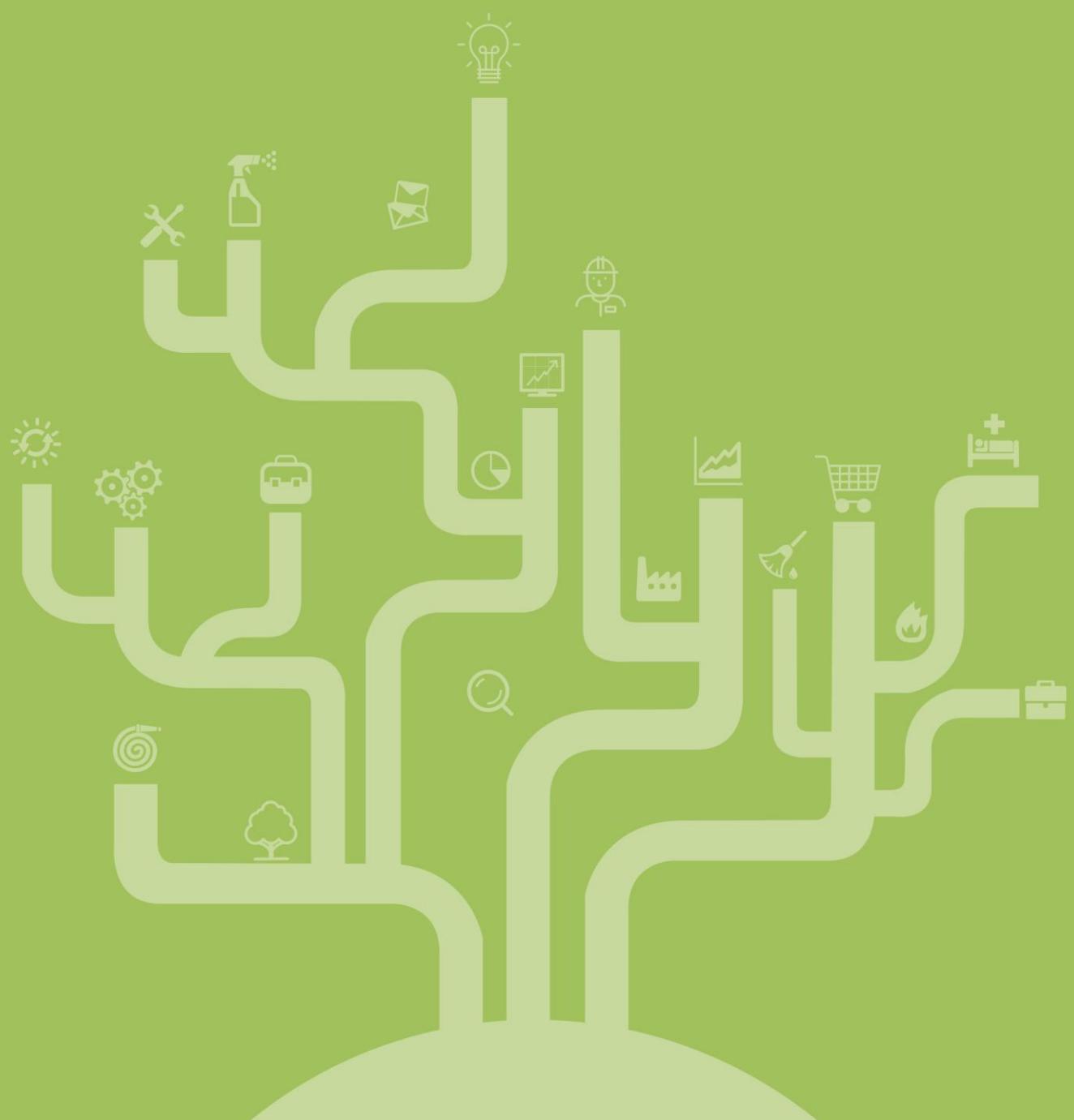


REPORT
ON OPERATIONS

2017





REPORT ON OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

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 Mastropaoolo

ALTERNATE AUDITORS

Michele Colliva

Antonella Musiani

INDEPENDENT AUDITORS

EY S.p.A.



PREAMBLE

REPORT ON OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

The Report on Operations for Manutencoop Facility Management S.p.A. ("MFM") was drafted in accordance with art. 2428 of the Italian Civil Code and, as provided for under art. 40 of Legislative Decree 127/1991, is presented in a single document. Where appropriate, priority is given to issues considered important to the companies included in the scope of consolidation as a whole.

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.

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 by establishing Yougenio S.r.l., an innovative start-up active in the provision of services to private consumers through an e-commerce platform. This event led the Group to enter the B2C services market.

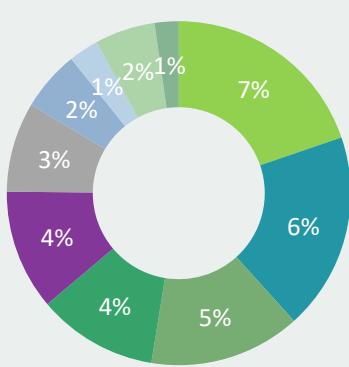
Shareholding structure

Ordinary shares issued by Manutencoop Facility Management S.p.A. and fully paid up at 31 December 2017 amounted to 109,149,600, with a par value of Euro 1 each.

There are no other share classes. The Parent Company does not hold own shares.

At 31 December 2016 Manutencoop Società Cooperativa held a controlling interest of 66.793% in MFM S.p.A. and the remaining stake was held by a pool of Private Equity investors. Furthermore, on 1 July 2013 Manutencoop Società Cooperativa acquired an additional stake of 7.028% with retention of title ("riserva di proprietà"), pursuant to and for the purposes of article 1523 of the Italian Civil Code, for which the financial and administrative rights continued to pertain to the buyer.

The stakes held in the share capital of MFM S.p.A. were divided among minority shareholders as follows



- Value Italy
- Private Equity Partners
- Idea Capital
- 21 Investimenti
- Cooperare
- Unipol Banca
- Nordest
- NEIP II
- Mediobanca
- SICI

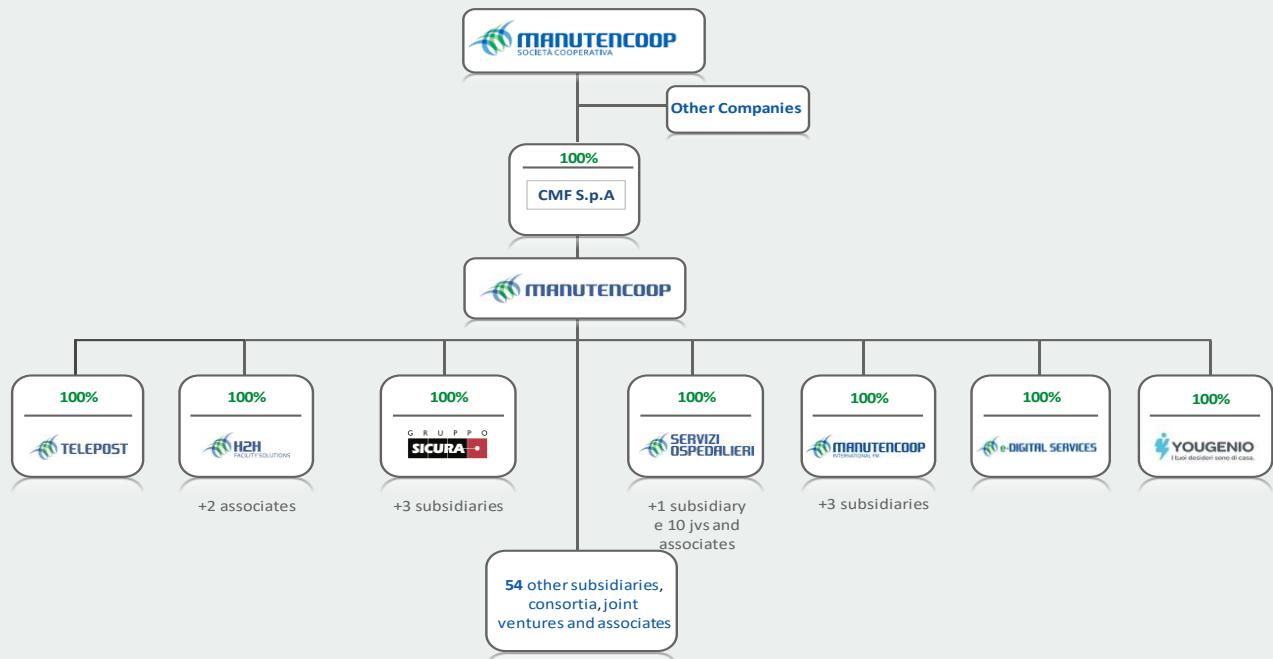


On 19 July 2016 the majority shareholder Manutencoop Società Cooperativa and the Investors signed a new investment agreement and new shareholders' agreements, which replaced those that had been entered into in 2013 and provided for a number of actions to be taken over subsequent periods of time, aimed at ensuring the exit of minorities from the ownership structure of MFM S.p.A., as well as at postponing the date of Manutencoop Società Cooperativa's payment obligations set at 1 July 2016 under the Vendor Note in relation to the quotas acquired in 2013 subject to a conditional sale.

On 26 May 2017, Manutencoop Società Cooperativa set up as sole shareholder a vehicle called CMF S.p.A. for the launch of a bond issue (Senior Secured Notes) with the purpose of repurchasing the Notes already issued by MFM S.p.A. during 2013 and repaying the other financial payables of the entire Group controlled by Manutencoop Cooperativa. Moreover, the company restructuring operation 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. and to pay the Vendor Note issued by it as part of the already mentioned Investment Agreement of 2016. 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.

On 13 December 2017 the structure of the new Group controlled by Manutencoop Società Cooperativa was the following:

REPORT ON OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017



NON-GAAP FINANCIAL MEASURES

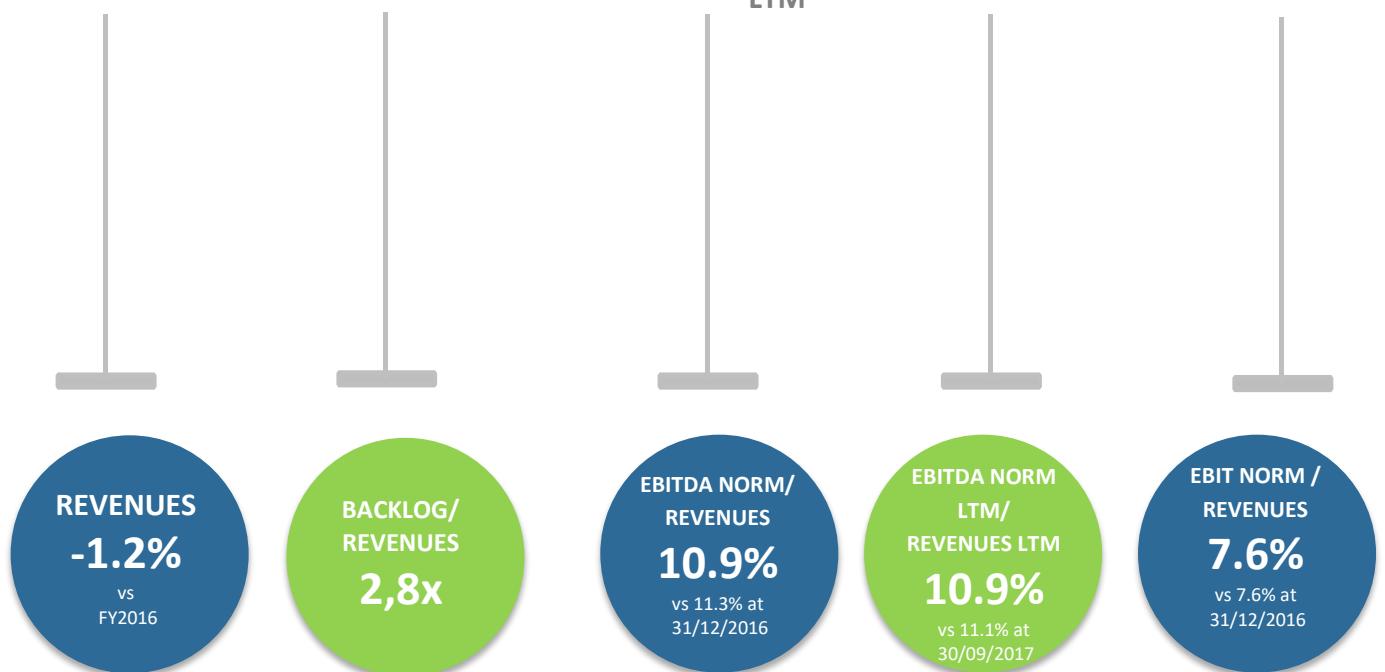
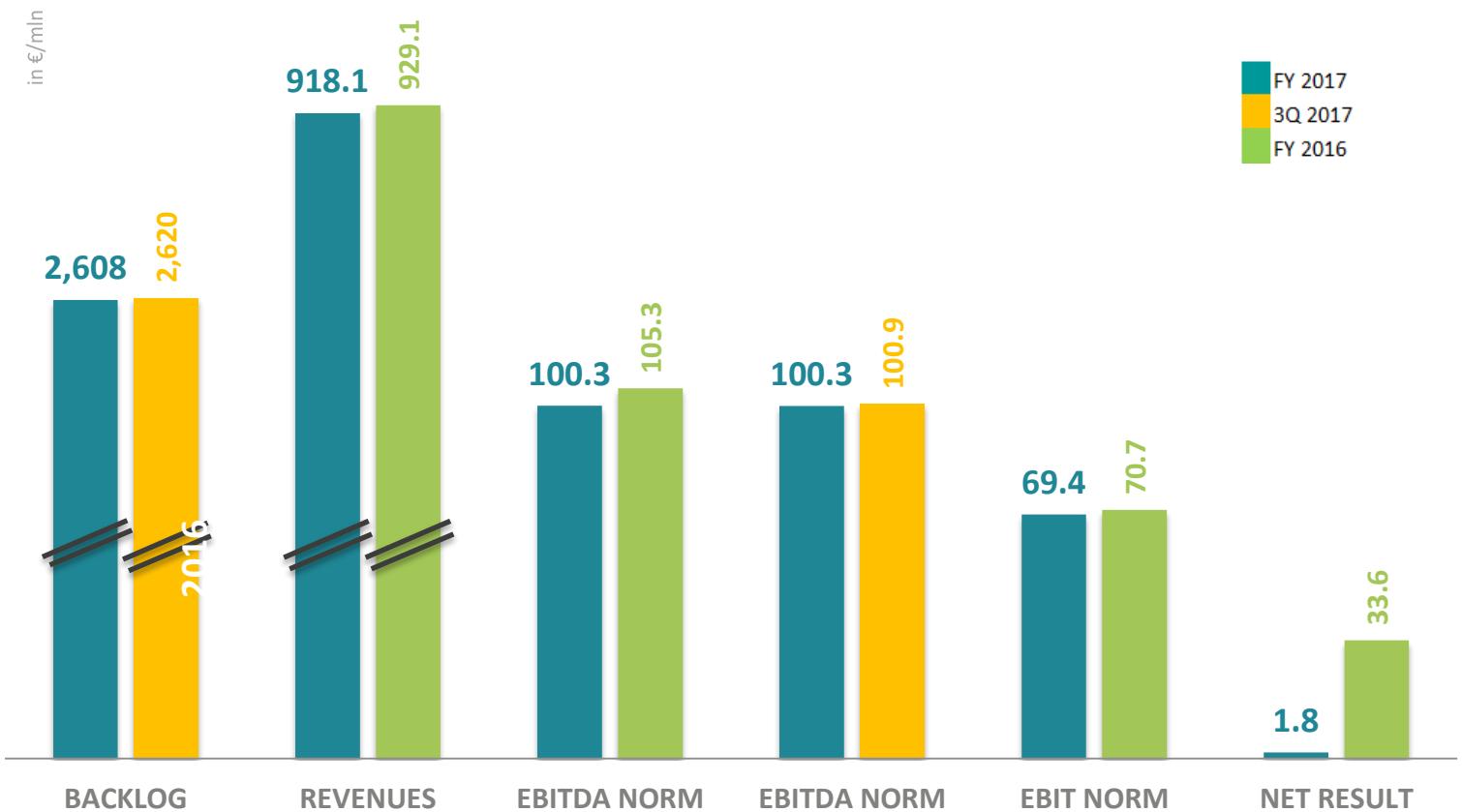
The MFM Group's management monitors and assesses the Group's business performance, results of operations and cash flows by using a number of financial ratios that are not defined under the international accounting standards IAS/IFRS ("Non-GAAP measures") and that are specified below. The Group's management considers that these financial ratios, which are not explicitly expressed in the accounting standards adopted to prepare the Consolidated Financial Statements, provide information which helps to understand and assess its overall financial and equity performance. These are widely used in the sector in which the Group operates but might not be directly comparable with those utilised by other companies, nor are they intended to replace the economic and financial performance ratios prepared in the application of the international accounting standards IAS/IFRS.

	Definition
Backlog	The Backlog is the amount of contract fees not yet accrued and connected with the residual term of the orders, which are held by the Group in the backlog.
Financial capex	Financial capex is the net expenditure on the acquisition of equity investments on business combinations and on grants of long-term loans.
Industrial Capex	Industrial CAPEX are defined as the purchase of (i) Property, plant and equipment, (ii) Property, plant and equipment under lease and (iii) other intangible assets.
NWC	Consolidated Net Working Capital (NWC) is defined as the consolidated NWOC which is added the amount of other operating assets and liabilities (other current assets, other current liabilities, current tax receivables and payables, current provisions for risks and charges).
NWOC	Consolidated Net Operating Working Capital (NWOC) is composed of "trade receivables and advance to supplier" and "inventories", net of "trade payables and advance to customers".
DPO	DPO (Days payables Outstanding) is a weighted average of days for payment of consolidated trade payables calculated as the ratio of trade payables, net of VAT on the amounts already received from the supplier, and costs over the last 12 months related to external production factors (included the capex) multiplied by the days of the reference period.
DSO	DSO (Days Sales Outstanding) is a weighted average of days for collection of consolidated trade receivables calculated as the ratio of trade receivables, net of VAT on the amounts already billed to customers, and revenues over the last 12 months multiplied by the days of the reference period.
EBIT	EBIT represents the Profit (Loss) before taxes gross of: i) Financial charges; ii) Financial income; iii) Dividend and income (loss) from sale of investments; iv) Share of net profit of associates; v) Profit (loss) on exchange rate. The Statement of Profit or Loss shows EBIT as "Operating Income".
EBITDA	EBITDA represents the Operating Income before allocations to the accrual of provisions for risks and amortization/depreciation, write-downs and write-backs of assets. EBITDA is a measure used by the Company's management to monitor and assess its operating

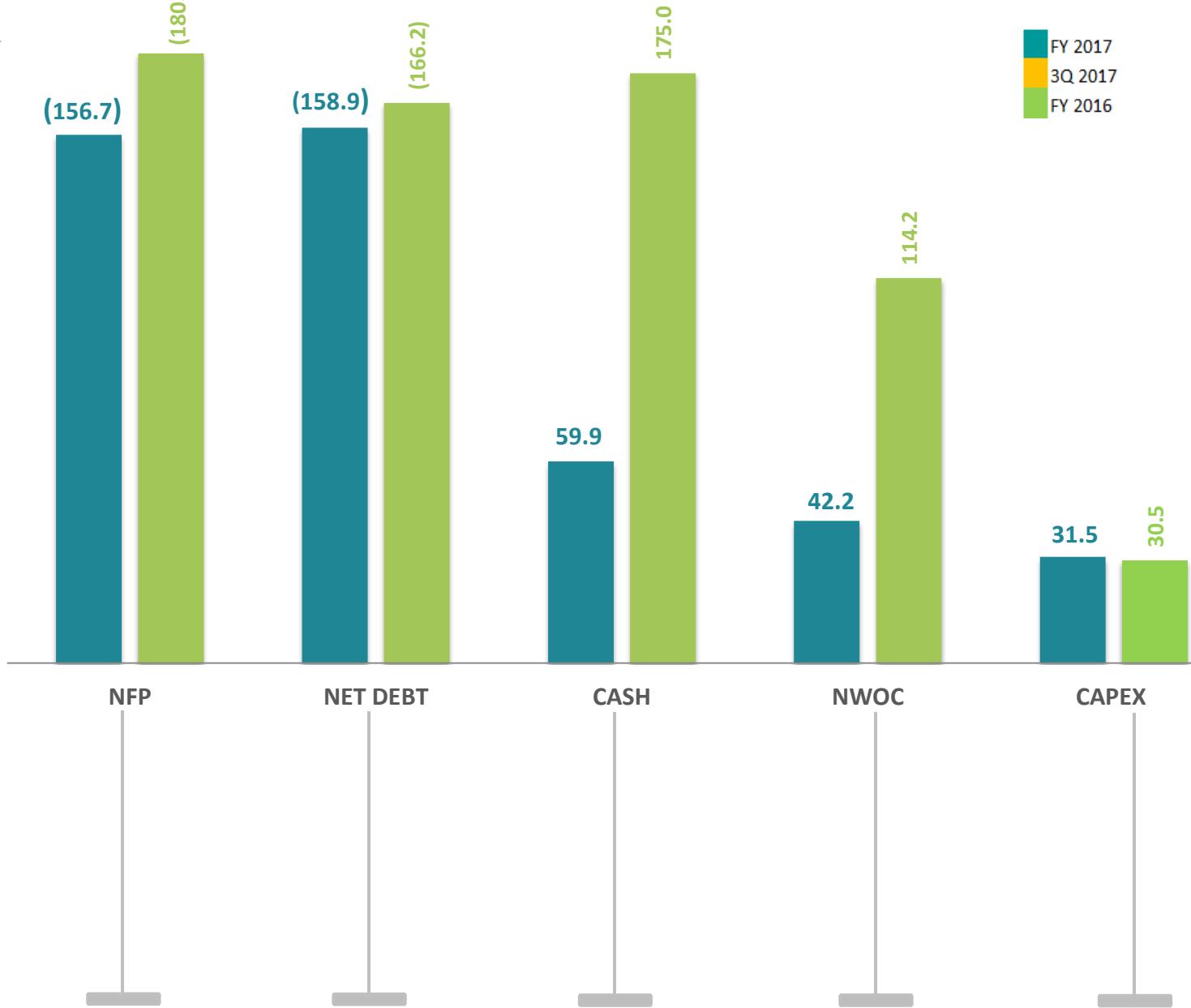


	Definition
	performance and it is not identified as an accounting measure under IFRS. Therefore, it must not be considered an alternative measurement for evaluating the trend in the Group's profit/loss. Given that the breakdown of EBITDA is not regulated by the accounting standards, the calculation criteria applied by the Group may not be comparable.
Adjusted EBIT or EBITDA	Adjusted EBITDA and Adjusted EBIT do not include non-recurring elements recorded in the consolidated Statement of Profit/Loss for the year, as described in paragraph "Non-recurring events and transactions in the period".
Normalized EBIT or EBITDA	Normalized EBITDA and EBIT represent Adjusted measures that also exclude the contribution to the consolidated profit/loss of the start-up activities relating to the subsidiary Yougenio S.r.l. and to the sub-group controlled by Manutencoop International S.r.l..
Gross Debt	Gross Debt is defined as the sum of debts for principal referring to: i) Senior Secured Notes; ii) Long-term bank debts; iii) Current bank overdraft, advance payments and hot money; iv) Obligations arising from assignments of trade receivables with recourse; v) Financial lease obligations.
LTM (Last Twelve Months)	LTM values relate to the economic values or financial flows identified in the last 12 months, or in the last 4 financial reporting years.
Net Cash	Net Cash is defined as the balance of "Cash and cash equivalents" net of: i) Bank overdrafts, advance payments and hot money; ii) Obligations arising from assignments of trade receivables with recourse.
Net Debt	Net Debt is defined as Gross Debt net of the balance of Cash and cash equivalents and Current financial assets.
NFP	Consolidated Net Financial Position represents the balance of Long-term debt, Derivatives, Bank borrowings (including current portion of long-term debt) and other financial liabilities, net of the amount of receivables and other current financial assets and Cash and Cash equivalents.
Adjusted NFP and NWOC	Adjusted NWOC and Adjusted NFP include the balance of the trade receivables assigned in the framework of the previous years' assignment without recourse programmes (now abandoned), and not yet collected by the factoring companies.

in €/mln



in €/mln



2017 SIGNIFICANT EVENTS

During the financial year ended 31 December 2017, management activities continued as part of the SBUs in which the group operates. With regard to Facility Management, the 2017 financial year showed, during the second half-year, a recovery in revenues and the end of the slight decline that had characterised recent years.

