MANUTENCOOP

2015

REPORT ON OPERATIONS

FOR THE YEAR ENDED
31 DECEMBER 2015

GENERAL INFORMATION

REGISTERED OFFICE

Via U. Poli, 4

Zola Predosa (Bo)

MANAGEMENT BOARD

Appointed by the Supervisory Board

of 30.04.2014

CHARMAN AND CEO

Claudio Levorato

VICE CHAIRMAN

Mauro Masi

MANAGEMENT BOARD

Benito Benati

Marco Bulgarelli

Marco Canale

Giuliano Di Bernardo

Massimiliano Marzo

Marco Monis

Stefano Caspani

Luca Stanzani

Pier Paolo Quaranta

SUPERVISORY BOARD

Appointed by the Shareholders' Meeting

of 30.04.2014

CHAIRMAN

Fabio Carpanelli

VICE CHAIRMAN

Antonio Rizzi

SUPERVISORY BOARD DIRECTORS

Stefano Caselli

Roberto Chiusoli

Guido Maria Giuseppe Corbetta

Massimo Scarafuggi

Pierluigi Stefanini

Giovanni Toniolo

Stefano Zamagni

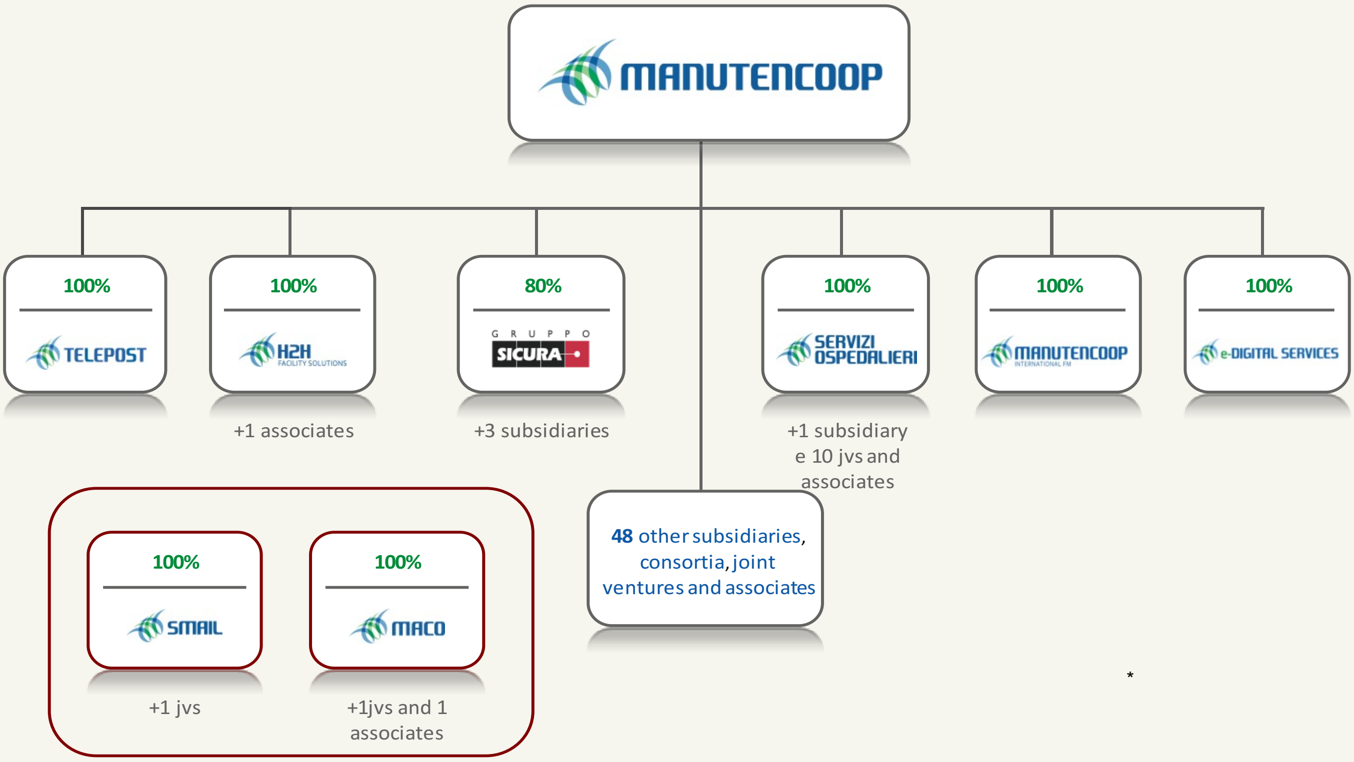
INDEPENDENT AUDITORS

Reconta Ernst & Young S.p.A.

PREAMBLE

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.

At 31 December 2015 the Group controlled by Manutencoop Facility Management S.p.A. ("MFM Group" and "MFM S.p.A.", respectively) was made up as follows:



** Merged in MFM S.p.A. starting from January 1st, 2016*

During the 2015 financial year Manutencoop Private Sector Solutions S.p.A. changed its name to H2H Facility Solutions S.p.A.. Furthermore, two new legal entities were established, which were named e-Digital Services S.r.l. and Manutencoop International FM S.r.l..

Finally, by a deed dated 16 December 2015, there was the merger by incorporation of subsidiaries MACO S.p.A. and SMAIL S.p.A., which produced its accounting, statutory and tax effects starting from 1 January 2016.

MACROECONOMIC AND MARKET SCENARIO

According to Italian economic data, the forecast for the Italian economy is 0.6% growth in 2015. This correction of the previous estimate (0.9%) indicates a slowdown due to the lack of a contribution from services and a fall in investments rather than the expected rise. Foreign components are weak, with an increase in exports, which came to +0.5% against a decline of 0.8% in exports.
In October industrial production (net of constructions) recorded a further increase (+0.5% compared to the previous month). Encouraging signals also come from industrial turnover (+2% compared to the previous month), mainly sustained by sales in foreign markets.
As regards foreign trade, the fall in total sales in foreign countries (-0.4% compared to the previous month) in October was offset by a positive signal from exports to non-EU markets (+3.7%) in November.

