immobiliare S.p.A. leased to MFM S.p.A. the part of the property located in Mestre (VE), via Porto di Cavergnago no. 6, for office use. Annual rent is expected to be € 320 thousand, to be paid in 12 monthly instalments.
- On 6 July 2007, MFM S.p.A. signed a framework agreement with its parent company, Manutencoop Società Cooperativa, in order to regulate the essential contents of subsequent personnel leases from Manutencoop Società Cooperativa to MFM S.p.A, pursuant to Title III, Chapter I of Legislative Decree 276/2003. The contract has a five-year term, and is tacitly renewed, unless terminated by one of the parties. As a result of said agreement, which has the legal nature of a legislative contract that does not grant rights to third parties, MFM S.p.A. and the parent company Manutencoop Società Cooperativa set out the conditions that regulate any future contracts for the leasing of shareholding personnel of Manutencoop Società Cooperativa, and the operating rules for establishing and terminating said contracts.
- Manutencoop Società Cooperativa is committed, on the basis of contracts stipulated with the individual companies of the MFM Group, to preparing pay packets.
- MFM S.p.A. signed agreements with Manutencoop Società Cooperativa and its subsidiaries for the provision of tax consultancy services.
- On 13 October 2017 MFM S.p.A. entered into a loan agreement named Proceeds Loan with the sole shareholder CMF S.p.A., expiring on 15 June 2022 and bearing interest at an annual fixed rate of 9.0%, payable on a six-monthly basis on 15 June and 15 December.

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

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

	31 December 2016	31 December 2015
BALANCE SHEET		
ASSETS		
A) Subscribed capital, unpaid	18	42
B) Fixed assets	273,189	318,497
C) Current assets	27,337	40,916
D) Accrued income and prepaid expenses	1,583	1,811
TOTAL ASSETS	**302,127**	**361,266**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity:		
Share capital	6,350	7,198
Reserves	220,471	246,108
Profit/(Loss) for the year	(44,042)	(25,637)
B) Provisions for risks and charges	4,511	2,096
C) Employee Severance Indemnity	1,506	1,700
D) Payables	112,494	129,096
E) Accrued expenses and deferred income	837	705
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**302,127**	**361,266**
INCOME STATEMENT		
A) Value of production	35,338	35,099
B) Cost of production	(39,017)	(34,539)
C) Financial income and costs	(42,610)	(4,881)
D) Value adjustments to financial assets	(4,096)	(20,108)
Income taxes for the year	6,343	(1,208)
Profit/(Loss) for the year	**(44,042)**	**(25,637)**

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

On 13 October 2017 the Shareholders' Meeting of MFM S.p.A., after the completion of the reorganisation and refinancing of the Group controlled by Manutencoop Società Cooperativa, approved the new Articles of Association and appointed a new Board of Directors and a Board of Statutory Auditors with control functions.

Fees paid to members of governing and control bodies reported below include the total fees paid to the members of these corporate bodies which acted during 2017, as well as those paid to executives with strategic responsibilities in the Parent Company, including for roles held in other Group companies:

	31 December 2017	31 December 2016
Board of Directors/Management Board		
Short-term benefits	608	703
Post-employment benefits	0	0
Total Board of Directors/Management Board	**608**	**703**
Executives with strategic responsibilities		
Short-term benefits	5,153	2,527
Post-employment benefits	141	120
Total other executives with strategic responsibilities	**5,294**	**2,647**
Board of Statutory Auditors / Supervisory Board		
Short-term benefits	196	375
Total Board of Statutory Auditors / Supervisory Board	**196**	**375**

The table below reports the fees accounted for in the 2017 consolidated income statement for audit and non-audit services rendered by EY S.p.A. and by other entities in its network:

	31 December 2017	31 December 2016
Audit services	807	586
Certification services	54	0
Other services	73	30
TOTAL FEES DUE TO THE INDEPENDENT AUDITORS	**934**	**616**

Audit services include the fees paid for the audit of annual and interim consolidated financial statements.
Certification services relate to the fees paid for the issue of tax compliance certificates and the engagements for performance of agreed-upon procedures.
Other services concerned advice services concerning the start-up of the Group's foreign operations.

33. MANAGEMENT OF FINANCIAL RISKS

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

The other financial instruments that are traditionally used by the Group Companies are made up of:

- short-term loans and revolving non-recourse and recourse factoring transactions targeted at funding working capital;
- the very short-term credit facilities used for contingent cash requirements;
- medium/long-term loans with a multi-year repayment plan to cover investments in fixed assets and acquisitions of companies and business units.

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

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

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

The table below shows the hierarchy for each class of financial asset measured at fair value at 31 December 2017 and 31 December 2016.

	Hierarchy				Hierarchy			
	31 December 2017	Level 1	Level 2	Level 3	31 December 2016	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss								
Financial receivables, securities and other non-current financial assets	**101**	101			**101**	101		
- of which securities	**101**	101			**101**	101		
Available-for-sale financial assets								
Financial receivables and other current financial assets	**0**	0			**0**	0		
- of which hedging derivatives	**0**	0			**0**	0		
- of which non-hedging derivatives	**0**	0			**0**	0		
TOTAL FINANCIAL ASSETS	**101**	**101**			**101**	**101**		

The other financial assets posted in the Statement of financial position are not measured at fair value and the Group has no financial liabilities measured at fair value at 31 December 2017 and 31 December 2016. During the period under consideration there were no transfers between fair value measurement levels.

There were no changes in allocation of financial assets that led to a different classification of asset. The Group does not hold instruments to warrant amounts receivable to mitigate credit risk. The carrying amount of financial assets, therefore, represents its potential credit risk.