An important confirmation that something on the market is moving in the right direction is given by the signing, on 20 September, of the Consip MIES2 agreement, which, albeit it has not had any impact on 2017 Revenues, will bring, after predictably completing the agreement process in early 2018, backlog from new development for potential € 209 million, which can be further raised up to € 250 million (+20%), should the demand exceed the ceiling. The impact on Revenues will presumably occur from the first half of 2018.

With regard to the Laundering&Sterilisation SBU, 2017 was characterised by the launch of some major renewals in *linen rental and industrial laundering* starting from the second half-year with a negative impact on margins as a result of the discounts applied at the time of the tender with effects that will also have marginal impacts on revenues for the year (down by € 4.3 million compared to 2016). The countermeasures against the current Laundering&Sterilization market trend were taken as early as in 2017: a more aggressive trade policy that aims at increasing the market share on the one hand and on the other investments in optimising the factories' production capacity.

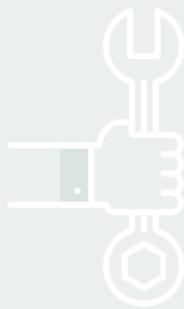
During the year work also continued to develop the B2C and *small-scale guest accommodation* market through the start-up Yougenio S.r.l., which has expanded its business both in terms of geographical area by covering various additional cities and in terms of range of services offered, adding a set of *personal services* (such as, among others, baby-sitting and care and support for older people) to the core facility management business traditionally conducted by the Group.

Finally, scouting activities involving the international facility management market also continued in 2017, through the other Group start-up, Manutencoop International S.r.l.. The development of the international business unit will begin to have an impact on the Group Revenues as from the first half of 2018 through subsidiaries in France and Turkey.

From a financial point of view 2017 was marked by an additional key deleverage step with a net financial debt that came to € 156.7 million, over € 24 million less compared to 31 December 2016, despite the distribution of an extra-dividend of € 25.1 million. The considerable cash flows, which were mainly generated as early as during the first 3 quarters of the year, allowed the completion of the refinancing transaction which had been entered into by controlling company CMF S.p.A. in October 2017.

Refinancing transaction of the Manutencoop Società Cooperativa Group

On 26 May 2017, the parent company Manutencoop Società Cooperativa set up as sole shareholder a vehicle called CMF S.p.A. for the launch of a bond issue (Senior Secured Notes), in order to reorganize the financial structure of the Group it controls. The transaction, launched on 29 June 2017 through the publication of the Offering Memorandum, was formalised in an issue of € 360 million, due 15 June 2022, at an issue price of 98% with an annual fixed coupon of 9% (payable every six months on 15 December and 15



June) and non-callable redemption until 15 June 2020. The contract ("Indenture") was signed on 6 July 2017 by and between the issuer, Law Debenture Trust Corporation p.l.c. as trustee and UniCredit Bank AG, Milan Branch as Security Agent. The bond was listed on the Euro MTF Market managed by the Luxembourg Stock Exchange and on the multilateral trading ExtraMOT system, PRO segment, organized and managed by Borsa Italiana S.p.A.. The bonds were offered for subscription and placed (i) in the U.S.A., only to *qualified institutional buyers* pursuant to Rule 144A of the Securities Act and (ii) outside the U.S.A. pursuant to Regulation S of the Securities Act and specifically in Europe and in Italy, only with exemption from EU and Italian legislation governing public offering laid down in the Prospectus Directive, the Consolidation Act on Finance and the Issuers' Regulation.

The purpose of the bond issue launched by CMF S.p.A. was to repurchase the Notes already issued by MFM S.p.A. during 2013 (with a 8.5% coupon, maturity in August 2020 and price redemption at 2 August 2017 equal to 102.125%), repay the other financial payables of the entire Group controlled by Manutencoop Cooperativa, provide the latter with the financial resources required to allow the exit of the Investment Funds holding a share of 33.2% of MFM S.p.A. and pay the Vendor Note issued by Manutencoop Società Cooperativa, in accordance with an Investment Agreement signed during 2013 and revised during 2016.

The income of the bond issue was deposited in an escrow account, managed by Bank of New York Mellon, London Branch as escrow agent and pledged in favour of the trustee as a guarantee for the bondholders. This escrow was released on 13 October 2017 (Completion Date); on the same date the redemption procedure of the Senior Secured Notes issued by MFM S.p.A. in 2013 was carried out. At the same time, CMF S.p.A. acquired the shares of MFM S.p.A. held by Manutencoop Società Cooperativa, through transfer and sale by the latter of 51.19% and 15.6%, respectively, of the share capital of the subsidiary. Moreover, on the same date, CMF S.p.A. acquired, again from Manutencoop Società Cooperativa, the right to exercise the Call option held on the non-controlling interests in MFM S.p.A. with regard to the Investment Funds, providing for their exit in compliance with the already mentioned Investment Agreement.

Therefore, as at the date of approval of the Consolidated Financial Statements at 31 December 2017, CMF S.p.A. was the Sole Shareholder of MFM S.p.A. and, pursuant to the Offering Memorandum, will be merged by incorporation into its own subsidiary no later than 12 months from the Completion Date (i.e. by 13 November 2018). This merger process was started in early 2018 and the statutory, accounting and tax effects of the planned merger should run from 1 July 2018.

On 29 June 2017 CMF S.p.A. also signed, as the Parent Company, a Super Senior Revolving loan agreement for € 50 million, governed by English law and expiring six months before the bond issue (i.e. on 15 December 2021), to which MFM S.p.A. became a party as Borrower. Specifically, the RCF 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 abovementioned merger, the subsidiary Servizi Ospedalieri S.p.A. may also access the revolving credit facility, providing a specific personal security. The RCF is aimed at meeting the general working capital requirements of the Manutencoop Group: therefore, in no case may it be used, directly or indirectly,

in order to proceed with the repurchase or redemption of the Notes, the purchase of shares in MFM S.p.A. or the distribution of dividends. The interest rate applicable to each drawdown of the RCF loan for each interest period will be equal to the percentage rate resulting from the sum of the margin set (equal to 4.25) and the applicable EURIBOR parameter.

Regulatory changes in relation to "Oneri di Sistema"

The Parent Company MFM S.p.A. is the owner of some important contracts related to energy services. During 2015, costs related to the so-called "*Oneri di Sistema*" charges on these contracts were prudentially recognised for a total of € 6.2 million, of which € 3.1 million related to the previous year as a result of regulatory provisions of Italian LD 91/2014 as converted with amendments by Italian Law 116/2014 and of the related implementing decree issued in 2015. During 2016, the assessments of these charges were revised for some sites previously considered potentially non qualifying as SEU (Efficient Systems for Users), (to which "*Oneri di Sistema*" charges apply at a reduced rate of 5%), which was accompanied by an amendment to the regulations on the matter contained in Italian Law Decree no. 244 of 30 December 2016 (known as "*Decreto Milleproroghe*"). Therefore, no additional "*Oneri di Sistema*" charges were set aside during 2016.

On 23 February 2017, the Chamber of Deputies followed up the final approval, resulting in the conversion into Law *Decreto Milleproroghe*. The introduced amendments abrogated the regulation (contained in the Italian laws of 2014 mentioned above) according to which, except for RIUs (Internal User Networks), general "*Oneri di Sistema*" charges would have been determined, starting from 2014, with reference to the consumption of electricity rather than to drawing from the network by re-establishing in this way the regulation previously in force, contained in the Bersani Decree (Italian Legislative Decree 79/99). Therefore, on the basis of the amended regulations, the management of MFM S.p.A. believed that there was no need to recognise additional "*Oneri di Sistema*" charges in 2017, and implemented the elimination of the payment obligations for those related to the previous years for which no payment was made, pending clarification of the terms.

Exercise of the Call option on non-controlling interests in the share capital of Sicura S.p.A.

The Investment agreement signed by MFM S.p.A. with the non-controlling shareholders of Gruppo Sicura S.r.l. (acquired in 2008 and merged today into Sicura S.p.A.) envisaged a Put&Call mechanism through which MFM S.p.A. would have subsequently acquired the non-controlling interest (initially equal to 20% of the share capital). MFM S.p.A. acquired an additional 5% interest in the share capital of Sicura S.p.A. already on 12 July 2016 and exercised the Call option for the residual 15% interest at the deadline set at 30 June 2017. The payment of the share price (equal to the value entered in the Consolidated Financial Statements of € 5.4 million) and their transfer took place on 10 August 2017.



1. SUMMARY OF RESULTS OF THE FOURTH QUARTER OF 2017

	For the quarter ended 31 December			For the year ended 31 December		
	2017	2016	%	2017	2016	%
Revenues	253,632	249,314	+1.7%	918,091	929,098	-1.2%
Adjusted EBITDA (*)	24,323	25,179	-3.4%	94,443	101,220	-6.7%
Adjusted EBITDA % of Revenues	9.6%	10.1%		10.3%	10.9%	
Normalized EBITDA (*)	25,785	26,391	-2.3%	100,340	105,272	-4.7%
Normalized EBITDA % of Revenues	10.3%	11.2%		10.9%	11.3%	
Adjusted EBIT (*)	17,268	17,425	-0.9%	63,395	66,640	-4.9%
Adjusted EBIT % of Revenues	6.8%	7.0%		6.9%	7.2%	
Consolidated Net Profit (Loss)	(16,088)	19,918		1,825	33,533	

In the fourth quarter of 2017, the Group recorded **Revenues** of € 253.6 million, showing an increase (+ € 4.3 million) compared with the fourth quarter of 2016 (€ 249.3 million), showing an upturn in the downward trend that characterised recent years for the second consecutive quarter. The increase in Revenues in the fourth quarter is distributed differently in the different markets of reference when compared to the figure of the previous year: + € 3.2 million for the Public sector and + € 1.9 million for Healthcare activities, against a negative change of € 0.7 million in the sector of Private Customers.

It was the Facility Management SBU that recorded an increase compared to the fourth quarter of 2016 (+ € 5.3 million, from € 216.5 million in the quarter ended 31 December 2016 to € 221.8 million in the quarter ended 31 December 2017) and specifically the “traditional” facility management. On the other hand, the turnover of Laundering&Sterilisation SBU showed a decrease of € 1.0 million (from € 33.6 million for the quarter ended 31 December 2016 to € 32.6 million for the quarter ended 31 December 2017), mainly due to the renewal of certain contracts in the portfolio against lower fees on average, some of which with effect from July 2017 and others with effect from October 2017.

At 31 December 2017, the **Backlog** came to € 2,608 million, substantially unchanged compared to the value reported at the end of the previous quarter (€ 2,620 million at 30 September 2017). However, it should be noted that this indicator does not yet include, at the reporting date, future revenues related to the agreements signed with Consip S.p.A. on 20 September 2017 concerning the “MIES 2” tender and the awarding of an Integrated Multi-Service Technology with energy supply for buildings used by Public Health Administrations. These agreements had a term of two years and provided that each implementation contract that may be signed by Public Authorities in such a time span may have a term of 5/7 years, at the discretion of the Authorities, starting from the activation of each supply, with a total limit of MFM S.p.A. that, for the period indicated, can be extended up to approximately € 250 million. These potential revenues are not included in the acquisitions described herein and are not yet included in the Group's backlog, pending the signing of individual supply orders. The Backlog/LTM Revenues ratio at 31 December 2017 amounted to 2.8x (2.9x at 30 September 2017 and 3.1x at 31 December 2016).

(*) Adjusted and Normalized economic figures are described in the following paragraph “Non-recurring events and transactions”.

Adjusted EBITDA of the fourth quarter of 2017 came to € 24.3 million, showing a decrease of € 0.9 million compared to the same quarter of last year (€ 25.2 million), mainly attributable to Laundering&Sterilisation SBU over the quarter and to the higher operating loss recorded by the start-ups Yougenio S.r.l. and Manutencoop International S.r.l., while the results achieved by the Facility Management SBU remained sufficiently stable. This was reflected on the drop in average profit margins (**Adjusted EBITDA/Revenues**: 9.6% for the quarter ended 31 December 2017 versus 10.1% for the same period last year).

Adjusted EBIT of the quarter ended 31 December 2017 amounted to € 17.3 million (6.8% of the related Revenues), substantially in line with that of the same period of the previous financial year, equal to € 17.4 million (7.0% of the related Revenues). The trend was affected, in absolute terms, by the trend already shown for Adjusted EBITDA (- € 0.9 million) plus lower *amortisation and depreciations* and accruals to provisions for future risks and charges.

Finally, the **Consolidated net result** for the quarter posted a negative value of € 17.2 million, against a net profit of € 19.9 million for the quarter ended 31 December 2016, as a result of a lower consolidated EBIT (- € 24.2 million); the difference was mainly due to the partial release of the provision set aside in 2015 to pay the fine levied by the Competition Authority for the Consip Scuole agreement during the fourth quarter of 2016, to which must be added higher net financial charges for € 11.7 million linked to the completion of the refinancing transaction entered into in October 2017.

	31 December 2017	30 September 2017	31 December 2016
Net Operating Working Capital (NWOC)	42,200	63,017	114,169
Net Financial Position (NFP)	(156,706)	(141,199)	(180,942)

From an equity and financial point of view, the figure relating to Net Working Operating Capital (**NWOC**) at 31 December 2017 recorded a decrease of € 72.0 million compared to the figure reported at the end of the previous financial year, with lower trade receivables of € 26.9 million and higher trade payables of € 46.7 million, against a Net Financial Position (**NFP**) that reported an improvement of € 24.2 million in 2017, despite the distribution of a dividend of € 25.1 million and the payment of non-recurring charges sustained for the refinancing transaction.

During the three months, assignments of trade receivables without recourse were made for € 23.3 million, while the amount of receivables assigned to the factor but not yet collected at 31 December 2017 amounted to € 19.3 million (€ 12.9 million at 31 December 2016).

At 31 December 2017, DSO was 164 days, thus showing a further improvement compared to the end of 2016 (170 days at 31 December 2016), confirming the previous quarter's figure. DPO, on the other hand, was 246 days (238 days in the previous quarter and 226 days at 31 December 2016). The trend described in terms of amounts collected from customers and payments to suppliers thus showed in the first nine months of 2017 a lower transfer of cash flows to suppliers, which experienced a less significant reduction

in the balance compared to that recognised in the balance of trade receivables, in line with historical period trends.

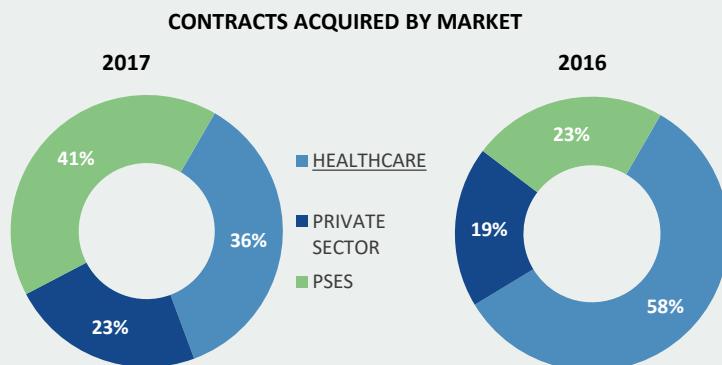
The Net Financial Position (**NFP**) showed an increase of € 15.5 million during the quarter. The flows generated by the change in NWOC (€ 18.9 million) were offset by the cash flow used by operating activities in the quarter (- € 19.2 million, mainly attributable to non-recurring charges arising from the completion of the refinancing transaction and the payment of taxes), to which must be added the absorption related to net industrial investments (€ 9.0 million) and to financial investments (€ 1.6 million), and to € 1.9 million related to the use of provisions for future risks and charges and Employee termination benefits of the quarter. Finally, there was an absorption of € 2.7 million for changes in the quarter in other operating assets and liabilities.

2. BUSINESS DEVELOPMENT

In 2017 the Group brought orders for an overall multi-year amount of € 438 million, of which € 370 million relating to extensions and renewals of contracts already included in its sales portfolio. As in the past, these data regard only long-term contracts obtained in the context of services for "traditional" facility management", for linen rental and for laundry services as well as for the sterilization of surgical instruments, as well as of "B2B" technology services following the recent start-up of e-Digital Services S.r.l.. On the contrary, the figure does not include the commercial portfolio of the companies of the sub-Group owned by Sicura S.p.A., whose contracts have an average term of less than one year. However, these companies have a not particularly significant impact on consolidated production volumes (less than 6% in 2017).

New contracts in the Healthcare sector still affected the total significantly (an overall 43%, equal to € 158 million), against significant orders gained in the period for the Public sector (€ 181 million), as did the extensions on some key agreements: this market shows chronic delays for some new agreements that are still being awarded despite the completion of related procedures.

Specifically, on 20 September 2017 MFM S.p.A. signed with Consip S.p.A. the agreements for the two batches of the "MIES 2" tender relating to the award of an Integrated Technology Multi-Service with energy supply for buildings used by Public Health Administrations. The two batches concerning the regions of Calabria and Sicily (Ordinary batch 12) and the regions of Veneto, Friuli Venezia Giulia, Trentino Alto Adige, to which the Lombardy's provinces of Bergamo, Brescia, Lecco, Como and Sondrio are added (Accessory batch 14). The Agreements had a term of two years whereas each implementation contract that may be signed by Public Authorities in such a time span may have a term of 5/7 years, at the discretion of the Authorities, starting from the activation of each supply, with a total limit of MFM S.p.A. that, for the period indicated, can be extended up to approximately € 250 million. These potential revenues are not included in the acquisitions for the year described herein and are not yet included in the Group's backlog, pending the signing of individual supply orders, which was started in early 2018.





In 2017, in the Healthcare market, MFM S.p.A. acquired batch 2 of the redevelopment and supply contract of energy services at ASUR Marche – Ospedale di San Benedetto del Tronto. Furthermore, cleaning service contracts were renewed for some of the major Tuscany regional healthcare facilities.

In addition, contracts for environmental hygiene services were renewed with Azienda Provinciale per i Servizi Sanitari (Provincial Authority for Healthcare Services) in Trento.

In the Public sector, there was the renewal of contracts for hygiene services at the premises of Alma Mater Studiorum – University of Bologna and the Scientific and Technology District of the Florence University, again for MFM S.p.A.. To these must be added cleaning and maintenance services at the Er.Go. (Azienda regionale per gli studi Superiori) facilities in Emilia Romagna.

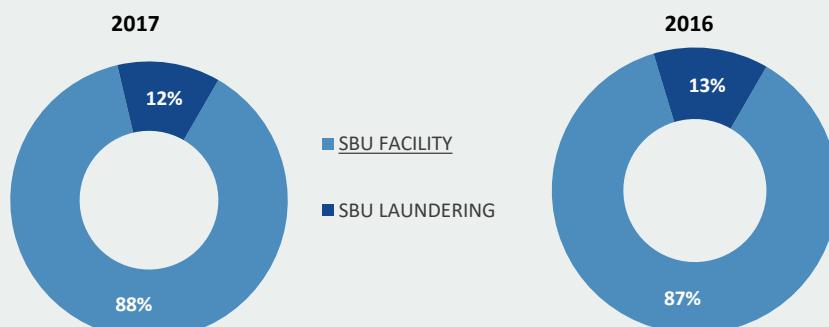
Furthermore, the procedure was substantially completed for the 3-year agreements relating to Intercenter 4 at the premises of the Municipality of Bologna and of the Province of Bologna and Modena. Finally, the service-provision contract with the Municipality of Casalecchio di Reno (Bologna) was started, with a duration of 15 years, for the integrated management of thermal energy and public lighting in the local authority land.

Finally, the new contracts for the year in the Private sector amounted to € 99 million (23% of total). About € 6 million of these contracts were related to the renewal for the next four years of the document management service contract that Telepost S.p.A. manages within the Telecom Italia Group. This renewal affected retrospectively consolidated revenues effective as from 1 January 2017.