Classes of financial assets and liabilities

The following table shows the classification of financial assets and liabilities recorded in the consolidated Financial Statements of the MFM Group, as required by IFRS 7, and the associated economic effects for the year ended 31 December 2017:

	31 December 2017	Available-for-sale financial assets	Loans and receivables
Non-current financial assets			
Other investments	4,757	4,757	
Non-current financial assets	11,369		11,369
Other non-current assets	2,998		2,998
Total non-current financial assets	**19,124**	**4,757**	**14,367**
Current financial assets			
Trade receivables and advances to suppliers	429,165		429,165
Current tax receivables	8,745		8,745
Other current assets	30,842		30,842
Current financial assets	1,870		1,870
Cash and cash equivalents	59,870		59,870
Total current financial assets	**530,492**	**0**	**530,492**
TOTAL FINANCIAL ASSETS	**549,616**	**4,757**	**544,859**
Financial income (costs)	**3,937**	**175**	**3,762**

	31 December 2017	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	175,281		175,281
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	86		86
Total non-current financial liabilities	**175,367**	**0**	**175,367**
Current financial liabilities			
Trade payables and advances from customers	393,022		393,022
Current tax payables	326		326
Other current liabilities	93,415		93,425
Bank borrowings and other financial liabilities	43,165		43,165
Total current financial liabilities	**529,928**	**0**	**529,928**
TOTAL FINANCIAL LIABILITIES	**705,295**	**0**	**705,295**
Financial income (costs)	**(41,256)**	**0**	**(43,125)**

The same information for the year ended 31 December 2016 is shown below:

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

	31 December 2016	Financial Liabilities at Fair Value through profit or loss	Financial Liabilities at amortised cost
Non-current financial liabilities			
Non-current loans	305,482		305,482
Financial liabilities for non-current derivatives	0		0
Other non-current liabilities	50		50
Total non-current financial liabilities	**305,532**	**0**	**305,532**
Current financial liabilities			
Trade payables and advances from customers	346,308		346,308
Current tax payables	1,363		1,363
Other current liabilities	85,909		85,910
Bank borrowings and other financial liabilities	52,839		52,839
Total current financial liabilities	**486,419**	**0**	**486,420**
TOTAL FINANCIAL LIABILITIES	**791,951**	**0**	**791,952**
Financial income (Costs)	**(31,601)**	**0**	**(31,601)**

During the year the Group controlled by Manutencoop Società Cooperativa carried out a reorganisation and refinancing transaction, which led to establishing a SPV named CMF S.p.A., which is now the direct controlling company of MFM S.p.A.. Specifically, CMF S.p.A. was established for the launch of a bond issue (Senior Secured Notes) aimed at repurchasing the Notes already issued by the Parent Company MFM S.p.A. in 2013, as well as purchasing the shares held by the minority interests in the share capital of the Parent Company MFM S.p.A. and repaying the other financial debt of the entire Group controlled by Manutencoop Società Cooperativa.

On 6 July 2017, CMF S.p.A. launched a bond issue named "*€360,000,000 9.0% Senior Secured Notes due 2022*", which is not convertible and not subordinated, for a total amount on account of principal of € 360 million and due 15 June 2022, at a price equal to 98% and a coupon at a fixed rate of 9.0% p.a., payable on a six-monthly basis. The terms and conditions referred to in the rules of the Bond Issue are laid down in the Indenture, which is governed by the law of the State of New York.

This bond issue was initially deposited by Bank of New York in escrow account, until the release of the same on 13 October 2017. On the same date MFM S.p.A. received from CMF S.p.A. a Proceeds Loan amounting to € 190,300 thousand, which was partially repaid for € 14,310 thousand on 12 December 2017 in order to allow CMF S.p.A. to pay the six-monthly coupon expiring on 15 December 2017. The Parent Company MFM S.p.A. has then used the cash obtained under the Proceeds Loan agreement and a portion of its own cash generated during the period for making the early redemption of the Notes issued in 2013. The Proceeds Loan is expected to expire on 15 June 2022 and to accrue interest at an annual fixed rate of 9%, with six-monthly payments on 15 June and 15 December.

In 2018 the Group will carry out the merger of CMF S.p.A. by incorporation into its subsidiary MFM S.p.A., while paying off the Proceeds Loan and acquiring the bond issue directly in MFM S.p.A., with related obligations and guarantees already described in note 31 above.

Liquidity risk

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

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

For this purpose the Group may make use of committed credit lines in the form of loans or of assignments without recourse of trade receivables in order to meet financial requirements (if any).

On 23 February 2016, MFM S.p.A. and Servizi Ospedalieri S.p.A. entered into a factoring maturity contract, without recourse, with Banca Farmafactoring S.p.A. in relation to the assignment of receivables from entities in the National Health System, for an annual cumulative amount of up to € 100 million. It is a committed credit line with a term of three years (expiring in February 2019).

Within the context of the abovementioned refinancing transaction, CMF S.p.A. also signed a Super Senior Revolving (RCF2) loan agreement for a total amount of € 50 million, governed by English law, to which MFM is a party as a borrower. Specifically, the Super Senior Revolving Loan agreement was entered into between, among others, CMF S.p.A., on the one hand, and J.P. Morgan Limited and UniCredit S.p.A., which act as Mandated Lead Arrangers, UniCredit Bank AG, Milan Branch, as Agent and Security Agent, and the Original Lenders, on the other hand. After the merger, the indirect subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security. No amount arising from uses under the Super Senior Revolving Loan Agreement may be used, directly or indirectly, in order to, among other things, proceed with the repurchase or redemption of the Bond Issue or the purchase of shares in MFM or distributions to CMF S.p.A.. The RCF line, which had not yet been used at the reporting date, is an important cash elasticity tool that can be activated on demand within a limited number of business days.

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

The Group's management believes that the structure of the financial debt maturity, as well as the availability of the abovementioned committed credit lines, allow the Group to meet its financial requirements in an adequate manner.

Price risk

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

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

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

Credit risk

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

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

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

Fair value

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

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

	Carrying Amount		Fair value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Financial assets				
Cash and cash equivalents	59,870	174,992	59,870	174,992
Receivables and other current financial assets	1,870	2,387	1,870	2,387
Other minority interests	4,757	3,850	4,757	3,850
Non-current financial receivables	11,369	11,769	11,369	11,769
Financial liabilities				
Loans:				
- Variable rate loans	44,620	23,846	44,620	23,846
- Fixed rate loans	168,562	328,197	168,562	328,197
Other current financial liabilities	5,263	6,278	5,263	6,278

Interest rate risk

With the refinancing transaction carried out through CMF S.p.A., the Group has requalified its own financial structure, extending the maturity of the medium/long-term debt and keeping a short-term debt portion balanced with respect to the financing requirements of its working capital.

The financial resources required to complete the early redemption of the bond issue launched in 2013 have been provided by CMF S.p.A. through the disbursement of a Proceeds Loan to the parent company

MFM S.p.A., at a rate equal to that of the Notes issued (equal to 9.0%). The residual debt on account of principal of this Proceeds Loan amounted to € 175,990 thousand at 31 December 2017.
In addition to the Proceeds Loan, the Group uses, as medium/long-term financing, bank loans subject to the application of fixed interest rates and finance lease agreements subject to the application of variable interest rates.
The forms of short-term financing used by the Group, which are mainly subject to the application of variable rates which can be identified as the EURIBOR rate, include current account overdrafts, short- and very short-term (hot money) bank loans and assignments of receivables.
The Group's indebtedness mix is then mainly linked to medium/long-term fixed interest rates.

The breakdown of financial instruments of the Group exposed to interest rate risks are those listed in note 14 (to which reference is made) such as Loans (other than the Proceeds Loan), as well as financial statement items recorded under *Cash and cash equivalents*, *Receivables and other current financial assets* (note 10) and *Non-current financial assets* (note 7).

Interest rate sensitivity analysis

The structure of the consolidated debt is affected, to a marginal extent, by the changes in market rates, as it is mainly based on forms of financing subject to the payment of interest calculated on the basis of fixed rates, as described above. For the remaining amount, the Group makes recourse to variable rate loans, which are linked to the EURIBOR performance.

The table below shows the sensitivity of pre-tax profit for the year to reasonably possible variations in interest rates, all the other variables being kept constant.

	Increase / Decrease	Effect of the profit (loss), gross of taxes
Financial year ended 31 December 2017	+ 150 bps	(1,260)
	- 30 bps	252
Financial year ended 31 December 2016	+ 150 bps	(896)
	- 30 bps	179

2018 will see the completion of the merger of CMF S.p.A. by incorporation into its subsidiary MFM S.p.A., while paying off the Proceeds Loan and acquiring the bond issue directly in MFM S.p.A. (with related obligations and guarantees already described in note 31 above).
The Senior Secured Notes will entail the payment of interest on the coupons equal to € 32,400 thousand on an annual basis (at a fixed rate of 9.0% p.a.).

Exchange rate risk

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

Capital management

The key objective of the Group's capital management is to guarantee that a solid credit rating is maintained as well as adequate capital ratios to support operations and to maximise value for shareholders.

The Group manages the capital structure and amends it on the basis of changes in economic conditions. In order to maintain or adjust the capital structure, the Group can adjust the dividends paid to shareholders, repay principal or issue new shares.

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

	31 December 2017	31 December 2016
Employee termination indemnity	15,519	17,043
Non-current loans	175,281	305,482
Trade payables and advances from customers	393,022	346,308
Other current liabilities	93,415	85,909
Loans and other current financial liabilities	43,165	52,839
Cash and cash equivalents	(59,870)	(174,992)
Other current financial assets	(1,870)	(2,387)
Total Net Debt	**658,662**	**630,202**
Group shareholders' equity	298,401	323,137
Undistributed net profit (loss)	(642)	(33,649)
Total Capital	**297,759**	**289,488**
EQUITY AND NET DEBT	**956,421**	**919,690**
INDEBTEDNESS RATIO	**68.9%**	**68.5%**

The debt ratio substantially remained stable compared to the previous year since, against an increase of € 8.3 million in the capital as a result of the allocation of a portion of the profit accrued for the 2017 financial year to reserves, there was an increase in net debt for € 28.5 million.

34. SUBSEQUENT EVENTS

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

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

The merger plan provides for statutory, accounting and tax effects of the merger running from 1 July 2018.

Acquisition and disposal of shareholdings

On 28 February 2018 the subsidiary Manutencoop International FM S.r.l. acquired a stake of 1% of the share capital of EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S. (“EOS”), based in Ankara (Turkey) at a price equal to € 2 million. The share capital of EOS was already held by Servizi Ospedalieri S.p.A. at a percentage of 50%, which was transferred to Manutencoop International S.r.l. at the same time.

Following the acquisition, the stake held in EOS rose up to 51% and, pursuant to IFRS 3 and IFRS 10, the Group acquired control over the Turkish company.