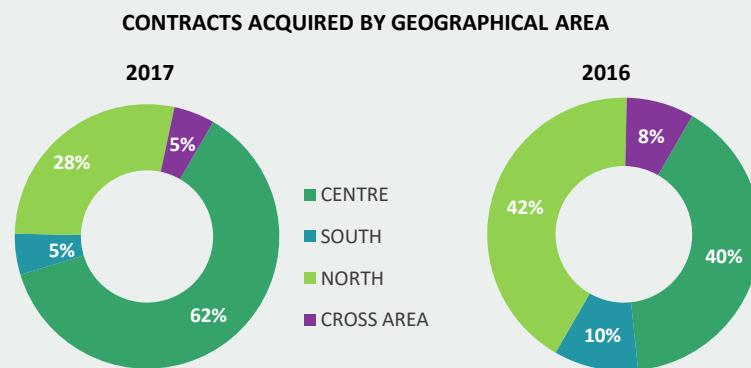
Furthermore, note the new 3-year contracts for cleaning services on behalf of NTV-Italotreno and hygiene and maintenance services for Wind S.p.A. all over the country.

Regarding the orders gained in the period in terms of Strategic Business Unit ("SBU"), Facility Management obtained contracts of € 387 million and Laundering&Sterilisation of € 51 million. All acquisitions described for the Public and Private sector were part of the Facility Management SBU.

CONTRACT ACQUIRED BY SBU



Furthermore, a geographical distribution of the commercial portfolio of new acquisitions in the period is provided below:

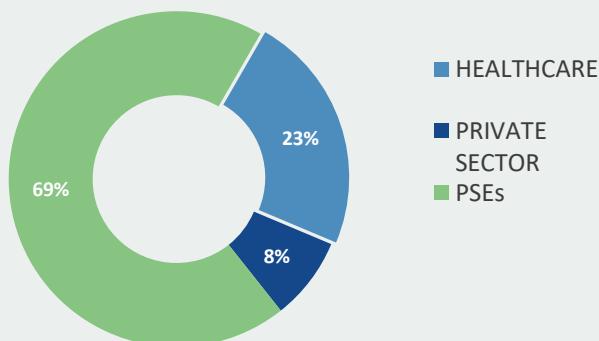


Backlog

The Backlog, i.e. the amount of contractual revenues related to the residual duration of the job orders in the portfolio at that date, is expressed below in millions of Euro:

	2017	2016
Backlog	2,608	2,845

BACKLOG BY MARKET





3. THE GROUP'S PERFORMANCE OF OPERATIONS AND CONSOLIDATED FINANCIAL POSITION FOR THE 2017 FINANCIAL YEAR

3.1 Consolidated performance of operations for FY 2017

Below are reported the main income figures relating to 2017 compared to the figures of 2016:

(in thousands of Euro)	For the year ended 31 December		For the three months ended 31 December	
			2017	2016
	2017	2016	2017	2016
Total revenues	918,091	929,098	253,632	249,314
Total costs of production	(829,484)	(833,201)	(238,985)	(223,060)
EBITDA	88,607	95,897	14,647	26,254
EBITDA %	9.7%	10.3%	5.8%	10.5%
Amortization, depreciation, write-downs and write-backs of assets	(30,280)	(32,714)	(8,952)	(8,107)
Accrual and reversal of provisions for risks and charges	(143)	10,107	621	12,326
Operating Income (EBIT)	58,184	73,290	6,316	30,473
EBIT %	6.3%	7.9%	2.5%	12.2%
Share of net profit of equity-accounted companies	(1,945)	1,688	(2,974)	(149)
Net financial charges	(39,514)	(27,759)	(18,148)	(6,481)
Profit before taxes (EBT)	16,725	47,219	(14,806)	23,843
EBT %	1.8%	5.1%	ND	9.6%
Income taxes	(16,010)	(14,738)	(2,392)	(3,925)
Profit from continuing operations	715	32,481	(17,198)	19,918
Profit (loss) from discontinued operations	0	1,052	0	0
CONSOLIDATED NET PROFIT (LOSS)	715	33,533	(17,198)	19,918
CONSOLIDATED NET PROFIT (LOSS) %	0.1%	3.6%	ND	8.0%
Minority interests	(73)	116	(24)	(14)
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	642	33,649	(17,222)	19,904
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT %	0.1%	3.6%	ND	8.0%

NON-RECURRING EVENTS AND TRANSACTIONS

In 2017 the Group recognized in the Statement of profit or loss some "non-recurring" financial items which impacted on the normal dynamics of the consolidated results. Pursuant to CONSOB Communication DEM/6064293 of 28 July 2006, "*significant non-recurring events and transactions*" mean events or transactions whose occurrence is non-recurring or those transactions or events that are not repeated frequently as part of normal operations and have a significant impact on the financial position, results of operations and cash flows of Group companies.

The following non-recurring elements are recorded in the Consolidated Statement of Profit/Loss for 2017 and 2016:

<i>(in thousands of Euro)</i>	For the year ended 31 December	
	2017	2016
Legal advice on pending administrative disputes	428	676
Structural reorganisation consulting fees	3,418	2,111
<i>"Oneri di sistema"</i> relating to previous years	(6,152)	
Manutencoop Group refinancing costs	4,332	
Non-recurring bonus linked to the refinancing transaction	3,809	
Advice on agreements for assignments of trade receivables without recourse		620
Compensation for damage for arbitration award		1,915
Non-recurring Expenses (income) impacting on EBITDA	5,836	5,323
Provisions for corporate reorganisation	1,276	1,400
Provisions for contractual liability to associates	(1,901)	2,323
Impairment of fixed assets		614
Provisions (Reversals) for risks from administrative disputes		(16,310)
Non-recurring Expenses (income) impacting on EBIT	(625)	(6,650)
Financial fees on the refinancing of the Manutencoop Group	740	
Reversal of amortised cost of Senior Secured Notes 2013	4,368	
Costs for early redemption of Senior Secured Notes 2013	6,480	
Non-recurring Expenses (income)	11,588	0
TOTAL NON-RECURRING EXPENSES (INCOME)	16,799	(6,650)

The charges arising from the refinancing of the Manutencoop Group related to consulting and advisory costs sustained within the transaction carried out by the direct controlling company CMF S.p.A. in 2017. This is the vehicle through which Manutencoop Società Cooperativa has started a complex project for the corporate reorganisation of its Group, mainly aimed at repurchasing the total shares of the main subsidiary MFM S.p.A. and refinancing its own consolidated debt. Specifically, CMF S.p.A. has charged total transaction costs of € 2.9 million back to MFM S.p.A., in proportion to the bond issue proceeds that have been guaranteed to the subsidiary (equal to 52.86%) and according to the mandate received from MFM S.p.A. for the structuring of this transaction.

Furthermore, non-recurring operating and financial costs were sustained in relation to the early redemption of the Senior Secured Notes issued by MFM S.p.A. in 2013, initially due 2020, in addition to the accounting effects of the repayment of these Notes linked to accounting for additional issue costs according to the amortised cost method.

Consolidated Adjusted EBITDA and EBIT are thus represented as follows:

<i>(in thousands of Euro)</i>	For the year ended 31 December	
	2017	2016
EBITDA	88,607	95,897
Non-recurring charges (income) impacting on EBITDA	5,836	5,323



REPORT ON OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of Euro)

	For the year ended 31 December	
	2017	2016
ADJUSTED EBITDA	94,443	101,220
ADJUSTED EBITDA % ON REVENUES	10.3%	10.9%
EBIT	58,184	73,290
Non-recurring charges (income) impacting on EBITDA and on EBIT	5,211	(6,650)
ADJUSTED EBIT	63,395	66,640
ADJUSTED EBIT % ON REVENUES	6.9%	7.2%

As early as from 2016, the Group also undertook to diversify its target markets by establishing the sub-holding Manutencoop International FM S.r.l. (as a vehicle dedicated to business development on international markets) and Yougenio S.r.l. (subsidiary active in the B2C market through an e-commerce platform). These new initiatives are in the start-up phase and contribute negatively to the consolidated results of the year.

Therefore, consolidated Normalized EBITDA and EBIT - which exclude this negative contribution - are shown below:

(in thousands of Euro)

	For the year ended 31 December	
	2017	2016
ADJUSTED EBITDA	94,443	101,220
Adjusted EBITDA related to start-up activities	5,897	4,052
NORMALIZED EBITDA	100,340	105,272
NORMALIZED EBITDA % ON REVENUES	10.9%	11.3%
ADJUSTED EBIT	63,395	66,640
Adjusted EBITDA related to start-up activities	6,050	4,104
NORMALIZED EBITDA	69,445	70,744
NORMALIZED EBITDA % ON REVENUES	7.6%	7.6%

REVENUES

In 2017, the Group recorded Revenues of € 918.1 million, with a drop of € 11.0 million (equal to -1.2%) compared to the previous year when it recorded Revenues of € 929.1 million. The downward trend in turnover, which marked the recent years, was more moderate during the first quarter of 2017 (when it was € 3.1 million compared to the same quarter of the previous year), was stronger in the second quarter (- € 13.1 million compared to the second quarter of 2016) and then reversed its trend in the second half of 2017 (+ € 5.2 million compared to the second half of 2016), showing that it was at a turning point and encouraging positive signs for the near future.

The breakdown of the consolidated Revenues in 2017 is provided below, compared to the previous year, broken down by Market.

REVENUES BY MARKET

<i>(in thousands of Euro)</i>	For the year ended 31 December				For the three months ended 31 December	
	2017	% of total Revenues	2016	% of total Revenues	2017	2016
PSEs	250,309	27.3%	253,744	27.3%	77,076	73,877
Healthcare	443,435	48.3%	441,499	47.5%	116,065	114,187
Private sector	224,347	24.4%	233,854	25.2%	60,491	61,250
CONSOLIDATED REVENUES	918,091		929,098		253,632	249,313

In contrast to the overall figure, the breakdown of turnover by market confirmed for 2017 a clear stability in revenues from Healthcare customers (which include public or private healthcare establishments), with increasing figures both in absolute terms (€ 443.4 million against € 441.5 million) and relative weight equal to 48.3% of Consolidated revenues against 47.5% for 2016. On the other hand, the negative contribution of linen rental and industrial laundering and sterilisation services relating to Laundering&Sterilisation SBU (- € 4.3 million) fully weigh on the turnover of the Healthcare sector and therefore, the result was further appreciated with regard to the facility management services, where a number of new significant job orders were started between the end of 2016 and the 2017 financial year.

For the second consecutive quarter important signs of recovery also came from revenues from PSEs (+ € 3.2 million compared to the fourth quarter of 2016), thus further slowing down the downward trend of the year (- € 3.4 million compared to 2016) compared to the first nine months. In fact, in the first months of 2017, some important job orders were started (among which shall be noted the service provision at the Municipality of Alessandria) that favourably contributed to the gradual replacement of those ended at the end of 2016. The recovery of revenues from the PSE market during the last quarter of the year also allowed the relative weight (27.3% of total revenues) to be balanced compared to 2016.

Finally, the Revenues of the Private sector recorded a decrease compared to 2016 both in absolute terms (- € 9.6 million) and in percentage terms (from 25.2% in 2016 to 24.4% in 2017). The trend, which was already seen in previous years and showed strong signs of slowdown in both third (- € 0.6 million compared to the third quarter of 2016) and fourth quarters of 2017 (- € 0.8 million compared to the fourth quarter of 2016), was related, in general, to a business development that is showing rather limited effects over the year. In the second quarter, in particular, certain contracts in the portfolio were renewed against lower fees on average (including those relating to document management that the subsidiary Telepost S.p.A. renewed with the Telecom Italia Group and with UnipolSai).



Analysis of revenues by Segment

A comparison of Group Revenues by business segment is provided below.

The business segments were identified on the basis of IFRS 8 and correspond to the following business areas: *“Facility Management”* and *“Laundering & Sterilization”*.

REVENUES BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				For the three months ended 31 December	
	2017	% of total Revenues	2016	% of total Revenues	2017	2016
	790,346	86.1%	797,237	85.8%	221,790	216,455
Facility Management	130,515	14.2%	134,778	14.5%	32,615	33,592
Intra-group elimination	(2,770)	-0.3%	(2,927)	-0.3%	(773)	(733)
CONSOLIDATED REVENUES	918,091	100%	929,098	100%	253,632	249,313

The breakdown of turnover by operating segments confirms that a slight increase was recorded in the relative weight in the Facility Management sector (equal to 86.1% in 2017 compared to 85.8% in the previous year) to the detriment of Laundering&Sterilization (equal to 14.2% in 2017 compared to 14.5% in 2016).

The three-month period saw a well-established upward trend in Revenues from the Facility Management SBU, which had already been seen to a lesser extent in the previous quarter, the quarterly turnover of which amounted to € 221.8 million, up by € 5.3 million compared to the fourth quarter of 2017, thus further offsetting the gap reported in the first half of the year. Segment revenues in 2017 thus amounted to € 790.3 million, down by € 6.9 million (-0.9%) compared to 2016. This SBU fully included both the drop in Revenues from Public Authorities and the negative delta shown in the Private sector, which were only partially offset from a recovery in revenues from the Healthcare sector.

However, at the consolidated level, the Laundering&Sterilisation sector showed a stronger decline in percentage terms (- € 4.3 million, -3.2%), recording Revenues of € 130.5 million in 2017 compared to € 134.8 million in 2016, against both a review of the portfolio that was not particularly favourable in terms of prices (which however did not adversely affect the SBU in terms of revenues excessively) and the shutdown of certain businesses in Turkey (- € 0.6 million compared to 2016) as well as the completion of a job order with an important private hospital.

EBITDA

For the financial year ended 31 December 2017 the Group's EBITDA amounted to € 88.6 million, against € 95.9 million for the financial year ended 31 December 2016. However, EBITDA expensed non-recurring costs (net of any income) amounting to € 5.8 million in 2017 against non-recurring costs of € 5.3 million

during the same period of 2016. Therefore, Adjusted EBITDA that excluded these non-recurring elements amounted to € 94.4 million for the financial year ended 31 December 2017 (10.3% of Consolidated revenues), against Adjusted EBITDA of € 101.2 million at 31 December 2016 (10.9% of Consolidated revenues).

It should also be emphasised that the Group bears start-up costs related to the new initiatives (B2C and international development) against reduced initial business volumes. In 2017, the effect of these initiatives was reflected in a lower EBITDA for € 5.9 million (€ 4.1 million in 2016, when B2C had been started only during the second half of the year).

Below is provided a comparison of EBITDA by segment for the financial year ended 31 December 2017 and the financial year ended 31 December 2016:

EBITDA BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				For the three months ended 31 December	
	2017	% of segment Revenues	2016	% of segment Revenues	2017	2016
Facility Management	55,230	7.0%	59,330	7.4%	7,610	18,007
Laundering&Sterilization	33,376	25.6%	36,567	27.1%	7,036	8,247
CONSOLIDATED EBITDA	88,606	9.7%	95,897	10.3%	14,646	26,254

The *Facility Management* sector showed a reduction of € 4.1 million in EBITDA, from € 59.3 million in 2016 to € 55.2 million in 2017, while also impacting on % profit margins, which decreased from 7.4% in 2016 to 7.0% in 2017. However, in order to understand this performance, it is necessary to deduct non-recurring costs (net of any income) (amounting to € 5.6 million in 2017 compared to € 5.1 million in 2016) and operating losses recorded by start-up companies (amounting to € 5.9 million in 2017 compared to € 4.1 million in 2016) from segment EBITDA. EBITDA, net of these items, recorded a decrease of € 1.8 million in the *Facility management* sector, with % profit margins on revenues decreasing from 8.6% in 2016 to 8.4% in 2017; this was due to a review of the portfolio that revealed continuing price pressure, which in turn anticipated the effects of the efficiency improvement actions that the production units take systematically in order to counteract it.

EBITDA in the Laundering&Sterilisation segment for the financial year ended 31 December 2017 amounted to € 33.4 million, down by € 3.2 million compared to € 36.6 million during the financial year ended 31 December 2016. Profit margins on relevant Revenues by segment was 25.6% compared to 27.1% at 31 December 2016. The decrease in EBITDA by segment compared to 2016, which was substantially recorded in the second half of the year, was due to the combination of two effects: positive elements that had impacted the EBITDA by segment in the third quarter of 2016 (adjustments on revenues and the



occurrence of the non-obligation to pay an insurance payable) on the one hand and on the other the concentration of renewals of linen rental and industrial laundering job orders unfavourable in terms of profit margins during the last half-year, while investments made during the year to make some manufacturing facilities more efficient have not yet had effects at full capacity.

Costs of production

At 31 December 2017, *Costs of production*, which amounted to € 829.5 million, showed a decrease of € 3.7 million in absolute terms compared to Euro 833.2 million posted at 31 December 2016 (-0.4%).

(in thousands of Euro)	For the year ended 31 December				For the three months ended 31 December	
	2017		% of total		2016	
	2017	% of total	2016	% of total	2017	2016
Costs of raw materials and consumables	119,742	14.4%	117,615	14.1%	34,892	33,245
Change in inventories of finished and semi-finished products	0	0%	55	0%	0	60
Costs for services and use of third-party assets	328,258	39.6%	331,365	39.8%	95,308	93,365
Personnel costs	382,138	46.1%	376,266	45.2%	105,949	96,057
Other operating costs	281	0%	7,900	0.9%	2,838	333
Lower costs for internal work capitalised	(935)	-0.1%	0	-0%	(2)	0
TOTAL COSTS OF PRODUCTION	829,484	100%	833,201	100%	238,985	223,060

Costs of raw materials and consumables in 2017 amounted to € 119.7 million, showing an increase of € 2.1 million in absolute terms compared to the value posted in 2016 (€ 117.6 million), which led to an increase in the impact on Consolidated revenues (13.0% in 2017 against 12.7% in 2016). Specifically, a decrease in fuel consumption (- € 3.7 million) was reported during the year under examination, against an increase in costs of raw materials (+ € 6.0 million), mainly as a result of a different mix of services rendered compared to last year and, consequently, of the use of the prevailing raw material. Moreover, in 2017, efficiency targets were focused significantly on energy and heat management services, including renegotiations, which also affected some utility suppliers.

Costs for services and use of third-party assets in the year ended 31 December 2017 showed a reduction of € 3.1 million (-2.1%) compared to the year ended 31 December 2016. However, it should be noted that, while in 2016 non-recurring costs of € 2.0 million were expensed under costs for services, in 2017 non-recurring costs of € 5.1 million were expensed under the item, net of which the reduction in costs for services year by year comes to € 6.2 million and also gives rise to a decrease in the impact on related revenues. The trend was primarily related to the mix of services in progress and to the resulting make or buy choices. Moreover, the renegotiation initiatives mentioned above also had an impact on service providers.

In particular, a € 2.8 million decrease in *costs for use of third-party assets* was recorded in the year, partially attributable to lower leases on industrial properties of Servizi Ospedalieri S.p.A., as a result of their acquisition in property and finance lease between the end of 2016 and the first months of 2017, and partially to specific cost-cutting measures related to some operating premises of the Group, whose economic benefits were perceived in 2017.

Personnel costs increased from € 376.3 million in the year ended 31 December 2016 to € 382.1 million in the year ended 31 December 2017 (+ € 5.9 million). However, in this case too, it should be noted that, while in 2016 non-recurring costs of € 1.4 million were expensed under *Personnel costs*, in 2017 non-recurring costs expensed under *Personnel costs* amounted to € 6.9 million, net of which Personnel costs remained substantially stable in absolute terms (€ 375.2 million in 2017 adjusted compared to € 374.8 million in 2016), while the impact on revenues recorded a slight increase from 40.3% to 40.9%.

The average number of employees in service during 2017 was equal to 16,235, while it was 16,315 in the previous year (of which 14,947 versus 15,004 manual workers). As it was said for costs for services and for materials, the trend in the number of Group employees, and in particular manual workers, was closely related to the mix of services in progress.

Finally, *Other operating costs* at 31 December 2017 amounted to € 0.3 million compared with € 7.9 million at 31 December 2016. Until 31 December 2016 the Parent Company MFM S.p.A. had recognized operating liabilities of € 6.2 million, concerning some energy service contracts and relating to "*Oneri di Sistema*" charges. These were envisaged in Decree Law 91/2014, as converted with amendments by Italian Law 116/2014 and by the related enactment decree issued in 2015. However, the relevant payments were never made waiting to know the collection methods of the tax authorities. On 23 February 2017, the Chamber of Deputies followed up the final approval, resulting in the conversion into Law of Law Decree no. 244 of 30 December 2016 (known as "*Milleproroghe*"). The introduced amendments had an impact on the existing regulations concerning "*Oneri di Sistema*" charges and, in particular, the regulation (contained in the Italian laws of 2014 mentioned above) according to which, except for RIUs, general "*Oneri di Sistema*" charges were determined, starting from 2014, with reference to the consumption of electricity was abrogated, by re-establishing in this way the regulation previously in force, contained in the Bersani Decree (Italian Legislative Decree 79/99). Therefore, on the basis of the amended regulations, the management of MFM S.p.A. believed that there was no need to recognise additional "*Oneri di Sistema*" charges in 2017, and implementing the elimination of the payment obligations for those related to the previous years and recognising the extraordinary income for the payable that was recorded at the end of the previous year. Finally, at 31 December 2016, non-recurring costs resulting from an arbitration award on a dispute with a customer from which MFM S.p.A., by exercising the legal right of recourse pursuant to Article 18, paragraph 1 of Italian Presidential Decree 633/1972, requested € 5.6 million by way of VAT, following a Report on findings issued by the Inland Revenue Agency in 2013 that had reported its incorrect invoicing were recorded as *Other operating costs*. The award acknowledged MFM S.p.A. the entire amount required by way of VAT albeit against the payment to the client of € 1.7 million by way of compensation for damages.



Operating Income (EBIT)

In 2017 consolidated Operating Income (EBIT) stood at € 58.2 million (6.3% of Revenues) against € 73.3 million (7.9% of Revenues) during 2016.

EBIT was mainly affected by the above-mentioned consolidated performance in terms of EBITDA (- € 7.3 million), from which *amortization and depreciation* of € 26.8 million (€ 27.2 million at 31 December 2016), *accruals to provisions for risks and charges (net of reversals)* of € 0.1 million (a net release of € 10.1 million at 31 December 2016) as well as *write-downs of receivables and reversals* of € 3.2 million (against € 4.5 million at 31 December 2016, when a significant specific risk position on the Parent Company MFM S.p.A. was reported) must be deducted. Finally, *Other impairment losses* of € 0.3 million (€ 1.0 million at 31 December 2016) were recognised in 2017.

However, EBIT of 2017 recorded, in addition to the non-recurring items already described for EBITDA, the (non-recurring) release of a provision for risks set aside for of Euro 2.3 million at 31 December 2016, for future charges related to a dispute involving an associate with which MFM S.p.A. has services agreements in being under which, in some respects, the servicer may have contractual liability. During 2017 this dispute was settled on favourable terms, with a significant reduction in terms of outlay for the associate concerned, which in turn entailed a net release of the provision for risks of MFM S.p.A., equal to € 1.9 million. On the other hand, non-recurring accruals of € 1.3 million were recorded in 2017, which were linked to a corporate restructuring and reorganisation process that involved some legal entities that operate in the market of safety and fire-fighting systems. The EBIT performance for 2016 was significantly affected by the partial reversal, equal to € 16.3 million, of the provision for risks set aside in the previous year by the parent company MFM S.p.A. against the issue by AGCM of its order for sanctions in relation to the "Consip Scuole" case, which was subsequently recalculated after the Lazio Regional Administrative Court's partial acceptance of the appeal filed by MFM S.p.A.. In 2016, provisions for corporate reorganisation were also set aside for € 1.4 million, again in relation to the parent company MFM S.p.A., while impairment losses of € 0.6 million were recognized on plant and equipment in the form of sterilisation machinery for the Laundering&Sterilisation SBU, as a result of the reorganisation of the Teramo production site after the acquisition of the property from Manutencoop Immobiliare S.p.A. and after the bad weather which affected the area. All non-recurring costs impacting on EBIT are summarised in paragraph 3.1 "Non-recurring events and transactions" of the Report on Operations, to which reference should be made.

At 31 December 2017 **Adjusted EBIT** then came to € 63.4 million (equal to 6.9% in terms of relative profit margins on the Revenues for the year) against € 66.6 million at 31 December 2016 (equal to 7.2% of related Revenues).

Below is a comparison of Operating Income (EBIT) by segment in year ended 31 December 2017 with related values to the previous year:

EBIT BY SEGMENT

<i>(in thousands of Euro)</i>	For the year ended 31 December				For the three months ended 31 December	
	2017	% of segment Revenues	2016	% of segment Revenues	2017	2016
Facility Management	41,382	5.2%	55,743	7.0%	3,033	26,939
Laundering&Sterilization	16,801	12.9%	17,547	13.0%	3,283	3,534
CONSOLIDATED EBIT	58,184	6.3%	73,290	7.9%	6,316	30,473

The EBIT in the *Facility Management* segment came to Euro 41.4 million (5.2% of related segment Revenues) at 31 December 2017, against EBIT of € 55.7 million (7.0% of related segment Revenues) at 31 December 2016 and therefore with a negative change equal to € 14.4 million compared to the previous year. However, the adjusted values showed a more limited decline in profitability, with adjusted segment EBIT that decreased from € 48.2 million at 31 December 2016 (net of non-recurring costs equal to € 8.8 million and of the reversal of the provision recognised for € 16.3 million in relation to the Consip Scuole case in the previous year) to € 46.3 million at 31 December 2017 (net of non-recurring costs of € 4.9 million), equal to 6.1% and 7.7% of related segment Revenues, respectively.

The comparison firstly reflects the abovementioned performance in terms of Adjusted EBITDA (- € 3.6 million) against higher amortisation and depreciation for € 0.7 million (specifically due to investments in hardware and software infrastructure) and lower write-downs of trade receivables for € 0.7 million. Furthermore, higher losses of value of assets were recognized for € 0.1 million. Furthermore, in 2017 net accruals to provisions for future risks and charges were recognized for € 0.1 million, which included net non-recurring reversals of € 0.6 million) against a net reversal of € 10.1 million at 31 December 2016 (which included, among other things, the abovementioned reversal of the provision on the Consip Scuole case for € 16.3 million).

At EBIT level in the *Laundering&Sterilization* segment (€ 16.8 million in 2017 against € 17.5 million in 2016), compared to the previous year, from the EBITDA performance in the segment (- € 3.2 million) must be deducted lower amortisation and depreciation for € 1.2 million (mainly relating to the linen rental and industrial laundering segment, and in particular to linen), lower write-downs of receivables for € 0.6 million (a provision of € 0.4 million at 31 December 2016 against a release of € 0.2 million at 31 December 2017) and lower net accruals to provisions for risks and charges for € 0.1 million, in connection with risk situations of an absolutely insignificant amount in both financial years under comparison. Albeit in connection with the drop in Revenues by segment (- € 4.3 million) described above, profit margins by segment remained substantially stable (12.9% and 13.0% of related Revenues, in 2017 and 2016 respectively).



Profit before taxes

To the consolidated EBIT must be added the results from the valuation of associates at equity, which posted a negative value of € 1.9 million at 31 December 2017 (against a positive value of € 1.7 million at 31 December 2016). These results reflected, among others, the Group's share of the negative result of associate Roma Multiservizi S.p.A., equal to € 3.6 million (against a positive value of € 1.6 million at 31 December 2016): this result was affected by the recognition of considerable write-downs of receivables claimed by the company from one of the major customers following the start of an insolvency procedure. Furthermore, there was the recognition of net financial charges of € 39.5 million (€ 27.8 million at 31 December 2016), thus obtaining a Profit before taxes equal to € 17.8 million at 31 December 2017 (€ 47.2 million at 31 December 2016).

Below is provided the breakdown by nature of net financial charges for the 2017 and 2016 financial years:

(in thousands of Euro)	For the year ended 31 December		For the three months ended 31 December	
	2017	2016	2017	2016
Dividends, income (charges) from sale of equity investments	175	498	0	260
Financial income	3,762	1,964	2,629	678
Financial charges	(43,125)	(30,183)	(20,454)	(7,407)
Profit / (loss) on exchange rate	(326)	(38)	(323)	(12)
NET FINANCIAL CHARGES	(39,514)	(27,759)	(18,148)	(6,481)

During 2017 dividends were collected from non-consolidated companies for € 0.2 million (€ 0.5 million at 31 December 2016).

Financial income showed an increase of € 1.8 million compared to the previous year, mainly against the recognition by the Parent Company of default interest income of € 2.5 million, which arose at the time of the settlement of a specific previous credit position. A similar item was also recognized by Servizi Ospedalieri S.p.A. (€ 0.6 million) in 2016.

In 2017 the impact of *financial charges* on the consolidated results of operations was equal to € 43.1 million against € 30.2 million at 31 December 2016.

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 (at an annual interest rate 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 (at an annual interest rate of 9%).

Specifically, the Parent Company sustained early redemption costs of € 6.5 million, based on the redemption price set in the rules of the cancelled Senior Secured Notes (€ 6.4 million) and the negative interest accrued with respect to the repayment of the capital quota to bondholders (€ 0.1 million). The redemption of the Notes also entailed the reversal of residual additional charges relating to the 2013 issue, accounted for at amortised cost, through profit or loss, for € 4.4 million, to which must be added the accrued financial costs already accounted for before the redemption for € 1.0 million (€ 1.2 million for 2016). Finally, the cancelled Notes had accrued financial costs on coupons for € 22.0 million (€ 25.5 million for the entire 2016 financial year) until the date of redemption.

After having obtained the abovementioned Proceeds Loan, the Parent Company also sustained additional costs for the issue in an initial total amount of € 9.1 million, 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 were also accounted for according to the amortised cost method, which gave rise to amortisation costs of € 1.0 million during the last quarter of 2017, an amount of € 0.7 million 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 Proceeds Loan bears interest equal to 9.0% p.a., with an impact of € 3.6 million on the 2017 financial year.

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, 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 € 1.0 million) 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 € 0.1 million on the 2017 financial year.

Finally, interest discount costs were recognised for € 1.9 million during 2017 in relation to the assignment of receivables without recourse carried out with Banca Farmafactoring against trade receivables and VAT tax credits requested for refund. These costs amounted to € 1.4 million at 31 December 2016, when they included, among others, charges of € 0.6 million in relation to an assignment of tax receivables without recourse linked to the application of Decree Law 201 of 6 December 2010, as amended and converted by Law 214 of 22 December 2011, which had allowed various Group companies to submit, during 2012, a request for IRES (Corporate Income) tax refund as a result of the non-deduction of IRAP (Local Production Activity) tax in an overall amount of € 12.4 million.

Consolidated net result

From the Profit before taxes of the financial year (€ 16.7 million) must be deducted taxes of € 16.0 million, thus obtaining a Net Result from continuing operations of € 0.7 million (€ 32.5 million at 31 December 2016). The 2016 financial year also recorded a positive *Profit (loss) from discontinued operations* equal to € 1.1 million, including the related tax effect (€ 0.3 million), mainly relating to the additional price (Earn-out) that MFM S.p.A. (the company incorporating SMAIL S.p.A. with effect from 1 January 2016) obtained on the transfer of the business unit that was carried out by the merged company in November 2015.



The table below reports a breakdown of the consolidated tax rate:

<i>(in thousands of Euro)</i>	For the year ended 31 December	
	2017	2016
Profit before taxes	16,725	47,219
Provision for risks from the enforcement of Consip guarantee	0	17,500
AGCM provision (Reversal)	0	(33,810)
Profit before taxes, excluding AGCM provision	16,725	30,909
Current and deferred IRES tax, including income and charges from Tax Consolidation	(12,519)	(10,315)
Current and deferred IRAP tax	(4,336)	(4,401)
Adjustments to current and deferred taxes related to previous financial years	846	(24)
Income taxes	(16,009)	(14,738)
TAX RATE OF CONTINUING OPERATIONS	95.7%	47.7%
Profit (loss) before taxes from discontinued operations	0	1,385
Taxes related to the profit (loss) from discontinued operations	0	(333)
CONSOLIDATED NET PROFIT, EXCLUDING AGCM PROVISION	715	17,221
GLOBAL TAX RATE	95.7%	46.7%

The **Profit before taxes** for 2016 includes a considerable reversal relating to the dispute that arose following the imposition of the administrative fine applied by AGCM in 2015 in relation to the Consip tenders in 2012. The non-recurring provision for the previous year (equal to € 48.5 million), which is not deductible for the purposes of calculating the tax burden, had been in fact partially released despite a new assessment of the overall risk against the alleged enforcement of the sureties on the part of Consip S.p.A., with a net effect of € 16.3 million. The tax rate for the year is then analysed by excluding these non-recurring effects, net of which the Profit before taxes at 31 December 2016 would be equal to € 30.9 million.

Therefore, compared to the Profit before taxes calculated in this manner, the 2017 financial year showed a decrease of € 14.2 million against an increase of € 1.3 million in the overall tax burden. The overall tax rate amounted to 95.7% at 31 December 2017 against 47.7% at 31 December 2016, due to the substantial lack of changes in some current tax components (especially IRAP tax), the impact of which increased despite a reduction in the Profit before taxes. Furthermore, lower deferred tax assets were recognized on non-deductible financial charges at 31 December 2017, in addition to the partial write-off of those already recognised in previous years.

3.2 Analysis of the Statement of financial position as at 31 December 2017

<i>(in thousands of Euro)</i>	31 December 2017	31 December 2016	Change
USES			
Trade receivables and advances to suppliers	429,165	456,095	(26,930)
Inventories	6,057	4,382	1,675
Trade payables and advances from customers	(393,022)	(346,308)	(46,714)
Net commercial working capital	42,200	114,169	(71,969)
Other elements of working capital	(60,865)	(68,555)	7,690
Net working capital	(18,665)	45,614	(64,279)
Property, plant and equipment	71,343	66,110	5,233
Goodwill and other Intangible assets	395,532	396,570	(1,038)
Investments accounted for under the equity method	27,294	30,534	(1,038)
Other elements of non-current assets	35,507	38,913	(3,406)
Fixed Assets	529,676	532,127	(2,451)
Non-current liabilities	(55,523)	(73,427)	17,904
NET INVESTED CAPITAL	455,488	504,314	(48,826)
SOURCES			
Equity attributable to non-controlling interests	381	235	146
Equity attributable to equity holders of the parent	298,401	323,137	(24,736)
Shareholders' equity	298,782	323,372	(24,590)
Net financial indebtedness	156,706	180,942	(24,236)
FINANCING SOURCES	455,488	504,314	(48,826)

Net working capital

At 31 December 2017 Consolidated Net Working Capital (**NWC**) posted a negative value of € 18.7 million, showing a decrease of € 64.3 million compared to 31 December 2016 (when it posted a positive value of € 45.6 million).

At 31 December 2017, the consolidated Net Working Operating Capital (**NWOC**), composed of Trade receivables and advances to suppliers and inventories, net of Trade payables and advances from customers, was equal to € 42.2 million against € 114.2 million at 31 December 2016. Considering the balance of receivables assigned without recourse by the Group and not yet collected by the factoring agencies (equal to € 19.3 million at 31 December 2017 and € 12.9 million at 31 December 2016) the **Adjusted NWOC** stood at € 61.6 million and € 127.1 million, respectively.

First of all, the change in the last indicator (- € 65.5 million) was due to a reduction in the balance of trade receivables (- € 20.5 million while considering the balance of receivables assigned by the Group without recourse and not yet collected by the factoring companies) against an increase in the stock of trade payables, which came to € 393.0 million at 31 December 2017 (+ € 46.7 million compared to the balance at 31 December 2016 equal to € 346.3 million).

At 31 December 2017 average DSO was 164 days against 170 days at 31 December 2016 and 168 days at 30 September 2017. As regards the overall management of cash flows, the figure related to the inflow of receivables in the year is stable at a historical low compared to the recognitions made in previous years (-6



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days compared to 2016 and -21 days compared to 2015), although showing a different trend during the quarters of the year.

On the contrary, at the end of 2017, a growth trend in DPO was reported both on a quarterly basis (246 days at 31 December 2017 against 238 days at 30 September 2017) and compared to the value posted at 31 December 2016 (226 days). The DPO trend historically reports delays during the last quarter of the year, which was accentuated in 2017 in consideration of the negotiations on terms of payment with some major suppliers.



The balance of the other elements in working capital at 31 December 2017 was a net liability of € 60.9 million, down by € 7.7 million compared to a net liability of € 68.6 million at 31 December 2016:

(in thousands of Euro)	31 December 2017	31 December 2016	Change
Current tax receivables	8,745	3,500	5,245
Other current assets	30,842	25,932	4,910
Provisions for risks and charges, current	(6,711)	(10,715)	4,004
Current tax payables	(326)	(1,363)	1,037
Other current liabilities	(93,415)	(85,909)	(7,506)
OTHER ELEMENTS IN WORKING CAPITAL	(60,865)	(68,555)	7,690

The reduction in net liability of the other working capital elements was due to a combination of factors, mainly including:

- the movements of payables to/receivables from employees and the relative payables to/receivables from social security institutions and the tax authorities, which accounted for an increase in net liabilities of € 10.0 million, against, among others, the recognition of a payable at the end of the year, for non-recurring bonuses paid following the corporate and refinancing

transaction completed during the year (€ 3.8 million, included in payments to employees in January 2018) and of a portion of non-recurring charges arising from the reorganization of the company functions;

- › an increase in the net credit balance for VAT of the Group companies, equal to € 10.3 million, also as a result of some major changes in regulations governing the deductibility of VAT, which came into force following the enactment of Law 205 of 27 December 2017 (2018 Budget Law), which required intervention on the recording of suppliers' invoices that significantly reduced average times. The credit balances, systematically generated by the Group companies that record considerable volumes of sales and purchasing invoices, subject to VAT under the "Split payment" and "Reverse charge" scheme, allowed, during 2017 too, the release of said receivable through assignments without recourse of the balances on account of refund required from the Tax Authorities, for a total amount of € 18.7 million;
- › the recognition in the item "Other current operating liabilities" of the payable of € 14.7 million related to the fine imposed by the Competition Authority during 2016, previously recognised under provisions for risks and charges, owing to the enforceability of the measure issued by the Authority on 23 December 2016 notwithstanding the appeal with the Court of Cassation was pending, for which the right to pay in 30 monthly instalments was granted with a measure of the Competition Authority itself on 28 April 2017. The balance of the residual debt at 31 December 2017 was € 10.3 million, as a result of the payment of 9 monthly instalments;
- › the decrease, again in the item "Other current operating liabilities", of the payable of € 6.2 million related to the so-called "*Oneri di Sistema*" charges, following the final conversion into Law, on 23 February 2017, of Decree Law 244 of 30 December 2016 (known as "*Milleproroghe*"), which, as said, allowed MFM S.p.A. not to record in 2017 additional "*Oneri di Sistema*" charges, also causing the elimination of the payment obligations for those related to the previous years for which no payment whatsoever was made;
- › the decrease of € 4.0 million in the short-term portion of provisions for future risks and charges.

Finally, net current tax receivables were recognised for € 8.4 million at 31 December 2017, against a net receivable of € 2.1 million at 31 December 2016. It should be considered that the 2016 financial year saw the implementation of an assignment of tax receivables without recourse, linked to the application of Decree Law 201 of 6 December 2011, as amended and converted by Law 214 of 22 December 2011, which had allowed various Group companies to submit, during 2012, a request for IRES tax refund as a result of the non-deduction of IRAP tax in an overall amount of € 12.4 million, of which € 10.0 million under the tax consolidation regime in place with the parent company Manutencoop Società Cooperativa.

Other long-term liabilities

"Other long-term liabilities" include liabilities relating to:

- › TFR (employee benefits), equal to € 15.5 million and € 17.0 at 31 December 2017 and 31 December 2016, respectively;



- › long-term portion of Provisions for risks and charges (€ 27.6 million at 31 December 2017 against € 44.5 million at 31 December 2016, when it included the provision set aside for the fine levied by the Competition Authority, subsequently classified to "Other current liabilities");
- › deferred tax liabilities of € 12.3 million (€ 11.8 million at 31 December 2016).

Consolidated net financial indebtedness

Details of net financial indebtedness at 31 December 2017 are shown below, as determined on the basis of the instructions laid down in CONSOB Communication no. DEM/6064293 of 28 July 2006, compared to the figures at 31 December 2016.

(in thousands of Euro)	31 December 2017	31 December 2016	Change
A. Cash	38	38	0
B. c/a, bank deposits and consortia, non-proprietary accounts	59,832	174,954	(115,122)
C. Securities held for trading			
D. Cash and cash equivalents (A) + (B) + (C)	59,870	174,992	(115,122)
E. Current financial assets	1,870	2,387	(517)
F. Current bank overdraft	6,000	11,857	(5,857)
G. Current portion of non-current debt	1,425	11,176	(9,751)
H. Other current financial liabilities	35,740	29,806	5,934
I. Current financial indebtedness (F)+(G)+(H)	43,165	52,839	(9,674)
J. Current net financial indebtedness (I) - (D) - (E)	(18,575)	(124,540)	105,965
K. Long-term bank debts and Senior Secured Notes	5,000	304,648	(299,648)
L. Other non-current financial liabilities	170,281	834	169,447
M. Derivatives			
N. Non-current financial indebtedness (K) + (L) + (M)	175,281	305,482	(130,201)
O. NET FINANCIAL INDEBTEDNESS (J) + (N)	156,706	180,942	(24,236)

The 2017 financial year saw a significant improvement in Consolidated net financial debt, which decreased from € 180.9 million at 31 December 2016 to € 156.7 million at 31 December 2017. This positive figure was further appreciable given the financial outlay associated with the payment of the dividend to the shareholders of the Parent Company MFM S.p.A. in May 2017 (€ 25.1 million), which consisted in the use of extraordinary cash, backed by a significant cash generation during the last financial years.

On the other hand, the Parent Company MFM S.p.A. and Servizi Ospedalieri S.p.A. signed, on 23 February 2016, a 3-year maturity factoring agreement with Banca Farmafactoring S.p.A., concerning the assignment without recourse of receivables from entities in the National Health System, in an annual amount of up to € 100 million. During 2017 assignments of receivables without recourse were made in an amount of Euro 83.1 million, subject to *derecognition* according to IAS 39 (€ 50.0 million in 2017). To these must be added an amount of € 8.7 million relating to stand-alone assignments carried out with Banca Farmafactoring S.p.A., outside the scope of the described three-year contract, concerning receivables from Public Administrations. The consolidated net adjusted financial debt for the amount of receivables assigned without recourse to factoring companies that had not been collected at the reporting date (totaling € 19.3

million at 31 December 2017 against € 12.9 million at 31 December 2016) amounted to € 176.0 million (€ 193.8 at 31 December 2016).

Finally, during the last quarter of the year, the refinancing transaction carried out through the new Group corporate vehicle, CMF S.p.A., had significant effects on the financial structure of the consolidated subgroup controlled by MFM S.p.A., which led to a more efficient use of the Liquidity (which decreased from € 175.0 million at 31 December 2016 to € 59.9 million at 31 December 2017). This Liquidity was partly used for the redemption of the Senior Secured Notes issued in 2013 (equal to a nominal amount of € 300 million) against raising a Proceeds Loan with CMF S.p.A. (equal to a nominal amount of € 176.0 million at 31 December 2017) linked to the new Senior Secured bond issue launched by the latter. Therefore, the non-current financial debt decreased from € 305.5 million at 31 December 2016 to € 175.3 million at 31 December 2017.

At 31 December 2017 the balance of Cash and cash equivalents, net of short-term credit lines (Net Cash) amounted to € 23.9 million (€ 142.3 million at 31 December 2016):

(in thousands of Euro)	31 December 2017	31 December 2016
Cash and cash equivalents	59,870	174,992
Current bank overdraft, advance payments and hot money	(6,000)	(11,857)
Obligations arising from assignments of trade receivables with recourse	(29,999)	(20,805)
NET CASH	23,871	142,330

Below is a breakdown of the net financial exposure by bank credit lines and financial leases (Net Debt) compared to 31 December 2016:

(in thousands of Euro)	31 December 2017	31 December 2016
Senior Secured Notes (due 2020)	0	300,000
Proceeds Loan from CMF S.p.A.	175,990	0
Long-term bank debt	5,000	10,000
Financial lease obligations	3,622	914
Current bank overdraft, advance payments and hot money	6,000	11,857
Obligations from assignments of receivables with recourse	29,999	20,805
GROSS DEBT	220,610	343,576
Current financial assets	(1,870)	(2,387)
Cash and cash equivalents	(59,870)	(174,992)
NET DEBT	158,870	166,197



The “Net Debt” reported an improvement of € 7.3 million compared to 31 December 2016 (€ 158.9 million against € 166.2 million), mainly in connection with the abovementioned Refinancing and the structural changes that it gave rise to.