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

Zola Predosa, 19 March 2018

Chairman and CEO

Giuliano Di Bernardo

ANNEX I

GROUP COMPANIES

PARENT COMPANY

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

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Name	Registered Office	City	% held	Type
Alessandria Project Value S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
CO.GE.F. Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	80%	Subsidiary
Consorzio Igiene Ospedaliera So1c. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	66.66%	Subsidiary
Consorzio Servizi Toscana Soc. Cons. a r.l	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Evimed S.r.l.	Via Zamenhof 363	Vicenza	90%	Subsidiary
e-Digital Services S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Elene Project S.r.l.	Via Poli 4	Zola Predosa (BO)	62%	Subsidiary
Ferraria Soc. cons. a r.l.	Via Poli 4	Zola Predosa (BO)	69%	Subsidiary
Global Oltremare Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
H2H Facility Solutions S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
ISOM Lavori Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	62.71%	Subsidiary
ISOM Gestione Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	52.97%	Subsidiary
KANARIND Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	62.43%	Subsidiary
Leonardo S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
Logistica Sud Est Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Manutencoop France S.a.r.l.	4 place Louis Armand-Tour de l'Horloge	Paris	100%	Subsidiary
Manutencoop International FM S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Manutencoop International Services LLC	Qatar Tower, building 35, street 920, zone 63	Doha (Qatar)	49%	Subsidiary
Manutencoop Transport S.a.S.	4 place Louis Armand-Tour de l'Horloge	Paris	100%	Subsidiary
MCF servizi Integrati Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
MFM Capital S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
MSE Soc. Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Palmanova Servizi Energetici Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Protec S.r.l.	Via Zamenhof 363	Vicenza	100%	Subsidiary
S.AN.CO S.c.a.r.l.	Via A. Saffi, 51	Bologna	100%	Subsidiary
S.AN.GE S.c.a.r.l.	Viale Sarca 336 – Strada Privata Breda – Edificio 12	Milan	89%	Subsidiary
San Gerardo Servizi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60%	Subsidiary
Servizi Brindisi Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	52%	Subsidiary
Servizi Ospedalieri S.p.A.	Via Calvino 33	Ferrara	100%	Subsidiary

Name	Registered Office	City	% held	Type
Servizi Sanitari Sicilia Soc.Cons. a r.l.	Via Calvino 33	Ferrara	70%	Subsidiary
Servizi Taranto Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	60.08%	Subsidiary
Sicura S.p.A.	Via Zamenhof 363	Vicenza	100%	Subsidiary
Telepost S.p.A.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary
Yougenio S.r.l.	Via Poli 4	Zola Predosa (BO)	100%	Subsidiary

JOINT VENTURES ACCOUNTED FOR UNDER THE EQUITY METHOD

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

ASSOCIATES AND OTHER COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD

Name	Registered Office	City	% held	Type
Alisei S.r.l. in liquidation	Via Cesari 68/1	Modena	100%	In liquidation
Bologna Gestione Patrimonio Soc.Cons. r.l. in liquidation	Via della Cooperazione 9	Bologna	27.58%	In liquidation
BGP2 Soc.Cons. r.l.	Via Giovanni Papini n. 18	Bologna	41.17%	Associate
Bologna Global Strade Soc.Cons. r.l.	Via Zanardi n372	Bologna	51%	Associate
Bologna Multiservizi Soc.Cons. r.l.	Via Del Lavoro 23/4	Casalecchio di Reno (BO)	39%	Associate
Bologna Più' Soc.Cons.r.l in liquidation	Via M.E. Lepido 182/2	Bologna	25.68%	In liquidation
Centro Europa Ricerche S.r.l.	Via G. Zanardelli n. 34	Rome	21.38%	Associate
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	Via Poiano 22	Imola (BO)	60%	In liquidation
Como Energia Soc.Cons. r.l.	Via Pietro Strazzi 2	Como	30%	Associate
Consorzio Polo Sterilizzazione Integrata a r.l.	Via Facciolati 84	Padova	60%	Associate
Consorzio Sermagest Soc.Cons. a r.l. in liquidation	Via Filippo Corridoni 23	Rome	60%	In liquidation
F.lli Bernard S.r.l.	Stradella Aquedotto 21	Bari	20%	Associate
Gico System S.r.l.	Via Finelli 8	Calderara di Reno (BO)	20%	Associate
Global Provincia Di Rimini Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	42.40%	In liquidation
Global Riviera Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	30.66%	Associate
Global Vicenza Soc.Cons. a r.l.	Via Grandi 39	Concordia Sulla Secchia (MO)	41.25%	Associate
Gymnasium Soc.Cons. r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	68%	In liquidation
GRID Modena S.r.l.	Via Divisione Acqui, 129	Modena (MO)	23%	Associate

Name	Registered Office	City	% held	Type
Iniziative Produttive Piemontesi S.r.l.	Corso Einaudi 18	Turin	24.75%	Associate
Livia Soc.Cons. a r.l. in liquidation	Via Roma 57/B	Zola Predosa (BO)	34.10%	In liquidation
Logistica Ospedaliera Soc. Cons. a r.l	Via C. Alberto Dalla Chiesa 23/I	Caltanissetta (CL)	45%	Associate
Newco Duc Bologna S.p.A.	Via M.E. Lepido 182/2	Bologna	24.90%	Associate
Palazzo della Fonte S.c.p.a.	Via Calamandrei, 255	Arezzo (AR)	33.30%	Associate
Progetto ISOM S.p.A.	Via Poli 4	Zola Predosa (BO)	36.98%	Associate
Roma Multiservizi S.p.A.	Via Tiburtina 1072	Roma	45.47%	Associate
San Martino 2000 Soc.Cons. a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Savia Soc.Cons. a r.l.	Via B. Vanzetti 1	Forlì (FC)	49.11%	Associate
S.E.I. Energia Soc. Cons. a r.l.	Via Emilia 65	Palermo (PA)	49%	Associate
Serena S.r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Se.Ste.Ro S.r.l.	Via San Pietro 59/B	fraz. Castellina - Soragna (PR)	25%	Associate
Servizi Napoli 5 Soc.Cons. a r.l.	Via Poli 4	Zola Predosa (BO)	45%	Associate
Servizi Sanitari Treviso Soc.Cons.a r.l.	Via al Molo Vecchio	Calata Gadda (GE)	40%	Associate
Sesamo S.p.A.	Via C. Pisacane 2	Carpi (MO)	20.91%	Associate
Simagest 2 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	90%	In liquidation
Simagest 3 Soc. Cons. a r.l in liquidation	Via Poli 4	Zola Predosa (BO)	89.99%	In liquidation
Synchron Nuovo San Gerardo S.p.A.	Via Poli 4	Zola Predosa (BO)	35.82%	Associate
Società Consortile Adanti Manutencoop a r.l. in liquidation	Via Poli 4	Zola Predosa (BO)	50%	In liquidation
Steril Piemonte Soc.Cons. r.l.	Corso Einaudi 18	Turin	25%	Associate
T&M Protection Resources Holdings Italy S.p.A.	Via Poli 4	Zola Predosa (BO)	40%	Associate
Tower Soc.Cons. a r.l. in liquidation	Via Zanardi 372	Bologna	20.17%	Associate