The increase in residual financial lease payables (+ € 2.7 million) was fully attributable to the real-estate lease transaction concluded in the first quarter by Servizi Ospedalieri S.p.A. for the acquisition of the property in Lucca. This property was already used on rental for industrial laundering activities and was acquired by Manutencoop Immobiliare S.p.A., company of the Manutencoop Cooperativa Group, as part of an overall reorganisation of the production sites of the Laundering&Sterilisation SBU.

In addition, at 31 December 2016, there was in place a committed credit line of € 10 million, obtained from CCFS, originally due in 2018 but paid in full on 3 July 2017. On 14 November 2017 MFM S.p.A. signed a new credit facility agreement for a total amount of € 10 million. The loan includes a first tranche amounting to € 5 million, which was disbursed at the same time as the execution and with bullet maturity in April 2023. The second 66-month tranche, for an additional amount of € 5 million, was disbursed on 13 February 2018 and provides for the repayment in six-monthly instalments, with a pre-amortisation period of 12 months.

The loan is secured by a pledge over the shares of subsidiary H2H facility Solutions S.p.A..

The change in Consolidated cash and cash equivalents is analysed in the table below: the cash flows for 2017 are compared with the figures for the 2016 financial year. Annex IV to the Notes to the Consolidated Financial Statements contains a reconciliation between the items in this table and those in the statutory Statement of Cash Flows presented in the Explanatory notes pursuant to IAS 7.

	2017	2016
At 1 January	174,992	114,391
Cash flow from current operations	34,784	64,779
Uses of provisions for risks and charges and for employee termination indemnity	(8,705)	(10,175)
Change in NWOC	69,170	24,677
Industrial capex, net of disposals	(30,958)	(29,699)
Financial capex, net of disposals	(1,924)	4,452
Change in net financial liabilities	(139,358)	942
Other changes	(38,132)	5,625
AT 31 DECEMBER	59,870	174,992

The overall cash flows mainly reflect:

- › a positive cash flow from current operations for € 34.8 million (€ 64.8 million at 31 December 2016);
- › outflows from the use of provisions for future risks and charges and for employee termination indemnity for € 8.7 million (€ 10.2 million at 31 December 2016);
- › a cash flow of € 69.2 million (€ 24.7 million at 31 December 2016) from changes in NWOC resulting from a positive flow correlated to a change in trade receivables for € 24.1 million (€ 38.5 million in 2016) against a flow generated from the increase in the balance of trade payables for € 38.6 million (a flow absorbed by a decrease of € 56.9 million in this item in 2016);

- a cash flow of € 31.5 million used in investing activities (€ 30.5 million at 31 December 2016), net of disposals for € 0.5 million (€ 0.8 million at 31 December 2016), also against net financial investments for € 1.9 million (cash inflows for € 4.5 million at 31 December 2016, mainly linked to the collection of € 3.9 million out of a portion of the deferred price relating to the sale of MIA S.p.A., which took place in December 2014);
- a decrease in net financial liabilities for € 139.4 million, mainly linked to the abovementioned refinancing that led to a decrease in the financial liability relating to early repaid Senior Secured Notes 2013 (- € 306.1 million, including changes in accruals on six-monthly instalments paid during the year), albeit against the Proceeds Loan raised from CMF S.p.A. for a net balance of € 168.6 million at 31 December 2017. Furthermore, other changes were recorded in the liability relating to factoring with recourse (+ € 9.2 million), as was a lower use of short-term credit lines for hot money and advances on invoices (- € 5.9 million), albeit against an increase in financial lease payables (+ € 2.7 million). On the contrary, the 2016 financial year showed a non-significant increase in net financial liabilities (€ 0.9 million), mainly due to the increase in the year in the financial liability relating to assignments of receivables with recourse (€ 18.3 million) against a lower use of credit lines for advances on invoices and hot money (€ 22.2 million) and lower current financial receivables for € 2.8 million (specifically, following the collection of receivables claimed on corporate assignments during the previous year);
- other decreases occurred in the period (€ 38.1 million), which included, among others, the payment by the Parent Company MFM S.p.A. of a dividend to the shareholders of € 25.1 million in May 2017. On the other hand, other operating assets and liabilities absorbed all-in-all cash flows of € 13.1 million, mainly due to the net effect: (i) of the increase in the balance of payables to/receivables from employees and the relative payables to/receivables from social security institutions and the Tax Authorities for withholding taxes (+ € 10.0 million); (ii) of the trend in net credit balances for VAT of the Group companies (+ € 10.3 million), which, albeit against credit balances significantly generated at the end of 2017 for some changes in regulations and processes that concerned the deduction of VAT, were the object, during 2017, of some assignments without recourse of the balances on account of refund from the Tax Authorities, for a total amount of € 18.7 million; (iii) of the decrease (- € 6.2 million) relating to the removal of the payable for the so-called "*Oneri di Sistema*" charges, following the already mentioned regulatory changes that caused the elimination of the payment obligations for MFM S.p.A. of the charges relating to the previous years (for which no payment whatsoever was made) in addition to recording new "*Oneri di Sistema*" charges for 2017; (iv) the recognition in the item "Other operating current liabilities" of the payable of € 14.7 million related to the fine imposed by the Competition Authority during 2016, previously recognised under provisions for risks and charges, given the enforceability of the measure issued by the Authority on 23 December 2016, for which the right to pay in 30 monthly instalments was granted with a measure of the Competition Authority itself on 28 April 2017. The balance of the residual debt at 30 September 2017 was € 10.3 million, as a result of the payment of 9 monthly instalments. It is finally noted that other changes in 2016 generated a total inflow of € 5.6 million, mainly due to the net effect of a positive inflow from the assignment of tax receivables without recourse (€ 11.7 million) and of the changes that were reported in other operating assets and liabilities, which were mainly due to the seasonal trend in the management of receipts on behalf of ATI (which entailed a decrease in the net liability of € 4.6 million)



and to an outflow of financial resources for higher net VAT credit balances concerning the Group companies for € 4.5 million. Furthermore, the year saw the collection of a receivable which had been recognised in 2013 in exercising a right of recourse pursuant to Article 18, paragraph 1, of Presidential Decree 633/1972, after a tax inspection which alleged that MFM S.p.A. had not applied some concessionary VAT rate rules. The overall amount of the tax that was paid at the time was collected from the customer following an arbitration award, which was handed down in August 2016 and which ruled that MFM S.p.A. would be paid in full the amounts requested for VAT tax refund (€ 5.6 million), even if it had to pay the customer € 1.7 million on account of damages, which were recognised under Other operating costs at 31 December 2016.

Industrial and financial capex

In 2017 the Group made net capital expenditures which totalled € 31.5 million, compared to disinvestments of € 0.5 million:

(in thousands of Euro)	For the year ended 31 December	
	2017	2016
Acquisitions of properties under finance lease	4,489	0
Purchases of properties	70	7,674
Purchases of plant and equipment	20,488	16,003
Other capital expenditures in intangible assets	6,502	6,858
INDUSTRIAL CAPEX	31,549	30,535

On 3 March 2017 the subsidiary Servizi Ospedalieri S.p.A. signed a 12-year 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 € 4.5 million. Furthermore, in 2016 Servizi Ospedalieri S.p.A. completed the purchase, again from Manutencoop Immobiliare S.p.A., of the properties already used under leases in Ferrara (the registered and administrative office which is partly devoted to industrial laundering operations) and Teramo (industrial laundering plant and facilities for the sterilization of surgical instruments) for a total consideration of € 7.7 million.

Purchases of plant and equipment include the purchases of linen by Servizi Ospedalieri S.p.A. for the linen rental and industrial laundering activity, in which frequent periodic replacements are necessary (€ 12.8 million in 2017 against € 11.3 million in 2016). Investments in intangible assets for the year amounted to € 6.5 million (€ 6.9 million at 31 December 2016) and mainly related to ICT investments. Of these, an amount of € 1.5 million relates to investments in the technology platform of subsidiary Yougenio S.r.l..

Finally, disinvestments from property, plant and equipment were recorded for € 0.5 million (€ 0.8 million at 31 December 2016).

REPORT ON OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

Below is reported the breakdown of capital expenditures in terms of SBUs:

<i>(in thousands of Euro)</i>	For the year ended 31 December	
	2017	2016
Facility Management	9,915	8,823
<i>of which start-up companies</i>	1,504	748
Laundering & Sterilization	21,634	21,712
INDUSTRIAL CAPEX	31,549	30,535

Finally, the negative cash flow for financial investments of € 1.9 million was mainly related to the payment of share capital carried out in investee companies not included in the scope of consolidation (€ 0.9 million), in addition to the establishment by H2H Facility Solutions S.p.A. of a joint venture with a paid-up capital of € 0.6 million. Furthermore, there was the collection of portions of the transfer price of discontinued operations in previous years (€ 1.1 million, of which € 1.0 million relating to the sale of the business of SMAIL S.p.A.) against the increase in the balance of pledged accounts used within the service agreement related to the collection of the receivables assigned without recourse to Banca Farmafactoring (€ 1.0 million).

Finally, the cash flow for financial investments in 2016 was positive for € 4.5 million, mainly arising from the collection in April 2016 of the first tranche of sums previously escrowed in connection with the sale of MIA S.p.A., which took place in December 2014, following the fulfilment of some contract conditions governing the sale. Furthermore, in December 2016 the second and last tranche was collected (for additional € 5 million), which had been previously recognised under long-term financial assets. At 31 December 2016 the right also accrued for MFM S.p.A. to obtain an earn-out equal to € 1.2 million on the abovementioned transfer of the business of SMAIL S.p.A., which took place in November 2015, entered under short-term financial assets and already collected for € 0.3 million. Furthermore, there was the recognition of payments of loans to associates (including the Turkish joint venture EOS and the newly-acquired company Bologna Global Strade Soc. Cons. a r.l.) for a total amount of € 1.0 million, against the disinvestment of loans previously disbursed to AMG S.r.l. and Malaspina Energy Soc. Cons. a r.l. for € 0.6 million.

Change in Net financial liabilities

The table below shows the changes that were recorded in the financial year in the items making up consolidated financial liabilities:

<i>(in thousands of Euro)</i>	31 December 2016	New loans	Refunds and payments	Early redemption	Other changes	31 December 2017
Bank loans	10,000	5,000		(10,000)		5,000
Current bank overdraft, advance payments and hot money	11,857	6,000	(11,857)			6,000



(in thousands of Euro)	31 December 2016	New loans	Refunds and payments	Early redemption	Other changes	31 December 2017
Accrued and deferred expenses on loans	10,634		(25,500)		14,072	(794)
Senior Secured Notes	294,648			(300,000)	5,352	0
BANK DEBTS	327,139	11,000	(37,357)	(310,000)	19,424	10,206
Finance lease obligations	914	4,467	(1,759)			3,622
Obligations from assignments with recourse	20,805	47,120	(37,926)			29,999
Proceeds Loan from CMF S.p.A.	0	190,300		(14,310)	(7,428)	168,562
Due to factoring agencies for assignments without recourse	2,744	4,902	(2,744)			4,902
Other financial liabilities	6,719		(5,438)		(125)	1,156
FINANCIAL LIABILITIES	358,321	257,789	(85,224)	(324,310)	11,871	218,446
Current financial assets	(2,387)				517	(1,870)
NET FINANCIAL LIABILITIES	355,934	257,789	(85,224)	(324,310)	12,388	216,576

The year 2017 saw the payment of the six-monthly coupons on the Senior Secured Notes issued during 2013 (initially due 2020 and a six-monthly coupon of 8.5%) totalling € 25.5 million, with settlement dates on 2 February and 2 August.

This loan was accounted for in accordance with IAS 39 for a nominal value of € 300 million, net of an adjustment for accounting for the discount and additional issue costs equal to € 5.4 million at 31 December 2016.

A portion of the Notes issued in 2013 and subsequently repurchased on the market (totalling € 125 million) was held in the portfolio and on securities accounts. A portion of the securities (in a nominal amount of € 14 million) was pledged against the 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 14 November 2017 MFM S.p.A. signed a new credit facility agreement for a total amount of € 10 million. The loan includes a first tranche amounting to € 5 million, which was disbursed at the same time as the execution and with bullet maturity in April 2023. The second tranche, for an additional amount of € 5 million, was disbursed on 13 February 2018 (therefore, it was not reported in the Financial Statements at 31 December 2016).

Following the above mentioned refinancing process carried out during the last quarter of 2017, the Notes were early repaid on 13 October 2017 (with settlement on 13 November 2017), with the simultaneous full reversal of the adjustment for amortised cost as a financial cost for the year. The Parent Company MFM S.p.A. completed this redemption through the use of a portion of its Cash and cash equivalents and simultaneously obtained an intercompany loan (Proceeds Loan) in a nominal amount of € 190.3 million from its direct controlling company CMF S.p.A., which launched a new Senior Secured Notes bond issue in 2017, 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 € 9.1 million, 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 method, which gave rise to amortisation costs of € 1.0 million during the last quarter of 2017, an amount of € 0.7 million 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 Proceeds Loan bears interest at 9.0%, which amounted to € 3.6 million at 31 December 2017.

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, 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 € 1.0 million) 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 € 0.1 million on the 2017 financial year; the remaining costs gave rise to a prepaid expense of € 0.9 million on the reporting date of the Consolidated Financial Statements.

At the reporting date, short-term uncommitted credit lines had been used for hot money and advances on invoices (aimed at meeting peaks in temporary cash requirements linked to the natural performance of operations) for € 6.0 million, given the balance of € 11.9 million at 31 December 2016. Furthermore, MFM S.p.A. has an agreement for the assignment of trade receivables with recourse in place with Unicredit Factoring S.p.A., concerning receivables from customers in the Public sector. In 2017, assignments were made in an overall nominal amount of € 47.1 million, while the use was equal to € 30.0 million at 31 December 2017.

During the period, MFM S.p.A. and Servizi Ospedalieri S.p.A. made assignments of trade receivables without recourse of € 91.8 million with Banca Farmafactoring S.p.A., while the amount of receivables assigned but not yet collected by the factor at 31 December 2017 amounted to € 19.3 million. Furthermore, the Group collected amounts of € 4.9 million at 31 December 2017, concerning receivables included in said assignments without recourse, for which the respective debtors have not made any payment to the bank accounts specified by the factor. These amounts constitute a financial liability for the Group, which gave rise to the payment of said amounts at the beginning of the following quarter.

Finally, the Group recorded among "Other financial liabilities" at 31 December 2016 the estimated liability in view of the put option held by the non-controlling shareholders of Sicura S.p.A. on the remaining 15% of the shares held by them, on the basis of the investment agreement signed upon acquisition in 2008 (€ 5.4 million). On 30 June 2017, the call option was exercised by MFM S.p.A., for the above-mentioned value already recorded, which was followed by the payment on 10 August 2017.

Finally, the balance of short-term financial assets was € 0.5 million lower, mainly as a result of the change in the balance of pledged current bank accounts dedicated to the management of the collection service within the scope of the above-mentioned agreement for the assignment of trade receivables without recourse signed with Banca Farmafactoring (+ € 1.0 million) and of the collection of receivables relating to corporate assignments during previous years, specifically linked to the business of SMAIL S.p.A. that was transferred during 2015 (- € 1.0 million). Furthermore, some loans to unconsolidated companies were repaid (- € 0.5 million).



3.3 Financial ratios

The main financial balance sheet ratios as at 31 December 2017, calculated at consolidated level, compared with the ratios recorded for the consolidated Financial Statements as at 31 December 2016.

The financial data used for their calculation are normalised, i.e. net of the AGCM provision of 2015 and the reversal of the same provision during 2016, which are thought to distort an assessment of the Group's results, while including all the other non-recurring income and costs.

Profitability ratios

	2017	2016	2015
ROE	0.2%	6.0%	0.9%
ROI	5.5%	4.8%	4.7%
ROS	6.3%	6.1%	6.0%

ROE (*Return on Equity*) provides a summary measurement of the return on capital invested by shareholders. The ratio reflects a lower consolidated Net Profit in 2017 compared to the previous year, which is all the more to be appreciated when compared with the impact of other non-recurring charges described in paragraph 4. There also was an increase in the Equity reserves (+ € 8.3 million) for the allocation of net Result from the previous year to reserves and against the distribution of a considerable dividend by the Parent Company (€ 25.1 million) during the year.

ROI (*Return on Investments*) provides a summary measurement of the operating return on capital invested in the company. The improvement reflects a decrease in the Group's gross Invested Capital (- € 132.1 million) against an increase in EBIT for the year used for the calculation of the ratio (€ 58.2 million against € 57.0 million in 2017 and in 2016 respectively, again by normalising the effects of the release of the provision set aside for AGCM).

ROS (*Return on sales*), provides a summary measurement of the Group's ability to convert turnover to EBIT, and stood at 6.3% in 2017 compared to 6.1% in 2016 against, as already illustrated, stable normalised operating result for the Group (+ 2.1%) more than proportional compared to the decline in Revenues from sales and services (-1.2%).

Liquidity ratios

	2017	2016	2015
Current ratio	100.0%	134.2%	129.8%

The general liquidity ratio (*current ratio*) represents the ratio of current assets to current liabilities and expresses the company's ability to cover current outflow (i.e. current liabilities) with current income (i.e. current assets). The performance reflects a decrease in current assets (in particular for a decrease in trade receivables and an improved efficiency of the balance of Cash and cash equivalents) against a less than proportional increase in the balance of future current expenses (and specifically of the stock of trade payables).

Ratios of composition of Assets and Liabilities

	2017	2016	2015
Rigidity ratio	49.3%	44.4%	43.1%
Liquidity ratio (elasticity)	50.3%	55.6%	56.9%
Indebtedness ratio	0.69	0.69	0.69
Medium/Long-term Indebtedness ratio	21.6%	31.6%	32.6%

The *rigidity ratio*, which expresses long-term loans as a percentage of total loans, increased in 2017, as a result of a reduction in invested capital compared to the previous financial year, which was less than proportional compared to fixed assets, as it was correlated above all to the reduction trends in current assets, and in particular in Trade Receivables, as well as to a more efficient use of Cash and cash equivalents.

Likewise, the *liquidity ratio*, which measures the company's elasticity in terms of the ratio of cash and cash equivalents and trade and other receivables (current assets net of inventories) to total loans, stood at 50.3% in 2017, compared to a ratio of 55.6% in the previous year.

The *indebtedness ratio*, which is the ratio of net debt to the sum of net debt and own equity, as defined in the explanatory Notes to the Consolidated Financial Statements, to which reference should be made, stood at 0.69, unchanged compared to the previous year, against a proportional reduction in the net Debt (which saw the replacement of the Senior Secured Notes for a nominal amount of € 300 million by a Proceeds Loan of € 176.0 million, against lower uses of net Cash and cash equivalents for € 118.5 million) compared to that in Net worth (with saw the results for the previous year carried forward, against the abovementioned distribution of dividends by the Parent Company for € 25.1 million).

The medium/long-term indebtedness ratio, expressed as the ratio of consolidated liabilities and total sources of funding, decreased from 31.6% in 2016 to 21.6% in 2017, reflecting a reduction in medium/long-term loans in the course of the financial year, mainly due to the early redemption of the Senior Secured Notes, only partially replaced by the Proceeds Loan from CMF S.p.A., against a reduction in funding sources as a result of a reduced financial debt (- € 139.9 million) and the simultaneous decrease in Net worth (- € 24.6 million, against an amount of € 25.1 million distributed as dividends for the year).



Productivity ratios

The growing diversification of services provided by the Group companies entails a mix of work carried out by employees ("internal" workers) and work carried out by third parties ("external" workers). It can also vary significantly depending on the organisation/economic choices made in order to maximise overall productivity.

	2017	2016	2015
Turnover/internal and external personnel costs	141%	144%	146%
Make ratio	58.2%	58.1%	57.8%

At 31 December 2017 the ratio between *Revenues from sales and services* and the total amount of costs for internal and external personnel used in production (cost of employed workers, cost of external workers, services provided by consortia and professional services) came to 141% (144% at 31 December 2016). In 2017 the ratio was affected by a reduction in turnover against a different mix of composition of operating cost (and in particular in the weight of costs for "internal" personnel", which vary in a way that is not entirely proportional compared to changes in turnover).

The "make ratio", i.e. the ratio between the cost of internal labour ("make") and the cost of services provided by third parties, services provided by consortia and professional services, shows an almost constant trend in comparative years. This represents a greater recourse to internal production factors than to purchasing services from external sources, just due to a changed mix of contracts in the backlog.

4. ANALYSIS OF THE PERFORMANCE OF OPERATIONS AND OF THE FINANCIAL POSITION OF THE PARENT COMPANY MANUTENCOOP FACILITY MANAGEMENT S.P.A.

The observations made regarding the trend in consolidated results and business development of the Group are confirmed if we analyse them at the level of the Parent Company MFM S.p.A..

Indeed, the Group is structured around its Parent Company, in which the main facility management activities were centralised and developed in the past, which are now coupled with more specialist and industry-based activities carried out by investee companies.

Furthermore, income and costs relating to non-recurring events and operations described in Paragraph 1 of the Report on Operations were mainly recognised in the Parent Company's Statement of Profit/Loss for 2017 as stated below:

REPORT ON OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

<i>(in thousands of Euro)</i>	For the year ended at 31 December	
	2017	2016
Legal advice on pending administrative disputes	428	676
Structural reorganisation consulting fees	3,418	2,111
“Oneri di sistema relating to previous years	(6,152)	
Costs of refinancing of the Manutencooper Group	4,332	
Non-recurring bonuses for refinancing	3,015	
Advice on agreements for assignments of trade receivables without recourse		620
Compensation for damage for arbitration award		1,915
Non recurring operating costs (income) impacting on EBITDA	5,041	5,323
Provisions for corporate reorganization		1,400
Provisions (reversals) for risks from compensation on contractual liability to associates	(1,901)	2,323
Provisions (Reversalsi) for risks from administrative disputes		(16,310)
Non-recurring Expenses (income) impacting on EBIT	(1,901)	(6,650)
Financial fees on refinancing of the Manutencooper Group	740	
Reversal of amortised cost of Senior Secured Notes 2013	4,368	
Costs for early redemption of Senior Secured Notes 2013	6,480	
Non-recurring financial Expenses (income)	11,588	0
TOTAL NON-RECURRING EXPENSES (INCOME)	14,728	(6,650)

4.1 Economic results in 2017

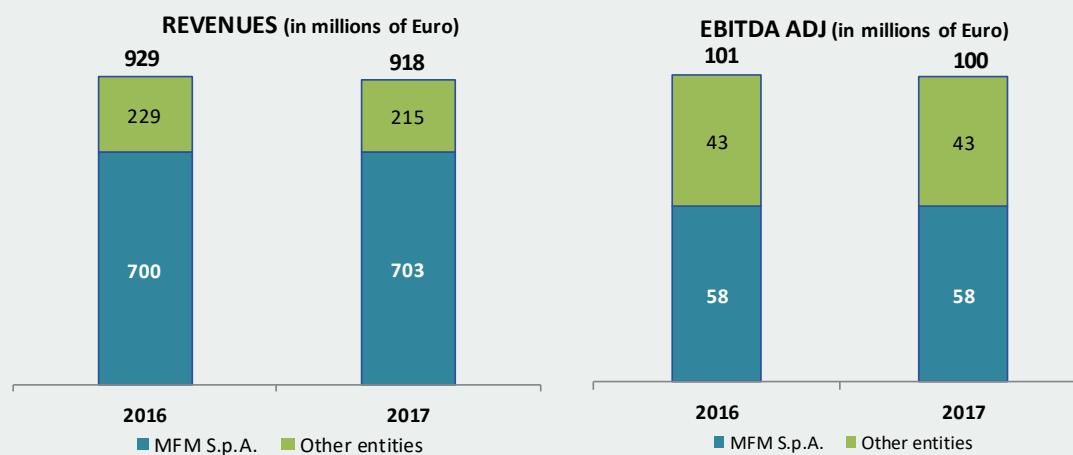
The main income data of the Parent Company MFM S.p.A. for the year ended 31 December 2017, as well as a comparison with the figures from the previous year:

<i>(in thousands of Euro)</i>	For the year ended 31 December		Change	%
	2017	2016		
Total revenues	702,857	699,766	3,091	+0.4%
Total costs of production	(650,117)	(646,917)	(3,201)	+0.5%
EBITDA	52,739	52,850	(110)	-0.2%
EBITDA %	7.5%	7.6%	-0.1%	
Amortization, depreciation, write-downs and write-backs of assets	(18,575)	(13,742)	(4,833)	
Accruals and reversal of provisions for risks and charges	877	10,504	(9,627)	
OPERATING INCOME (EBIT)	35,041	49,612	(14,571)	-29.4%
EBIT %	5.0%	7.1%	-2.1%	
Income (charges) from investments	20,093	8,283	11,810	
Net financial charges	(34,152)	(24,394)	(9,758)	
Profit before taxes	20,981	33,500	(12,519)	
Profit before taxes %	3.0%	4.8%	-1.8%	
Income taxes	(12,573)	(8,141)	(4,432)	
Profit from continuing operations	8,408	25,359	(16,951)	
Profit (loss) from discontinued operations	0	1,052	(1,052)	
NET PROFIT	8,408	26,412	(18,003)	
NET PROFIT %	1.2%	3.8%	-2.6%	



In 2017 revenues for MFM S.p.A. stood at € 702.9 million, showing an increase of € 3.1 million compared to € 699.8 million in the previous year. Signs of recovery came from sales volumes, in opposite trend to the figure for the last years, thus stopping the downward trend of the last years. Revenues were still prevailing, which came from Healthcare activities and PSEs.

The Parent Company MFM S.p.A. guarantees the Group a sizeable portion of the consolidated results (more than 75% of consolidated Revenues), internally developing operational structures for the traditional business of facility management, as well as administrative and technical structures for most of other Group companies as well as the Parent Company itself.



The Company's EBITDA for the year ended 31 December 2017 came to € 52.7 million against € 52.9 million for the year ended 31 December 2016. Furthermore, note that EBITDA for 2017 was affected by non-recurring costs (net of any income) of € 5.0 million, while non-recurring costs amounted to € 5.1 million in the previous year. Adjusted EBITDA, which excludes these non-recurring elements, was then equal to € 57.8 million for the year ended 31 December 2017, against Adjusted EBITDA of € 57.9 million at 31 December 2016, showing substantially stable profit margins, albeit against the significant impact of costs arising from the abovementioned refinancing transaction that involved the Group and that were almost fully recognized by MFM S.p.A..

In 2017 the Parent Company contributed to consolidated EBITDA for about 58% of the same (unchanged compared to the value posted in the financial year ended 31 December 2016).

The remarks concerning the Group's income performance, in fact, are fully borne out in MFM S.p.A. since the pressure on volumes and prices in the Facility Management segment that have been described more generally and the consequent efficiency improvement actions in support of margins are most obviously concentrated in the Parent Company.

Specifically, there were higher *Costs of raw materials and consumables* for € 1.5 million, higher *Costs of services* for € 8.2 million against higher *Personnel costs* for € 0.6 million. Obviously, the different performance in the various cost items was also linked to a different mix of services rendered. The average number of employees that worked for MFM S.p.A. during 2017 was equal to 14,289, of which 429 were

provided by Manutencoop Società Cooperativa (14,703 in the previous year, of which 437 were provided by Manutencoop Società Cooperativa). As stated for costs for services and consumption of materials, the number of employees, and specifically of manual workers, is closely linked to the mix of services being performed.

Finally, at 31 December 2017, *Other operating costs* posted a positive value of € 0.6 million against costs of € 6.4 million at 31 December 2016. Until 31 December 2016 the Parent Company MFM S.p.A. had recognized operating costs of € 6.2 million, concerning some energy service contracts and relating to "*Oneri di Sistema*" charges. On the basis of the abovementioned amendments to the relevant regulations, amended regulations, the management of MFM S.p.A. believed that there was no need to recognise additional "*Oneri di Sistema*" charges in 2017, while implementing the elimination of the payment obligations for those related to the previous years and recognising the contingent asset for the payable that had been recorded at the end of the previous year.

Finally, at 31 December 2016, *Other operating costs* included non-recurring costs resulting from an arbitration award on a dispute with a customer from which MFM S.p.A., by exercising the legal right of recourse pursuant to Article 18, paragraph 1, of Italian Presidential Decree 633/1972, requested € 5.6 million by way of VAT, following a Report on findings issued by the Inland Revenue Agency in 2013 that had reported its incorrect invoicing. The award acknowledged MFM S.p.A. the entire amount required by way of VAT albeit against the payment to the customer of € 1.7 million by way of compensation for damages.

In 2017 consolidated **EBIT** came to € 35.0 million against EBIT of € 49.6 million in 2016.

In 2017 *Amortisation and depreciation* amounted to Euro € 8.8 million against € 8.0 million at 31 December 2016. This item includes amortisation of intangible assets of € 6.6 million (€ 5.8 million at 31 December 2016) and depreciation of property, plant and equipment of € 2.2 million (unchanged compared to 2016). Finally, *net write-downs of trade receivables* amounted to € 3.2 million (€ 3.4 million at 31 December 2016). Furthermore, during 2017 note *write-downs of equity investments* of € 6.6 million (€ 2.3 million at 31 December 2016) which were mainly connected to the subsidiaries operating for the business development in the international and B2C markets. On the other hand write-downs of assets were recorded for € 0.3 million (€ 0.2 million at 31 December 2016) concerning some credit positions claimed from suppliers.

In 2017 EBIT also recorded, in addition to the non-recurring elements already described for EBITDA, the (non-recurring) release of a provision for risks set aside for € 2.3 million at 31 December 2016 and related to a dispute involving an associate with which MFM S.p.A. has services agreements in being under which, in some respects, the servicer may have contractual liability. During 2017 this dispute was settled on favourable terms, with a significant reduction in terms of outlay for the associate concerned, which in turn entailed a net release of the provision for risks of MFM S.p.A., equal to € 1.9 million. The EBIT performance for 2016 was significantly affected by the partial reversal, equal to € 16.3 million, of the provision for risks set aside in the previous year by the parent company MFM S.p.A. against the issue by AGCM of its order for sanctions in relation to the "*Consip Scuole*" agreement, which was subsequently recalculated after the Lazio Regional Administrative Court's partial acceptance of the appeal filed by MFM S.p.A.. In 2016, provisions for corporate reorganisation charges were also set aside for € 1.4 million.



At 31 December 2017 **Adjusted EBIT** then came to € 33.1 million (equal to 4.7% in terms of profit margins relating to the Revenues for the year) against € 37.0 million at 31 December 2016 (equal to 5.3% of related Revenues). The reduction was fully attributable to the abovementioned write-downs of investments in subsidiaries.

To EBIT must be added dividends and net income from equity investments amounting to € 20.1 million, compared to € 8.3 million in the previous year. This income reflects, among others, dividends from subsidiaries for € 18.5 million (€ 7.9 million at 31 December 2016), dividends from Roma Multiservizi S.p.A. for € 1.3 million, in addition to € 0.3 million from associates and minority interests (€ 0.3 million at 31 December 2016):

<i>(in thousands of Euro)</i>	Year ended 31 December	
	2017	2016
Servizi Ospedalieri S.p.A.	9,320	5,600
Telepost S.p.A.	1,853	1,685
H2H Facility Solutions S.p.A.	814	659
Sicura S.p.A.	6,500	6,500
Roma Multiservizi S.p.A.	1,291	1,291
Other minors	315	324
DIVIDENDS	20,093	8,268

Financial income increased by € 3.0 million compared to the previous year, mainly against higher interest income from customers (+ € 2.7 million) in relation to the in-court settlement, on favourable terms, of some disputes arisen with specific customers in previous years.

The impact of *financial charges* on the results of operations of the Company was equal to € 42.9 million, with an increase equal to € 12.8 million compared to € 30.1 million in 2016.

All non-recurring items that concerned the abovementioned Refinancing transaction of the Manutencoop Group are attributable to MFM S.p.A..

MFM S.p.A. sustained costs of € 6.5 million relating to the early redemption of the Senior Secured Notes issued in 2013 (initially due 2020 and with a six-monthly coupon of 8.5%) , based on the redemption price set in the rules of the cancelled Notes (€ 6.4 million) and the negative interest accrued with respect to the repayment of the capital quota to bondholders (€ 0.1 million). The redemption of the Notes also entailed the reversal of residual additional charges relating to the issue, accounted for at amortised cost, through profit or loss, for € 4.4 million, to which must be added the accrued implicit costs already accounted for before the redemption for € 1.0 million (€ 1.2 million for 2016). Following the early redemption of the Notes, the subordinated loans granted to H2H Facility Solutions S.p.A. and Servizi Ospedalieri S.p.A. were renewed on different terms (and specifically H2H Facility Solutions S.p.A. proceeded with the full redemption for € 16.6 million), with the simultaneous reversal, through profit or loss, concerning the

remaining additional raising costs to be amortised, which had been stated at the time (with a financial income totalling € 0.9 million).

Finally, the cancelled Notes accrued financial costs on coupons for € 22.0 million (€ 25.5 million for the entire 2016 financial year) until the date of redemption.

At the same time, MFM S.p.A. obtained an intercompany loan (Proceeds Loan) in a nominal amount of € 190.3 million from the direct controlling company CMF S.p.A., which launched a new Senior Secured Notes bond issue in a nominal amount of € 360 million in 2017.

After having obtained this loan, additional issue costs were sustained for an initial total amount of € 9.1 million, which were 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 were also accounted for according to the amortised cost method, which gave rise to amortisation costs of € 1.0 million during the last quarter of 2017, an amount of € 0.7 million 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 Proceeds Loan bears interest equal to 9.0% p.a., with an impact of € 3.6 million at 31 December 2017.

At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, 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 € 1.0 million) 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 € 0.1 million on the 2017 financial year.

Finally, in 2017 interest discount costs were recognized in relation to the assignments of receivables without recourse carried out with Banca Farmafactoring for € 1.2 million against trade receivables and VAT tax credits requested for refund. These costs amounted to € 0.9 million at 31 December 2016, when charges of € 0.5 million were recorded, among others, relating to an assignment of tax receivables without recourse, associated with the application of Decree Law 201 of 6 December 2010, as amended and converted by Law 214 of 22 December 2011, which had allowed the Company (and the companies merged into the same starting from 2010) to submit a request for IRES tax refund in 2012, due to the non-deduction of IRAP tax for an overall amount of € 9.9 million, of which € 8.1 million under the tax consolidation regime in place with parent company Manutencoop Società Cooperativa.

From the profit before taxes must be deducted taxes of € 12.6 million (€ 8.1 million at 31 December 2016), thus obtaining a positive *Net result from continuing operations* of € 8.4 million (€ 23.4 million at 31 December 2016). Furthermore in 2016 a positive Profit from discontinued operations was recognized for € 1.1 million, including the related tax effect (€ 0.3 million). It related to the additional price (Earn-out) that MFM S.p.A. (the company merging SMAIL S.p.A. with effect from 1 January 2016) obtained from the disposal of the business unit that the merged company carried out in November 2015, as required from the assignment agreement. Furthermore, an income of € 0.2 million had been recognised in relation to the release of escrowed sums, in the performance of the contract conditions governing the disposal of MIA S.p.A., which was completed in December 2014.

Below is the breakdown of the tax rate for the year:



(in thousands of Euro)

	For the year ended 31 December	
	2017	2016
Profit before taxes	20,981	33,500
Provision for risks from the enforcement of Consip guarantee		17,500
AGCM provision (Reversal)		(33,810)
Profit before taxes, excluding AGCM provision	20,981	17,190
Current, prepaid and deferred IRES tax, including income and expenses from Tax consolidation	(10,364)	(5,590)
Current and deferred IRAP tax	(2,924)	(2,547)
Adjustments to income taxes related to previous years	716	(4)
Income taxes	(12,573)	(8,141)
TAX RATE FROM CONTINUING OPERATIONS	59.9%	47.4%
Profit (loss) before taxes from discontinued operations	0	1,385
Taxes on profit (loss) from discontinued operations		(333)
CONSOLIDATED NET PROFIT (LOSS), EXCLUDING AGCM PROVISION	8,408	10,101
TOTAL TAX RATE	59.9%	45.6%

As already noted, the *Profit before taxes* for 2016 includes a considerable reversal relating to the dispute that arose following the imposition of the administrative fine by AGCM in 2015 in relation to the Consip tenders of 2012. The non-recurring provision set aside in the previous year (equal to € 48.5 million), which is not deductible for the purposes of calculating the tax burden, had been in fact partially released despite a new assessment of the overall risk against the alleged enforcement of the sureties on the part of Consip S.p.A., with a net effect of € 16.3 million. The tax rate for the year is then analysed by excluding these non-recurring effects, net of which the Profit before taxes at 31 December 2016 would be equal to € 17.1 million.

Therefore, compared to the Profit before taxes calculated in this manner, the 2017 financial year showed a decrease of € 1.7 million against an increase of € 4.4 million in the overall tax burden. The overall tax rate amounted to 59.9% at 31 December 2017 against 45.6% at 31 December 2016, due to the substantial lack of changes in some current tax components (especially IRAP tax), the impact of which increased despite a reduction in the Profit before taxes. Furthermore, lower deferred tax assets were recognized on non-deductible financial charges at 31 December 2017, in addition to the partial write-off of those already recognised in previous years.

Finally, the Company recorded a positive Net profit of € 8.4 million, against a net Result of € 26.4 million at 31 December 2016.

4.2 Statement of financial position

Information on the performance of the main equity and financial indicators of the Parent Company as at 31 December 2017 is shown below, compared with the figures for year ended 31 December 2016.

(in thousands of Euro)	31 December 2017	31 December 2016	Change
USES			
Trade receivables and advances to suppliers	335,977	356,863	(20,885)
Inventories	1,256	689	567
Trade payables and advances from customers	(290,844)	(238,764)	(52,080)
Net commercial working capital	46,389	118,788	(72,398)
Other elements of working capital	(61,452)	(62,411)	958
Net working capital	(15,063)	56,377	(71,440)
Property, plant and equipment	8,996	8,919	78
Intangible assets	314,849	316,978	(2,129)
Investments	154,310	148,356	5,954
Other non-current assets	60,981	79,802	(18,821)
Fixed assets	539,137	554,055	(14,918)
Non-current liabilities	(41,638)	(60,371)	18,733
NET INVESTED CAPITAL	482,436	550,061	(67,625)
SOURCES			
Shareholders' equity	307,927	324,613	(16,686)
Net financial indebtedness	174,510	225,449	(50,939)
TOTAL FINANCING SOURCES	482,436	550,061	(67,625)

Net working capital

Net working capital (**NWC**) posted a negative value of € 15.1 million at 31 December 2017, against a decrease in absolute value equal to € 71.4 million compared to the value posted at 31 December 2016 (€ 56.4 million).

Net commercial working capital (**NWOC**), composed of Trade receivables and advances to suppliers and inventories, net of trade payables and advances from customers, stood at € 46.4 million as at 31 December 2017, while it was equal to € 118.8 million at 31 December 2016. The decrease was mainly due to a reduction in the balance of Trade Receivables and advances to suppliers (- € 20.9 million), against an increase in the balance of Trade payables and advances from customers (+ € 52.1 million). At the reporting date, the Company had made assignments of trade receivables without recourse to Banca Farmafactoring for € 51.3 million, while the balance of receivables assigned and not yet collected by factors amounted to € 14.4 million at 31 December 2017 and € 9.2 million at 31 December 2016. The **Adjusted NWOC** came to € 60.8 million and € 128.0 million, respectively, during the two years under comparison, with an overall reduction of Euro 67.2 million.

The balance of the other elements in working capital at 31 December 2017 was a net liability of € 61.5 million, in line with the net liability of € 62.4 million at 31 December 2016:

(in thousands of Euro)	31 December 2017	31 December 2016	Change
Current tax receivables	3,804	1,681	2,123
Other current assets	19,796	16,957	2,838



REPORT ON OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of Euro)	31 December 2017	31 December 2016	Change
Provisions for risks and charges, current	(5,524)	(9,469)	3,945
Other current liabilities	(79,528)	(71,580)	(7,948)
OTHER ELEMENTS IN WORKING CAPITAL	(61,452)	(62,411)	958

The change in net liabilities is attributable to a combination of various factors, mainly including:

- › the recognition in the item “Other current operating liabilities” of the payable of € 14.7 million related to the fine imposed by the Competition Authority during 2016, previously recognised under provisions for risks and charges, owing to the enforceability of the measure issued by the Authority on 23 December 2016 notwithstanding the appeal with the Court of Cassation was pending, for which the right to pay in 30 monthly instalments was granted with a measure of the Competition Authority itself on 28 April 2017. The balance of the residual debt at 31 December 2017 was € 10.3 million, as a result of the payment of 9 monthly instalments;
- › the decrease, again in the item “Other current operating liabilities”, of the payable of € 6.2 million related to the so-called “*Oneri di Sistema*” charges, following the final conversion into Law, on 23 February 2017, of Decree Law 244 of 30 December 2016 (known as “*Milleproroghe*”), which, as said, allowed MFM S.p.A. not to record in 2017 additional “*Oneri di Sistema*” charges, also causing the elimination of the payment obligations for those related to the previous years for which no payment whatsoever was made;
- › the recognition of higher net receivables of € 2.1 million for estimated income tax for the 2016 financial year owing to the higher taxable base in the financial statements at 31 December 2016 on which advances had been paid during the financial year which were calculated according to previous years’ performance;
- › a reduction in the short-term portion of provisions for risks and charges of € 3.9 million;
- › the recognition of higher net VAT receivables for € 5.1 million (€ 1.1 million at 31 December 2016 against a receivable of € 6.1 million at 31 December 2017), mainly as a result of some amendments to VAT regulations enacted at the end of 2017, which led to some changes in the invoicing process.

Fixed assets

Fixed assets include the following main items:

(in thousands of Euro)	31 December 2017	31 December 2016	Change
Property, plant and equipment and Intangible assets	30,608	32,659	(2,051)
Goodwill	293,238	293,238	0
Equity investments in subsidiaries, associates and joint ventures	154,310	148,356	5,954
Other investments	4,177	3,451	726
Non-current financial assets	41,834	57,732	(15,898)

REPORT ON OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of Euro)	31 December 2017	31 December 2016	Change
Other non-current assets	2,541	2,023	518
Deferred tax assets	12,429	16,595	(4,166)
FIXED ASSETS	539,137	554,055	(14,918)

The most substantial changes concerned:

- › an increase in Equity investments in subsidiaries, associates and joint ventures for € 6.0 million, mainly against the acquisition of the remaining 15% of the share capital of Sicura S.p.A. (€ 5.5 million);
- › the repayment, on 16 October 2017, of a portion of the subordinated loans granted to subsidiaries in relation to the Senior Secured Notes issued in 2013. Following the early redemption of the Notes, the subordinated loans granted to H2H Facility Solutions S.p.A. and Servizi Ospedalieri S.p.A. were renewed on different terms and specifically H2H Facility Solutions S.p.A. proceeded with the total repayment (€ 16.6 million), while retaining the option to use this credit line in the future;
- › a decrease in the balance of Deferred tax assets, mainly as a result of the recognition of lower deferred tax assets against non-deductible charges compared to the previous year (and in particular on non-deductible financial costs).

Other non-current liabilities

“Other non-current liabilities” include liabilities relating to:

- › TFR (employee benefits), equal to € 8.2 million and € 9.9 million at 31 December 2017 and 31 December 2016, respectively;
- › long-term portion of provisions for future risks and charges (€ 22.7 million at 31 December 2017 against € 40.3 million at 31 December 2016), which included the provision for risks set aside as a result of the sanction imposed by AGCM on the Company, subsequently reclassified for € 14.7 million to *Other current liabilities*;
- › deferred tax liabilities of € 10.7 million (€ 10.2 million at 31 December 2016).