ANNEX II

VALUATION OF INVESTMENTS USING THE EQUITY METHOD

	%	Net Book Value Dec 31, 16	Changes of the year					Net Book Value Dec 31, 17	Book Value	Provision
			Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves			
Alisei S.r.l. in liquidation	100%	(72)				(8)		(80)		(80)
A.M.G. S.r.l.	50%	2,339		(62)	119			2,396	2,396	
BGP2 Soc.Cons. r.l.	41.17%	0	4					4	4	
Bologna Gestione Patrimonio Soc. Cons. a. r.l. in liquidation	27.58%	6						6	6	
Bologna Global Strade Soc. Cons. a. r.l.	51%	51						51	51	
Bologna Multiservizi Soc. Cons. a r.l.	39%	4						4	4	
Bologna Più Soc. Cons. a r.l.	25.68%	5						5	5	
Cardarelli Soc. Cons. a r.l.	60%	5						5	5	
Centro Europa Ricerche S.r.l.	21.38%	69						69	69	
Co. & Ma. Soc. Cons. a r.l.	50%	5						5	5	
Como Energia Soc. Cons. a r.l.	30%	11						11	11	
Consorzio Imolese Pulizie Soc. Cons. a r.l in liquidation	60%	6						6	6	
Consorzio Polo sterilizzazione Integrata	60%	1						1	1	
Consorzio Sermagest in liquidation	60%	0						0	0	
DUC Gestioni Soc.Cons. a r.l.	49%	10						10	10	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	50%	229			119			348	348	
F.lli Bernard S.r.l.	20%	1,305		(30)	91			1,366	1,366	
GICO Systems S.r.l.	20%	150		(12)	8			146	146	
Global Provincia di Rimini Soc.Cons. a r.l.	42.40%	4						4	4	
Global Riviera Soc.Cons. a r.l.	30.66%	9						9	9	
Global Vicenza Soc.Cons. a r.l.	41.25%	4						4	4	
Gymnasium soc. Cons. A r.l. in liquidation	68%	7						7	7	
GRID Modena S.r.l.	23%	24	(29)		5			0	0	
IPP S.r.l.	25%	389			55			444	444	
Legnago 2001 Soc. Cons. a r.l.	50%	5						5	5	
LIVIA Soc. Cons. a r.l	34.10%	3						3	3	
Logistica Ospedaliera Soc. Cons. a r.l	45%	5						5	5	
Newco DUC Bologna S.p.A.	24.90%	425			110		379	914	914	
Palazzo della Fonte S.c.p.a.	33.30%	8,000						8,000	8,000	
Progetto ISOM S.p.A.	36.98%	1,385			642		(160)	1,867	1,867	
ROMA Multiservizi S.p.A.	45.47%	8,063		(1,291)	(3,639)		9	3,141	3,141	

	%	Net Book Value Dec 31, 16	Changes of the year					Net Book Value Dec 31, 17	Book Value	Provision
			Additions/ Disposals	Dividends	Share of net profit/ Write-downs	Provision	Reserves			
San Martino 2000 Soc.Cons. a r.l.	40%	4						4	4	
Savia soc.cons.a.r.l.	49.11%	5						5	5	
S.E.I. Energia Soc. Cons. a r.l.	49%	0	5					5	5	
Società Consortile Adanti Manutencoop a r.l. in liquidation	50%	10						10	10	
SE.SA.MO. S.p.A.	20.91%	2,005		(269)	210		(439)	1,507	1,507	
Se.Ste.Ro S.r.l.	25%	123			(9)			114	114	
Serena S.r.l.	50%	9						9	9	
Servizi Napoli 5 Soc. Cons. a r.l.	45%	5						5	5	
Servizi Sanitari Treviso (SE.SA.TRE)	40%	8						8	8	
Servizi Sportivi Brindisi Soc. Cons. a r.l.	50%	5						5	5	
Simagest 2 Soc.Cons.a r.l. in liquidation	90%	45						45	45	
Simagest 3 Soc.Cons.a r.l. in liquidation	89.99%	45						45	45	
Synchron Nuovo San Gerardo S.p.A.	35.82%	4,731			345			5,076	5,076	
Steril Piemonte Soc. Cons. a r.l.	25%	1,000			0			1,000	1,000	
T&M Protection Resources Holdings Italy S.p.A.	40%		600					600	600	
Tower Soc.Cons. a r.l.	20.17%	20						20	20	
NET BOOK VALUE		**30,462**	**580**	**(1,664)**	**(1,945)**	**(8)**	**(211)**	**27,214**	**27,294**	**(80)**

ANNEX III

RELATED PARTY TRANSACTIONS

PARENT COMPANIES

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
CMF S.p.A.	31-dec-16					31-dec-16				
	31-dec-17		2,152		6,432	31-dec-17			10,759	168,562
Manutencoop Società Cooperativa	31-dec-16	153	32,278		498	31-dec-16	60	2,659	4,770	1,771
	31-dec-17	137	31,355		162	31-dec-17	100	8,004	12,450	267