Net financial indebtedness

The Parent Company’s net financial indebtedness at 31 December 2017 and at 31 December 2016 is reported below:

	31 December 2017	31 December 2016	Change
Long-term financial liabilities	172,150	305,063	(132,913)
Bank borrowings and current portion of long-term debt	49,508	69,524	(20,016)
GROSS FINANCIAL INDEBTEDNESS	221,658	374,587	(152,929)
Cash and cash equivalents	(38,564)	(137,963)	99,399



	31 December 2017	31 December 2016	Change
Other current financial assets	(8,584)	(11,175)	2,590
NET FINANCIAL INDEBTEDNESS	174,510	225,449	(50,939)

The 2017 financial year saw a significant improvement in the Company's net financial debt, which decreased from € 225.4 million at 31 December 2016 to € 174.5 million at 31 December 2017. This positive figure was further appreciable given the financial outlay associated with the payment of the dividend to the shareholders in May 2017 (€ 25.1 million), which consisted in the use of extraordinary cash.

As already described in previous paragraphs, MFM S.p.A. and subsidiary Servizi Ospedalieri S.p.A. entered into a 3-year maturity factoring agreement with Banca Farmafactoring S.p.A. in 2016, concerning the assignment of receivables from entities in the National Health System. During 2017 MFM S.p.A. carried out assignments of receivables without recourse, for which the related derecognition was made according to IAS 39 for € 51.3 million (€ 28.5 million in 2016). To these must be added an amount of € 8.7 million relating to stand-alone assignments carried out with Banca Farmafactoring S.p.A., outside the scope of the described three-year contract, concerning receivables from Public Administrations. The consolidated net adjusted financial debt for the amount of receivables assigned without recourse to factoring companies that had not been collected at the reporting date (totaling € 14.4 million at 31 December 2017 against € 9.2 million at 31 December 2016) amounted to € 188.9 million (€ 234.6 at 31 December 2016).

Finally, during the last quarter of the year, the refinancing transaction carried out through the new Group corporate vehicle, CMF S.p.A., had significant effects on the financial structure of MFM S.p.A., which led to a more efficient use of Cash and cash equivalents (which decreased from € 138.0 million at 31 December 2016 to € 38.6 million at 31 December 2017). This liquidity was partly used for the redemption of the Senior Secured Notes issued in 2013 (equal to a nominal amount of € 300 million) against raising a Proceeds Loan with CMF S.p.A. (equal to a nominal amount of € 176.0 million at 31 December 2017) linked to the new Senior Secured bond issue launched by the latter. After having obtained the abovementioned Proceeds Loan, the Parent Company also sustained additional costs for the issue in an initial total amount of € 9.1 million, charged back by CMF S.p.A. in proportion to the proceeds of the new bond issue reserved for it (equal to 52.86% of total issue). These additional costs were also accounted for according to the amortised cost method, which gave rise to amortisation costs of € 1.0 million during the last quarter of 2017. At the same time as the bond issue, CMF S.p.A. also entered, as the Parent Company, 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 € 1.0 million) back to MFM S.p.A., which will be also amortised on a straight-line basis throughout the entire term of the credit facility.

The year 2017 saw the payment of the six-monthly coupons on the Senior Secured Notes issued during 2013 totalling € 25.5 million, with settlement dates on 2 February and 2 August. Following the abovementioned refinancing process carried out during the last quarter of 2017, the Notes were early repaid on 13 October 2017 (with settlement on 13 November 2017), with the simultaneous full reversal of the adjustment for amortised cost as a financial cost for the year (€ 5.4 million).

In addition, at 31 December 2016, there was in place a committed credit line of € 10 million, obtained from CCFs, originally due in 2018 but paid in full on 3 July 2017. On 14 November 2017 MFM S.p.A. signed a new credit facility agreement for a total amount of € 10 million, which was disbursed in a first tranche of € 5 million on 31 December 2017 (the second tranche, amounting to further € 5 million, was disbursed on 13 February 2018). The loan has a bullet maturity in April 2023 and is secured by a pledge over the shares of subsidiary H2H Facility Solutions S.p.A..

Furthermore, MFM S.p.A. has an agreement for the assignment of trade receivables with recourse in place with Unicredit Factoring S.p.A., concerning receivables from customers in the Public sector. In 2017, assignments were made in an overall nominal amount of € 47.1 million, while the use was equal to € 30.0 million at 31 December 2017.

Finally, current financial assets decreased by € 2.6 million, mainly as a result of a reduction in the credit balances of current financial accounts registered in the name of subsidiaries (- € 1.9 million).

Industrial Capex

In 2017 industrial capex incurred by the Company totalled € 5.5 million against disinvestments of € 0.1 million (€ 0.2 million at 31 December 2016):

<i>(in thousands of Euro)</i>	For the year ended 31 December	
	2017	2016
Acquisitions of plant and machinery	2,276	1,800
Other investments in intangible assets	3,232	5,667
INDUSTRIAL CAPEX	5,508	7,467

4.3 Reconciliation of shareholders' equity and profit (loss) for the year of the Parent Company with corresponding consolidated figures

<i>(in thousands of Euro)</i>	31 December 2017		31 December 2016	
	Profit (loss) for the year	Shareholders' Equity	Profit (loss) for the year	Shareholders' Equity
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY	8,408	307,927	26,412	324,613
- Elimination of consolidated equity investment values		(150,823)		(142,106)
- Accounting of Shareholders' Equity to replace the values eliminated		54,625		56,625
- Allocation to consolidation difference		69,161		63,724
- Allocation of tangible assets	(4)	64	(4)	68
- Dividends distributed to Group companies	(18,847)		(7,944)	
- Profit generated by consolidated companies	7,127		10,854	
- Associates and JVs valued at equity	(3,579)	3,587	1,905	7,376



(in thousands of Euro)

	31 December 2017	31 December 2016		
	Profit (loss) for the year	Shareholders' Equity	Profit (loss) for the year	Shareholders' Equity
- Tax effects on consolidation adjustments	132	(163)	71	(296)
- Reversal of statutory write-downs	6,963	6,990	2,461	2,461
- Other consolidation adjustments	82	(93)	(106)	(182)
Total consolidation adjustments	(7,766)	(9,526)	7,237	(1,476)
Shareholders' equity and profit (loss) for the year pertaining to the Parent Company	642	298,401	33,649	323,137
Shareholders' equity and profit (loss) for the year pertaining to Minority Interests	73	381	(116)	235
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS	715	298,782	33,533	323,372

5. INTERNAL CONTROL AND RISK FACTORS

The existence and operations of the internal control system at the level of the whole organisation and of the individual processes/activities must be satisfactorily supported and documented, both as regards drawing up the controls themselves and testing, conducted to ensure that they are operative and effective. MFM S.p.A. has adopted additional rules for the Control System in order to ensure that the system of internal control is effective at the level of the whole organisation and of the individual processes/activities, the efforts are combined of the large number of persons that run the system, in order to improve the efficiency and efficacy of governance in terms of mitigating and/or covering risk.

The additional rules govern the relations between the persons working in the Group that need to exercise control functions.

After the changes in law and in the self-regulation code, the persons who exercise these functions are:

- › the Internal Audit function, reporting to and functioning under the instructions of the Chairman of the Board of Directors
- › the “*Organismo di Vigilanza (ODV)*”, pursuant to Legislative Decree 231/2001.

In carrying out detailed control activities, under the additional rules to the system of Internal Control, a pre-arranged sample has to be tested to see whether control activities are actually being performed. For this purpose, the control activities are analysed and aggregated in accordance with the following parameter:

- › type of activity
- › Process owner
- › technological platform within which the findings of the tests conducted in compliance with the control objectives are managed.

Operating testing activities relating to the Financial Control Framework implemented by the Company were developed on the basis of shared scopes, which were assessed on the basis of the financial statements of the companies in the MFM Group. For each consolidated company, falling within the scope, a first cycle of audits was conducted described as a "pilot audit" since it concentrated on the in-the-field validation of the strategies for the selection of the sample and of detailing the various aspects of the checks on the operational phases of the controls and on the functioning of the main processes. After this the key controls to be checked are tested every quarter.

Owing to the integration of various control requirements, some were borrowed from the tests conducted in accordance with Legislative Decree 231/2001, such as:

- › Financial area
- › Area of sensitive activities pursuant to Legislative Decree 231/2001 concerning processes that are also relevant for the purposes of internal control.

Afterwards an area exclusively dedicated to internal control issues was developed. This area was divided into processes being audited:

- › Sales and distribution cycle
- › Purchasing cycle
- › General Accounting
- › Separate Financial Statements
- › Consolidated Financial Statements
- › Treasury.

In addition to the risks identified in the current Group's internal control framework, the main risks linked to the market in which the Group operates (market risks), to the unique activities performed by Group companies (operating risks) and financial risks, are shown below.

Risks related to competition

The market in which the Group operates is characterised by increasing competitiveness due to the business combination processes underway between operators already equipped with significant organisations in the market of reference and able to develop models for the provision of the service mainly geared towards minimising prices for the customer. Over recent years, this has led to an increasingly tight competitive context which will probably continue in the future too.

Financial risks

Concerning financial risks (liquidity, credit, interest rate, exchange rate and price risks) the Group deals with in its operations and how they are managed, the subject is discussed in detail under note 33 in the explanatory Notes to the Consolidated Financial Statements, to which reference should be made.



6. ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

In 2017 some changes were made to the legislation concerning the legal rules affecting the scope of application of Legislative Decree 231/2001.

In detail:

- › On 14 April 2017 Legislative Decree 38 of 15 March 2017 came into force. The measure implemented the Council Framework Decision 2003/568/JHA on combating corruption in the private sector and also concerns those persons who perform managerial duties at the entities. Furthermore, the scope of punishable conduct was also extended, providing for the punishment of giving and solicitation of payment of money or any other benefit, as well as of incitement to corruption, and sanctions were tightened on the entity if the briber is a person who has acted in the name and in the interests of the entity itself.
- › On 4 November 2017 Law 161 of 17 October 2017 ("Amendments to the code of anti-mafia laws and prevention measures, referred to in Legislative Decree 159 of 6 September 2011, as well as to the criminal code and to implementing, coordination and transitional provisions of the code of criminal procedure and other provisions. Delegation of powers to the Government for the protection of work in companies involved in seizures and confiscations") was published in the Official Gazette, which came into force from 19 November 2017. Article 30, paragraph 4, of the Law provides for pecuniary and disqualification penalties in relation to the commission of offences of assisting illegal entry and facilitating illegal immigration, referred to in Article 12 of Legislative Decree 286/1998 (Consolidation Act on Immigration). Specifically, under Article 25-*duodecies* of Legislative Decree 231/2001 (which only contemplated the offence of employment of illegally-staying third country nationals, pursuant to Article 22 of Legislative Decree 286/98, Consolidation Act on Immigration), the following paragraphs are added after paragraph 1:
 - 1-*bis*. In relation to the commission of offences referred to in Article 12, paragraphs 3, 3-*bis* and 3-*ter*, of the consolidation act under Legislative Decree 286 of 25 July 1998, as amended, the entity is punishable with a pecuniary penalty of between four hundred and one thousand quotas;
 - 1-*ter*. In relation to the commission of offences referred to in Article 12, paragraphs 5, of the consolidation act under Legislative Decree 286 of 25 July 1998, as amended, the entity is punishable with a pecuniary penalty of between one and two hundred quotas;
 - 1-*quater*. In the case of conviction for the offences referred to in paragraphs 1-*bis* and 1-*ter* of this article, the disqualification penalties shall apply, which are laid down in Article 9, paragraph 2, for a period of not less than one year, i.e. for the offences relating to the conduct of the persons who manage, organize, finance and carry out the transport of foreigners to Italy or facilitate their stay in order to make unfair profits from their illegal conditions.
- › On 27 November 2017 Law 167 of 20 November 2017 ("Provisions governing Italy's obligations to the European Union – European law 2017") was published in the Official Gazette, which came into force from 12 December 2017. The Law introduces new offences under Legislative Decree 231/2001. Specifically, under Chapter II ("Provisions governing justice and safety"), Article 5 ("Provisions governing the full implementation of the Council Framework Decision 2008/913/JHA on combating

certain forms and expressions of racism and xenophobia by means of criminal law - EU Pilot case 8184/15/JUST"), paragraph 2, provides for the insertion of Article 25-*terdecies* – (Racism and xenofobia) after Article 25-*duodecies*.

- › On 14 December 2017 Law 179 of 30 November 2017 ("Provisions for the protection of whistleblowers reporting offences or irregularities which they become aware of within a public or private employment relationship", Whistleblowing) was published in the Official Gazette, which came into force from 29 December 2017.

As a result of the changes made, MFM S.p.A. updated its own Organisational, Management and Control Model pursuant to Legislative Decree 231/2001. The update to the Model, considering both the case law assessments and in-depth examination of the new legislative framework, is based on amendments to procedures, the introduction of new activities and observations/suggestions resulting from the controls performed and on changes concerning the corporate organisation. On 13 February 2018 the "ODV" gave its favourable opinion on the draft Model, appointing the chairman of the Supervisory Board to submit it for the approval of the Board of Directors of MFM S.p.A., which took place on 23 February 2018.

The "ODV", which had been appointed on 13 October 2017, is composed of:

- › two external professionals, in the persons of Marco Strafurini and Mario Ortello;
- › an internal member, in the person of Pietro Testoni, who has also taken on the position of Chairman.

In 2017 the "ODV" formally met seven times (1 February, 20 February, 19 April, 9 June, 26 July, 18 October, 13 December). As regards audit activities, at the meeting held on 19 April 2017 the ODV approved the proposed audit plan for 2017, as envisaged in the Model. In the course of the financial year total of 4 audit cycles were performed, the outcomes of which are summarised in the associated "internal reports on the audit activities of the "ODV", which were sent firstly to the Chairman of the Board of Directors.

7. ANTITRUST CODE OF CONDUCT

On 23 February 2017 the Board of Directors of the Parent Company MFM S.p.A. resolved to adopt the "Antitrust Compliance Programme and Antitrust Code of Conduct", aimed at all of its management, staff and auxiliary members, in order to clarify the principles and rules applied to protect competition and provide guidance on the conduct to adopt in situations that might give rise to potential antitrust violations. The Board of Directors also appointed the Manager responsible for the implementation of the Programme ("Antitrust Compliance Officer").

The Antitrust Compliance Programme provides for training and information sessions reserved for employees and aimed at enhancing the knowledge, dissemination and effectiveness of the Code of Conduct. During 2017 2 classroom training sessions were organised (on 24 March 2017 and 13 November 2017), which were attended by executives and first-line managers of the Procurement, Sales and Marketing, Design and Continuous Improvement, Tenders and Contracting functions. Finally, the Antitrust Code of Conduct was updated in September 2017 and the document has been published on the institutional website of MFM S.p.A. (http://www.manutencoopfm.it/governance_controllo-interno-compliance_codice-antitrust.asp).



8. LEGAL PROCEEDINGS

Antitrust Authority's order for sanctions on the Consip Tender of 2012 and new proceedings on FM4 Tender

During 2017 administrative proceedings continued in relation to the fine levied by the Competition Authority ("AGCM") on 20 January 2016, due to the 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.

Parent Company MFM S.p.A., which has continued to reject the arguments on which the charge was based, has challenged, before the Council of State, the judgment handed down by the Lazio Regional Administrative Court (*Tribunale Amministrativo Regionale*, TAR) on 14 October 2016, which had only partially granted the appeal submitted by MFM S.p.A. and referred 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%). However, the Council of State made its decision on 28 February 2017, thus confirming the ruling handed down by the Lazio Regional Administrative Court. MFM S.p.A. also challenged the Council of State's judgment by filing an appeal before the Supreme Court on 21 May 2017.

Furthermore, 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. 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", given the obligation to make the payment. Finally, the Competition Authority intervened with the measure of 28 April 2017 with regard to the request for payment by instalments submitted by the Company, 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.

On 24 April 2017, Law Decree 50 was published on the Official Gazette: 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 *"for the acquisition of cleaning and other auxiliary services, as well as of interventions in order to keep school buildings and Public Administration training establishments clean and in working order"* have been terminated. In the subsequent Decree Law 91 of 20 June 2017, converted with amendments by Law of 3 August 2017, published in the Official Gazette on 12 August 2017, these services were further extended until 31 December 2017; finally, Article 1, paragraph 687, of Law 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.

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 abovementioned 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. ANAC also started proceedings for the application of disqualification measures, which have also been suspended.

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. Again 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 have not been included in the Group's backlog at 31 December 2017.

Finally, 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.), Manitaldea 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. The Company firmly rejects the arguments holding an alleged collusive agreement with the other companies involved in 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).



Detailed information on the pending administrative proceedings and the further evaluations made by the Directors as at the reporting date of the Consolidated Financial Statements at 31 December 2017 is contained in the explanatory notes (note 13), to which reference should be made.

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 employees of the Company, which was executed at the registered office of the same. These employees 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 employees 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 2017, the Judge for Preliminary Investigations of the Court of Naples, at the request of the Public Prosecutor, also 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 postponed due to a defect in the service of process to 3 May 2018.

ANAC's order relating to the tender for awarding cleaning services at A.O.R.N. Santobono Pausilipon

On 10 November 2017 ANAC, after the completion of proceedings initiated in November 2016 following a report made by A.O.R.N. Santobono Pausilipon in Naples, imposed a sanction on MFM S.p.A., raising objections concerning the failure to provide a declaration relating to the absence of criminal proceedings against one of the Company's proxy holder in the documentation submitted for the same tender being involved in the investigation conducted on the part of the Naples Public Prosecutor's Office in 2013, as described above. On the other hand, this proxy holder meet the legal requirements in full. The ANAC order provided for the Company to be excluded from all public tenders for a period of 6 months. The Company,

which considers that the order is unfounded and based on erroneous legal grounds, in addition to being disproportionate with respect to the alleged infringement, filed an appeal with the Lazio Regional Administrative Court, while asking the President of the competent division to order the immediate suspension of the ANAC measure before any discussion on the merits of the case ("request for precautionary measure from a single-member court"). On 15 November this request was granted and all the effects of the ANAC order were suspended until the issue of the subsequent ruling handed down by the Lazio Regional Administrative Court. On 21 December 2017 the Lazio Regional Administrative Court granted the appeal, as regards the merits, submitted by the Company and annulled the sanctioning order. Subsequently ANAC challenged the administrative court's ruling before the Council of State, while submitting a request for precautionary measures for the suspension of the effects of the trial judgment. At the hearing held to discuss this request on 8 March 2018 the Council of State rejected this request, ordering ANAC to pay expenses, waiting for the hearing on the merits to be set.

9. HUMAN RESOURCES AND ORGANISATION

As at the closing date of the 2017 financial year, the MFM Group employed 16,319 people (at 31 December 2016: 16,197 people), including personnel on lease from the Parent Company Manutencoop Società Cooperativa to Group companies, equal to 433 people (31 December 2016: 442 people).

Below is the Group's staff broken down by different employee categories:

	31 December 2017	31 December 2016
Executives	51	60
Office workers	1,210	1,255
Manual workers	15,058	14,882
EMPLOYEES	16,197	16,197

Prevention and protection

During 2017 the system of delegated powers concerning safety at work was updated consistently with the most recent organizational structure. More specifically, delegated powers concerning 1st-level safety were granted and formalised by the CEO to the Managers responsible for the competent Areas and Functions.

During 2016 the "Risk Assessment Document" was revised (rev. no. 6 of 14 December 2016), while during 2017 external advice was requested for the purposes of updating the document.

Specifically, the following activities had been completed on the reporting date:

- › Update of Work-related Stress Assessment
- › Update of Chemical Risk assessment (hygiene)
- › Update of Vibration Risk assessment
- › Update of Manual Load Handling-towing and pushing Risk scenarios

The following activities are still in progress:

- › Update of Chemical Risk assessment (integrated services)
- › Update of portage service assessment



- › Update of recurring maintenance movement assessment
- › Update of the Health Protocol.

Furthermore, updating work continued for the performance of activities in "Confined Spaces" and activities are in progress to update the corporate procedure. The purpose is to facilitate the recognition and analysis of confined places. During periodic annual meetings (Article 35 of Legislative Decree 81/2008) these issues were discussed and shared with Occupational Physicians and Workers' Safety Representatives. The new revision of the document is expected to be published by the middle of the year.

In continuing the work for the certification of the "safety management system OHSAS 18001", which was started by RINA in 2012, some sample orders were assessed by the certifying body in 2017. The findings of the audits carried out reported some instances of non-compliance with respect to which the Area Managers concerned and the various Corporate staff Functions (Prevention and Protection Service, Procurement Department, HR Department) have taken any related action. These instances are mainly formal and not material. However, the audit carried out by RINA has been concluded positively as a whole and has allowed the certification to be maintained.

Furthermore, the Company underwent a periodic audit on the part of the certifying body KHC for the approval of the Safety Management Systems limited to cleaning services in the healthcare sector.

In 2017 the Prevention and Protection Service conducted 56 audits, distributed throughout all the areas. These audits were carried out to verify compliance with the regulations governing occupational safety and, in the event of any non-conformities, generated an improvement plan, shared with Area Operations Managers. In any case it has been seen that Safety is managed satisfactorily overall.

Healthcare supervision, performed by 33 occupational physicians widely distributed throughout the country, concerned all personnel exposed to "regulated" risks, i.e. occupational risks that may adversely affect health. The coordinating doctor was also chosen from among these doctors. As per the 2017 schedule, healthcare supervision was carried out on the staff members employed based on their duties in compliance with the health protocol attached to the Company's Risk Assessment Document. About 6,000 medical examinations were conducted, including periodic, long-term work absence, pre-employment and on-demand checks. The most significant healthcare supervision case that requires to be investigated relates to the Operations function's need to manage operating staff in a more flexible manner. This entailed an in-depth analysis and consultation with occupational physicians in order to improve the procedure to assess the suitability of workers who operate in more than one working environment (for example, civil and healthcare sector). When cross-checking data coming from various attendance recording systems at work sites, it has been possible to identify the staff members who were exposed to risks such as to entail compulsory healthcare supervision as a result of moving from one site to another location. Therefore, these employees will be included in the schedule of periodic medical examinations during 2018. The increasing trend in average age compared to the set of rules and restrictions issued by occupational physicians bring out the need for an investigation into the impact of restrictions on activities concerning:

- › hygiene sector: manual load handling – overload of upper limbs:
- › integrated services sector: working at height; load handling; exposure to unfavourable microclimatic conditions.