ASSOCIATES AND JOINT-VENTURES

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Alisei s.r.l. in liquidation	31-dec-16					31-dec-16	3			1
	31-dec-17					31-dec-17	3			1
AMG S.r.l.	31-dec-16		234	1		31-dec-16	1		117	
	31-dec-17		274			31-dec-17			162	
BGP2 Soc.Cons. r.l.	31-dec-16					31-dec-16			50	
	31-dec-17		39			31-dec-17			89	
Bologna Gestione Patrimonio Soc.Cons. a r.l. in liquidation	31-dec-16					31-dec-16				
	31-dec-17	452	409			31-dec-17	452		411	
Bologna Multiservizi Soc.Cons. a r.l.	31-dec-16	63	247			31-dec-16	276		1,491	
	31-dec-17	37				31-dec-17	54		606	
Bologna Più Soc.Cons.a r.l. in liquidation	31-dec-16					31-dec-16	(2)	3	3	
	31-dec-17					31-dec-17		3	3	2
Bologna Global Strade Soc. Cons. a r.l	31-dec-16	2,674	4,788			31-dec-16	572	336	1,395	
	31-dec-17	2,524	5,376			31-dec-17	1,943	336	3,926	
Cardarelli Soc. Cons. a r.l.	31-dec-16		1,547			31-dec-16			793	
	31-dec-17		661			31-dec-17			342	
Centro Europa Ricerche S.r.l.	31-dec-16	8				31-dec-16				
	31-dec-17					31-dec-17				

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Como Energia Soc.Cons.a r.l.	31-dec-16		932			31-dec-16			1,461	
	31-dec-17		261			31-dec-17			999	
Consorzio Imolese Pulizie soc.Cons. in liquidation	31-dec-16					31-dec-16		36	12	
	31-dec-17					31-dec-17		36	12	
Consorzio Polo Sterilizzazione Integrata a r.l.	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
Consorzio Sermagest Soc.Cons.a r.l in liquidation	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
CO.& MA. Soc. Cons. a r.l	31-dec-16	360	1,383			31-dec-16		20	1,007	
	31-dec-17	360	1,281			31-dec-17	120	20	709	
DUC Gestione Sede Unica Soc. Cons. a r.l.	31-dec-16	6,716	2,987			31-dec-16	3,403		437	
	31-dec-17	7,058	3,090			31-dec-17	3,464		1,042	
EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S.	31-dec-16	215	11			31-dec-16	496	1,75	(20)	256
	31-dec-17	38				31-dec-17	480	882	(27)	260
Fr.lli Bernard s.r.l.	31-dec-16	12				31-dec-16	70	50		
	31-dec-17	12	71			31-dec-17	45	50	56	
Gico Systems S.r.l.	31-dec-16	14	646			31-dec-16	49		380	
	31-dec-17	10	713			31-dec-17	7		532	
Global Provincia di RN Soc.Cons.a r.l. in liquidation	31-dec-16					31-dec-16		70	13	
	31-dec-17					31-dec-17		70	13	
Global Riviera Soc.Cons.a r.l.	31-dec-16		52			31-dec-16	55		(53)	
	31-dec-17		12			31-dec-17			(41)	
Global Vicenza Soc.Cons. a r.l.	31-dec-16	103	866			31-dec-16	144	748	594	
	31-dec-17		9			31-dec-17		570	467	
Grid Modena S.r.l.	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
Gymnasium Soc. cons. a r.l in liquidation	31-dec-16					31-dec-16	1	8	33	5
	31-dec-17					31-dec-17	1	8	33	5
IPP S.r.l.	31-dec-16	361	199			31-dec-16	177	60	96	
	31-dec-17	233	19			31-dec-17	125	59		
Legnago 2001 Soc. Cons. r.l.	31-dec-16		4			31-dec-16	158		41	
	31-dec-17		4			31-dec-17	158		45	
Livia Soc. cons. a r.l.	31-dec-16		8			31-dec-16			8	
	31-dec-17					31-dec-17			8	

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Logistica Ospedaliera Soc. Cons. a r.l.	31-dec-16		412			31-dec-16			24	
	31-dec-17		6			31-dec-17			15	
Malaspina Energy Soc. Cons. a r.l.	31-dec-16		15	3		31-dec-16				
	31-dec-17					31-dec-17				
Newco DUC Bologna S.p.A	31-dec-16		7			31-dec-16			33	
	31-dec-17		11			31-dec-17			37	
Palazzo della Fonte S.c.p.a.	31-dec-16	4,009				31-dec-16	804			
	31-dec-17	4,069				31-dec-17	1,367			
Progetto ISOM S.p.A.	31-dec-16	257	78	120		31-dec-16	17,325	1,922	203	
	31-dec-17	302	255	120		31-dec-17	12,203	2,043	474	
Progetto Nuovo Sant'Anna S.r.l.	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
Roma Multiservizi S.p.A.	31-dec-16	3,326	1,584			31-dec-16	2,416		980	
	31-dec-17	5,778	1,603			31-dec-17	4,248		725	
San Martino 2000 Soc.Cons. r.l.	31-dec-16	1,610	3,436			31-dec-16	573		423	
	31-dec-17	1,530	3,235			31-dec-17	163		633	
Savia Soc. Cons. a r.l	31-dec-16		1			31-dec-16			314	
	31-dec-17		16			31-dec-17			44	
Serena S.r.l. - in liquidation	31-dec-16					31-dec-16		3		
	31-dec-17					31-dec-17		3		
Servizi l'Aquila Soc.Cons. a r.l. in liquidation	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				
Servizi Napoli 5 Soc.Cons. a r.l.	31-dec-16	1,414	1,318			31-dec-16	1,944		1,311	
	31-dec-17	1,409	1,315			31-dec-17	2,057		1,310	
Se.Sa.Mo. S.p.A.	31-dec-16	5,182		25		31-dec-16	1,486	618	6	
	31-dec-17	5,103		26		31-dec-17	1,451	607	7	
SESATRE S.cons. a r.l.	31-dec-16	16	4,419	9		31-dec-16	4	524	1,687	
	31-dec-17	14	4,298	3		31-dec-17	3	3	1,352	
Se.Ste.Ro S.r.l.	31-dec-16					31-dec-16	46		815	
	31-dec-17					31-dec-17				
S.I.MA.GEST2 Soc. Cons. r.l. in liquidation	31-dec-16					31-dec-16		75	13	2
	31-dec-17					31-dec-17		75	13	2
S.I.MA.GEST3 Soc. Cons. r.l in liquidation	31-dec-16					31-dec-16			3	
	31-dec-17					31-dec-17				

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Società Consortile Adanti Manutencoop in liquidation	31-dec-16	25	52			31-dec-16	37		63	
	31-dec-17					31-dec-17			53	
Steril Piemonte Soc. cons. a.r.l	31-dec-16		696	1		31-dec-16	7	576	267	
	31-dec-17		675	1		31-dec-17	7	326	474	
Synchron Nuovo San Gerardo S.p.A.	31-dic-16	5,246	433	173		31-dec-16	10,173	2,333	658	
	31-dic-17	6,055	397	187		31-dec-17	7,153	2,520	719	
Tower Soc.Cons. a r.l. in liquidation	31-dic-16					31-dec-16	33	17	(11)	
	31-dic-17					31-dec-17	33	29		

SUBSIDIARIES OF MANUTENCOOP SOCIETA' COOPERATIVA

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Cerpac S.r.l. in liquidation	31-dec-16					31-dec-16	1			
	31-dec-17					31-dec-17	1			
Manutencoop Immobiliare S.p.A.	31-dec-16	10	2,382			31-dec-16	6		(47)	
	31-dec-17	10	1,049			31-dec-17	3	173		
Nugareto Società Agricola Vinicola S.r.l.	31-dec-16	7	43			31-dec-16	16		42	
	31-dec-17	18	27			31-dec-17	10		20	
Sacoa S.r.l.	31-dec-16	81	19			31-dec-16	58		8	
	31-dec-17	88	19			31-dec-17	97		42	
Segesta servizi per l'Ambiente S.r.l.	31-dec-16	17				31-dec-16	17			
	31-dec-17	8				31-dec-17	1			
MPH S.p.A.	31-dec-16					31-dec-16				
	31-dec-17					31-dec-17				

ASSOCIATES OF MANUTENCOOP SOCIETA' COOPERATIVA OR OTHER RELATED PARTIES

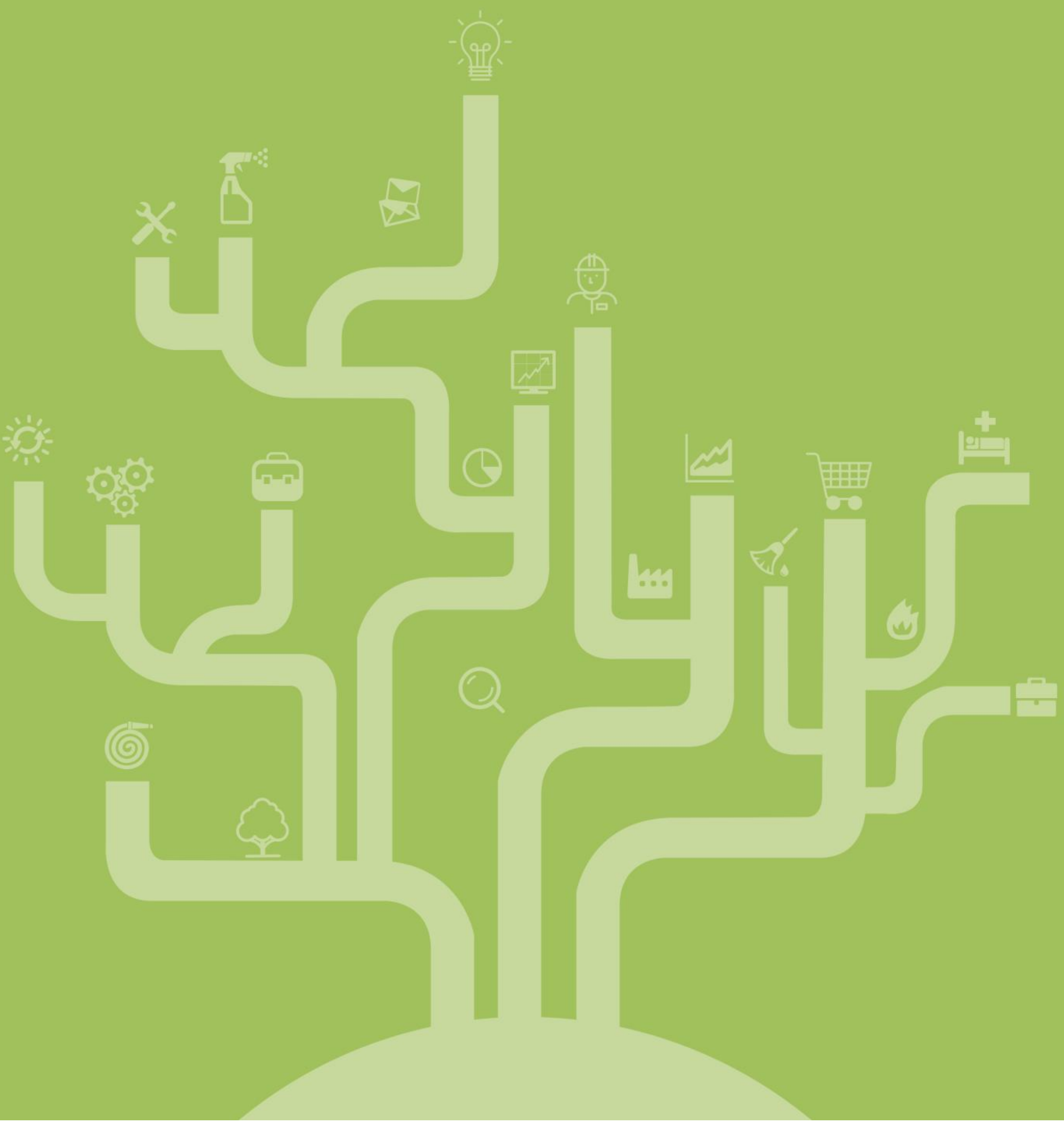
		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
Consorzio Karabak Società Cooperativa	31-dec-16	123	1			31-dic-16	23		1	
	31-dec-17	68	1			31-dic-17	30		1	
Consorzio Karabak 2 Società Cooperativa	31-dec-16	80	1			31-dic-16			1	
	31-dec-17	4	1			31-dic-17				
Consorzio Karabak 4 Società Cooperativa	31-dec-16					31-dic-16			1	
	31-dec-17		2			31-dic-17			1	
Consorzio Karabak 5 Società Cooperativa	31-dec-16					31-dic-16				
	31-dec-17					31-dic-17				
Consorzio Karabak 6 Società Cooperativa	31-dec-16					31-dic-16				
	31-dec-17					31-dic-17				