The situation referred to above also entails the risk of occupational diseases, which might generally be reported by workers to INAIL (National Institute for Insurance against Accidents at Work) through their trade unions.

Furthermore, reporting building activities were started and completed during the year in support of the Operations function in order to stay informed of the trend in the Company's rate of accidents on a periodical basis.

The Group also has a company procedure to identify the specific details of each accident so as to obtain more accurate statistical reporting which, starting with a survey of the causes - the dynamics - relating to the material agents, makes it possible to more accurately define the areas of intervention and their priority in order to reduce accidents. The latter is assessed through the following rates (data updated at 28 February 2018, net of events not recognized by INAIL to date):

	2017	2016	2015	2014
Impact (no. of accidents x 1,000/average number. of workers)	70.63	62.60	66.02	70.54
Frequency (no. of accidents x 1,000,000/total worked hours)	59.56	52.64	55.33	58.83
Severity (days of accident +relapses x 1,000/ total worked hours)	1.48	1.61	1.51	1.59

There were no fatal accidents at work during 2017.

There are currently 32 Workers' Safety Representatives at MFM S.p.A. distributed throughout the areas of Operations In 2016 they were involved in a training/education plan on occupational safety.

26 Health and Safety at Work inspections were also conducted at MFM S.p.A. during the year by control bodies (Local Health Authorities (ASL) and Provincial Labour Head Offices) on various operating units throughout the country. Finally, no environmental risk inspections were conducted by control bodies during 2017.

During the year the Prevention and Protection Service's work was oriented to define a logistics and procedural planning programme aimed at meeting regulatory requirements based on the environment of each site. For this purpose, it has developed an analysis that considers the present distribution of temporary deposits throughout the territory compared to the distribution of relevant sites to meet intervention requirements. In order to resolve some management issues, we have submitted a proposal for ruling to Legacoop concerning the possibility of also applying Article 266, paragraph 4, of the Consolidation Act to cleaning activities, so as to have waste management centralised at temporary deposits, in the same way as happens for maintenance operations. To date we are not yet informed of whether Legacoop has taken any action for this purpose. In the meantime MFM S.p.A. has given priority, where possible, to solutions aimed at reducing and eliminating package through the use of soluble single-dose packs at smaller and more dispersed sites.



REPORT ON OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

In order to better regulate waste management, legal advice was requested which was aimed at supporting the updating of the MFM.PA.04.07 WASTE MANAGEMENT procedure. The activities are now in progress. The general procedure will include specific Operating Instructions on waste classification, temporary deposit, tracking (SISTRI system, loading and unloading records) and transport on own account.

MFM S.p.A. is enrolled in the Italian Register of Waste Management Companies under the following categories:

- › Category 1 (street cleaning) since 2013
- › Category 8 (intermediation) since 2011
- › Category 2bis (transport on own account) since 2017

In 2017 we took steps to register the Company's transport on own account under Category 2bis in the Emilia area for road maintenance operations. The registration involves only one vehicle but other areas are interested in adding other vehicles for some local areas that are difficult to manage.

Training

In the course of the 2017 financial year 527 training sessions were held, which involved 6,750 participants for a total of 50,819 training hours.

The table below shows the comprehensive results, divided into subjects and compared to the 2016 data:

Subject	2017			2016		
	Editions	Participants	Hours	Editions	Participants	Hours
Safety	354	4,454	30,628	405	4,073	29,671
Technical-professional	100	931	9,247	269	1,865	20,936
IT	8	41	236	14	72	1,144
Quality and Environment	39	605	465	24	164	423
Management	71	719	10,244	54	34	2,158
TOTAL	572	6,750	50,819	766	6,208	54,332

During 2017 we reclassified training areas, as per the strategic plan, separating Language Training from the Technical and Professional Area and including the Quality and Environment training area in the Safety area. Below is the summary of overall 2017 data reclassified based on the new organisation by Subject:

Subject	2017		
	Editions	Participants	Hours
IT	8	41	236
Management	71	719	10,244
Safety, Quality and Environment	393	5,059	31,093
Technical-professional	88	873	8,613

Subject	2017		
	Editions	Participants	Hours
English language	12	58	634
TOTAL	572	6,750	50,819

As regards Safety training, the Group continued to arrange special obligatory courses for each organisational duty, while, as regards the Technical and Professional Area, data were in line with those posted in the 2015 financial year (10,864 hours) but were significantly different compared to 2016, when the strategic plan had strengthened the Area based on training requirements. After internal reorganisation the Group continued to develop training sessions on learning about and enhancement of Accounting tools, reserved for employees who are responsible for customer relationships at a local level.

As regards the Operations Department training sessions were held for the staff members providing both hygiene services (such as operating methods and disinfection in public places) and integrated services (such as certification classes for firefighting equipment maintenance, boiler and refrigerating plant technicians).

Training sessions continued for employees enrolled with the Council of Engineers and Architects, which were necessary in order for them to retain their registration, concerning the issues of the new Thermal Account 2.0, the Code of Public Contracts and Energy Efficiency.

In 2017 the Group's work focused on professional development, starting a Talent Management project, which involved about one sixth of the company population, with the aim to outline paths to growth and enhancement of Management skills and Potential Talent. Furthermore, a number of courses were organised, which were reserved for operators at a local level in order to develop and improve customer relations and managerial courses aimed at developing Self-Awareness and Emotional Intelligence.

Finally, the Company went on with its project involving some employees attending the Executive MBA at the Alma Mater Studiorum Bologna Business School every year and training sessions were held on the issues of Negotiation and Conflict.

In 2017 great efforts were made to finance 87% of training costs by using the Formatemp and Foncoop Funds.

10. ENVIRONMENT AND QUALITY

During 2017 MFM S.p.A. maintained, following an audit carried out by RINA Services (the accreditation certification body), the following certifications:

- › UNI EN ISO 14001:2004 (Environmental Management System)
- › UNI EN ISO 9001:2008 (Quality Management System)
- › SA8000:2008 (Social Accountability System)
- › UNI CEI EN ISO 50001:2011 (Energy Management Systems)
- › BS OHSAS 18001:2007 (Occupational Health and Safety Management System)



- › UNI EN 14065:2004 (assessed according to the RABC guidelines issued by ASSOSISTEMA Rev. 1, as approved on 30 June 2010).

In 2017 MFM S.p.A. maintained the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree 43/2012 and ACCREDIA Technical Regulations RT-29 for installation, leakage control, servicing and repair services for fixed refrigeration and air-conditioning equipment and heat pumps containing certain fluorinated greenhouse gases, as well as the ANMDO IQC standard for the voluntary accreditation of suppliers of hospital cleaning and sanitation services.

As required by Article 30 of Legislative Decree 81/08, as amended, MFM S.p.A. also obtained a certificate for its Safety organisation and management plan for the “Planning and delivery of cleaning, hygiene, sanitisation, disinfection and disinfestation services in public and private civil, industrial, commercial, healthcare, logistics and transport sectors”, extending the scope to the “Delivery of auxiliary services in the public healthcare sector”.

Furthermore, the Company obtained the renewal of its certification according to standard UNI CEI 11352:2014 (delivery of energy services).

Within the MFM Group work continued to achieve certification or uphold requirements for the main following companies:

<i>e-Digital Services</i>	Work focused on maintaining the Quality Management System certification (UNI EN ISO 9001:2015) for “Planning and creation of process & technology outsourcing services for public and private clients. Delivery of call center services”. Furthermore the Company obtained the certification according to standard UNI EN 15838:2010 (Contact Centers) for “Design and delivery of customised contact center services”.
<i>Yougenio S.r.l.</i>	Work focused on the certification according to UNI EN ISO 9001:2015 standard (Quality Management System) for “Planning and delivery of facility management services (maintenance, cleaning, rearrangement of rooms and gardening)”. During the year the Company obtained the qualifying company certification pursuant to Regulation (EC) no. 842/2006, Presidential Decree 43/2012 and ACCREDIA Technical Regulation RT-29, for installation, leakage control, servicing and repair services for fixed refrigeration and air-conditioning equipment and heat pumps containing certain fluorinated greenhouse gases.
<i>Servizi Ospedalieri S.p.A.</i>	The certification was renewed according to standards UNI EN ISO 9001:2015 (Quality Management System), UNI EN ISO 13485:2004 (Quality Management Systems. Requirements for regulatory purposes”), UNI EN 14065:2016 (Laundry processed textiles. Bio-contamination control system), UNI EN ISO 20471:2013 (High-visibility clothing – testing methods and requirements), BS OHSAS 18001:2007 (Occupational Health and Safety Management System), UNI EN ISO 14001:2004 (Environmental Management System). Furthermore the Company maintained the EC certification in compliance with Directive 93/42/EEC for the production of sterile kits and obtained the EC certification in compliance with Directive 89/686/EEC for the production of some Personal Protective Equipment. Furthermore, the SA8000:2014 certification and finally the UNI CEI EN ISO 50001:2011 certification (Energy management systems – Requirements and guidelines for use ") were also obtained.

<p><i>Sicura S.p.A. and its subsidiaries</i></p>	<p>Renewal of the certification according to the UNI EN ISO 9001:2015 standard (Quality Management System), assessed in accordance with ACCREDIA Technical Regulation RT-05 for: Design, installation and maintenance of firefighting equipment, fire barriers and anti-intrusion systems, anti-shoplifting devices, CCTV circuits and access control systems; Sale of products and services for safety at work; Provision of environmental, safety and business organisation consulting and training services; Design, construction and marketing of accident prevention equipment and safety systems for industrial machinery; Provision of labour medicine and preventive medicine services. Sector IAF: 28,29A.</p>
<p><i>H2H Facility Solutions S.p.A.</i></p>	<p>Maintenance of the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree 43/2012 and Accredia Technical Regulations RT-29 for monitoring leakages and recovering fluorinated greenhouse gases, installing, servicing and repairing fixed fire-fighting plants and extinguishers containing fluorinated greenhouse gases. Sicura S.p.A. is also certified to deliver services for the design, installation, ordinary (preventive) maintenance and repair of burglar and robbery alarm systems in accordance with Standard CEI 79- 3:2012 – Technical specification CLC/TS 50131-7:2010 – Regulation IMQ - Performance level I – II – III Local area authorised for the release of IMQ certificates of the plants in Vicenza-Padua-Venice-Treviso.</p>
<p><i>Telepost S.p.A.</i></p>	<p>Maintenance according to the UNI EN ISO 9001:2008 standard (Quality Management System) and maintenance of the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree 43/2012 and Accredia Technical Regulations RT-29 for installation, leakage control, servicing and repair services for fixed refrigeration and air-conditioning equipment and heat pumps containing certain fluorinated greenhouse gases.</p>
<p><i>Telepost S.p.A.</i></p>	<p>Maintenance according to the UNI EN ISO 9001:2008 standard (Quality Management System). Maintenance according to the UNI EN ISO 14001:2004 standard (Environmental Management System).</p>

No final convictions against Group companies for environmental crimes were reported during 2017.

11. RELATED PARTIES TRANSACTIONS

Concerning disclosure requirements laid down in art. 2428 of the Italian Civil Code regarding transactions between Group companies and related parties, it should be noted that all transactions carried out, including those between the Parent Company and its subsidiaries, as well as between the subsidiaries themselves, fall within the scope of ordinary Group operations and are regulated at arm's length.

Equity and economic transactions as at 31 December 2017 are detailed thoroughly in the explanatory Notes to the Consolidated Financial Statements and the Separate Financial Statements of the Parent Company MFM S.p.A. for 2017, to which reference should be made.



12. CORPORATE GOVERNANCE

On 30 November 2016 the Extraordinary Shareholders' Meeting of MFM S.p.A. approved the new Articles of Association, whereby the ordinary management and control system was adopted pursuant to articles 2380 and ff. of the Italian Civil Code, which replaced the "dual" system pursuant to articles 2409-*octies* and ff. of the Italian Civil Code, previously adopted.

The "ordinary" model provides for a Board of Directors, which is responsible for management and the supervision of strategy, and a Board of Statutory Auditors with control functions. The Shareholders considered that the change from dual corporate governance (adopted in May 2018) to a "traditional" form of governance simplifies the administration and control system and is more consistent with the objectives which the Company intends to pursue and allows the Shareholders' Meeting to directly exercise the powers for the appointment of Directors and the approval of the Financial Statements. The Board of Directors and the Board of Statutory Auditors will remain in office for three financial years and, specifically, until the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2018.

13. RESEARCH AND DEVELOPMENT

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 € 506 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.

14. ADDITIONAL INFORMATION REQUIRED BY ART. 2428 OF THE CIVIL ITALIAN CODE

The company does not hold own shares, or shares or interests in parent companies, neither through trusts nor intermediaries.

In 2017 the company did not purchase or dispose of own shares, or shares or interests in parent companies, neither through trusts nor intermediaries.

15. INFORMATION REQUIRED BY ART. 2497 OF THE ITALIAN CIVIL CODE

Manutencoop Facility Management S.p.A. is subject to the management and coordination activities of Manutencoop Società Cooperativa.

For details on transactions with both the entity that exercises management and coordination activities and with other companies that are subject to these activities, please refer to Explanatory Notes to the consolidated financial statements and the Explanatory Notes to the separate financial statements of the Parent Company Manutencoop Facility Management S.p.A..

16. SECONDARY OFFICES

The MFM Group has no secondary offices.

17. TAX CONSOLIDATION AGREEMENT

The Manutencoop Group opted to apply the Group taxation system, pursuant to articles 117 et seq. of the T.U.I.R. ("Testo Unico Imposte sui Redditi", the Italian consolidated Law on Income Tax), which involves Manutencoop Società Cooperativa as consolidating company and the following consolidated companies:

- › Manutencoop Facility Management S.p.A. (MFM S.p.A.)
- › Servizi Ospedalieri S.p.A.
- › SI.MA.GEST 2 Soc. Cons. a r.l.
- › H2H Facility Solutions S.p.A.
- › Telepost S.p.A.
- › e-Digital Services S.r.l.
- › Manutencoop International S.r.l.
- › Yougenio S.r.l.
- › S.AN.GE. Soc. Cons. a r.l.
- › S.AN.CO. Soc. Cons. a r.l.
- › Sicura S.p.A.



- › Protec S.r.l.
- › Leonardo S.r.l.

Finally, the above-mentioned Companies participate in Tax Consolidation together with the following Manutencoop Società Cooperativa Subsidiaries but which are not part of the MFM Group:

- › CMF S.p.A. (sole shareholder of MFM S.p.A.)
- › Manutencoop Immobiliare S.p.A.
- › Segesta Servizi per l'ambiente S.r.l.
- › Nugareto S.r.l.
- › M.P.H. S.p.A.

18. 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., based in Ankara (Turkey) at a price equal to € 2 million. Following the acquisition, pursuant to IFRS 10, the Group acquired control over the Turkish company, whose share capital was already held by Servizi Ospedalieri S.p.A. at a percentage of 50%. Therefore, the Group's stake held in EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S. is now equal to 51%.

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%.

19. OUTLOOK

The second half of the 2017 financial year was marked by an opposite trend with respect to the trend of reduction in revenues that characterised the most recent years.

During the 2018 financial year further signs of recovery are expected in facility management volumes, supported by revenues arising from the signature of the Consip MIES2 agreement, which was in progress on the reporting date of the Financial Statements and which should show an impact on revenues as early as from the first half of 2018.

In 2018 profit margins are expected to remain substantially stable, mainly supported by further actions aimed at improving efficiency of variable costs and optimizing fixed costs, continuing the path that the Company successfully embarked on during the most recent years.

Furthermore, the Group is continuing its path to internationalisation through the penetration of foreign markets and the assessment of M&A opportunities, which should show their impact on consolidated revenues in 2018. During the first weeks of 2018 the acquisition of control over the Turkish investee EOS Hijyen Tesis Hizmetleri Saglik Insaat Servis Muhendislik A.S., a company that was established by Servizi Ospedalieri S.p.A. in joint venture with local partners in 2012, was the positive evolution of an interesting business development experience in the market of medical device sterilisation, which had already seen, in past years, the export of the Group's know-how and professional skills and expertise to a country where great development opportunities are offered in the healthcare sector. In Turkey preliminary agreements were also signed with local partners in the facility management sector for the development of new business opportunities. Furthermore, positive developments are also taking place in France, where the Group was recently awarded a 3-year contract for cleaning services on behalf of SNCF (the leading national operator for the management of railway transport services) in the Montrouge district (Paris), the provision of which should generate total revenues of about € 20 million over 5 years and is expected to be started by the first half of 2018.

From a financial point of view, the Group completed, during the second half of 2017, an important reorganisation plan aimed at the exit of minority shareholders which have held a stake in the share capital of MFM S.p.A. since 2008. The new corporate structure, based on which Manutencoop Società Cooperativa now holds 100% of the shares of MFM S.p.A. through the newly-established vehicle CMF S.p.A., has been supported by an important refinancing that has provided the financial resources required to complete the transaction.

The exit of minority shareholders also involved the replacement of the Group's management staff members, with the appointment of a new Board of Directors and a new Chief Executive Officer (in the person of Giuliano di Bernardo, formerly Chairman), in addition to the appointment of a General Manager (in the person of Andrea Gozzi, formerly COO), on the part of the sole shareholder.

In early 2018, the process was also started for the reverse merger by incorporation of CMF S.p.A. (the vehicle that launched the new Senior Secured Notes bond issue) into MFM S.p.A., with statutory, accounting and tax effects running from 1 July 2018. The planned merger complies with some provisions laid down in the Indenture that was signed with the subscribers at the time of the bond issue and allows,



among others, the placement of the medium/long-term debt raised by CMF S.p.A. for the acquisition of MFM S.p.A. at the same level of the operating company generating cash flows expected to serve the redemption, optimizing the consolidated financial structure.

The process for the corporate reorganisation of the Group controlled by Manutencooperativa will allow the internal resources to refocus their work on the business, with the key aim to resume, as soon as possible, the path to increasing revenues and profit margins and to deleverage.

20. ALLOCATION OF THE RESULT FOR THE YEAR

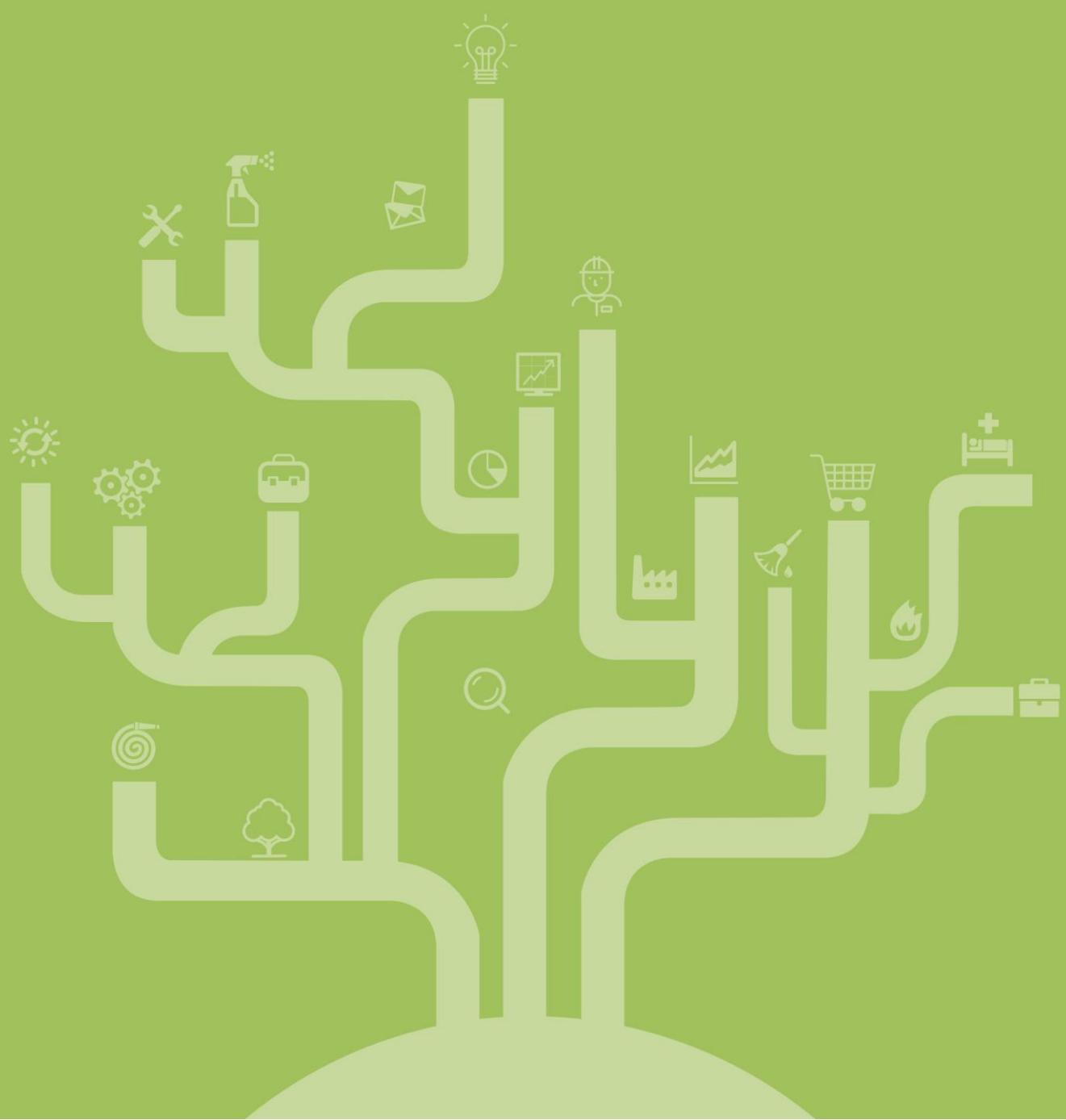
In concluding the report on 2017 the Directors invite you to approve the Financial Statements of Manutencooperativa Facility Management S.p.A. for the year ended 31 December 2017 and to allocate the profit for the year of € 8,408,370.60 as follows:

- › € 420,418.53 to Legal Reserve
- › € 7,987,952.07 to Extraordinary Reserve.

Zola Predosa, 19 March 2018

The Chairman of the Board of Directors and CEO

Giuliano Di Bernardo



Manutencoop Facility Management S.p.A.

Sole-Shareholder Company

Registered office: 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)”