		Revenues	Costs	Financial income	Financial expenses		Trade receivables	Financial assets and other	Trade payables	Financial liabilities and other
TOTAL	**31-dec-16**	**32,082**	**61,084**	**332**	**498**	**31-dec-16**	**40,432**	**11,233**	**19,423**	**2,035**
	31-dec-17	**35,317**	**58,636**	**337**	**6,594**	**31-dec-17**	**35,778**	**15,820**	**38,519**	**169,099**

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

	For the year ended 31 December			
	2017		2016	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**174,992**		**114,.391**
CASH FLOW FROM CURRENT OPERATIONS:		**34,784**		**64,778**
Profit before taxes for the year	16,725		47,219	
Profit (loss) from discontinued operations	0		1,052	
Capital gain on disposal of discontinued operations	0		(1,409)	
Amortization, depreciation, write-downs and (write-backs) of assets	30,280		32,713	
Accrual (reversal) of provisions for risks and charges	143		(10,107)	
Employee termination indemnity provision	935		889	
Share of net profit of associates, net of dividends collected	3,610		(1,688)	
Financial charges (income)	39,689		28,257	
Net interest received (paid)	(43,495)		(26,471)	
Income tax paid	(17,231)		5,299	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of profit or loss	*4,128*		*(1,506)*	
Cash flow relating to the assignment of receivables without recourse for taxes under tax consolidation regime, included in changes in other operating assets	*0*		*(9,470)*	
USES OF PROVISIONS FOR RISKS AND CHARGES AND PAYMENTS OF THE EMPLOYEE TERMINATION INDEMNITY:		**(8,705)**		**(10,175)**
Payments of Employee termination indemnity	(2,453)		(2,672)	
Utilization of provisions	(6,252)		(7,503)	
CHANGE IN NWOC:		**69,170**		**24,677**
Decrease (increase) of inventories	(1,675)		381	
Decrease (increase) of trade receivables	24,131		58,124	
Increase (decrease) of trade payables and advances from customers	38,582		(33,828)	
Reclassifications:				
Additional charges relating to new loans accounted for according to the amortised cost method	*8,132*		0	
***INDUSTRIAL AND FINANCIAL CAPEX*:**		**(32,882)**		**(25,247)**
(Purchase of intangible assets, net of sales)	(6,501)		(6,857)	
(Purchase of property, plant and equipment)	(25,048)		(23,677)	
Proceeds from sales of property, plant and equipment	498		835	
(Acquisition of investments)	(1,487)		(505)	

	For the year ended 31 December			
	2017		2016	
Decrease (increase) of financial assets	(27)		(490)	
Net cash from assets held for sale	1,060		9,274	
Reclassifications:				
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*(1,470)*		*(3,412)*	
Payables for acquisition of equity investments and business combinations	*93*		*(415)*	
CHANGE IN NET FINANCIAL LIABILITIES:		**(139,357)**		**943**
Change in finance lease debt	2,708		(570)	
Acquisition of non-current borrowings	195,300		0	
Repayment of non-current borrowings	(324,310)		0	
Proceeds from/(repayment of) short term bank debt	(5,857)		(22,207)	
Other changes in financial debt	3,863		18,386	
Reclassifications:				
Non-cash net financial charges accounted for under the Statement of Profit or Loss	*(4,128)*		*1,508*	
Net change in the balance of short-term financial assets, to be included in the balance of net financial liabilities	*1,470*		*3,411*	
Additional charges relating to new loans accounted for according to the amortised cost method	*(8,132)*		*0*	
Payables for acquisition of equity investments and business combinations	*(93)*		*415*	
OTHER CHANGES:		**(38,132)**		**5,625**
Decrease (increase) of other current assets	(5,902)		4,804	
Increase (decrease) of other current liabilities	(7,212)		(8,621)	
Dividends paid	(25,111)		(25)	
Change in scope of consolidation	93		(4)	
Reclassifications:				
Cash flow relating to the assignment of receivables without recourse for taxes under tax consolidation regime, included in changes in other operating assets	*0*		*9,471*	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**59,870**		**174,992**



Manutencoop Facility Management S.p.A.
Sole-Shareholder Company
Registered office in Zola Predosa (BO)
Via U. Poli n. 4

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

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