The trend of inflation is a critical aspect of the Italian macroeconomic scene and in the Eurozone. In December inflation fell down to 0.1% over a term of twelve months: it is affected by the latest fall in the prices of energy products, but also by the persistence of wide margins of under-utilisation of production capacity; these factors contribute to keep basic price trends down to minimum values. The present phase of prolonged weakness in price trends is a cause of concern because it tends to entrench an outlook which is likely to undermine the efficacy of monetary policies.

Lending to the private sector rose in the autumn: business financing increased for the first time in almost four years. The average cost of new business loans is at very low historical levels and the differential on the corresponding average rate in the Eurozone has been wiped out (it was equal to about 1.0% at the end of 2012). Nevertheless the discrepancies in lending conditions according to sector of activity and business size remain pronounced, even if they are less noticeable than the peaks reached during the recession.
Thanks to a gradual improvement in the economic activity, the flow of new impaired and doubtful loans continued to diminish compared to the maximum values recorded in 2013. The profitability of the biggest banking groups was higher in the first nine months of 2015 than in the previous year and their assets strengthened. The improvement in banks' balance sheets should continue in 2016 owing to the expected consolidation of the cyclical recovery.
As a whole, it is estimated that GDP could rise by around 1.5% in 2016 and 2017. In the next year inflation would rise to 1.2%. Investments, which have been moving slowly up till now, could benefit from more favourable demand prospects and lending conditions and from the effects of the stimulating measures brought in by the Stability Law. A return to higher amounts of disposable income, sustained by a healthier labour market, would help to raise consumption. The weakening in the stimulus of foreign trade caused by the slowdown of the emerging economies should be made up for by a stronger contribution from domestic and Eurozone demand, sustained by economic policies (such as the programme for the purchase of the Eurosystem securities and the measures provides for by the Government) and better lending conditions.

SOURCES:
Bank of Italy – Economic Bulletin no. 1 – 2016
ISTAT (Italian Statistical Institute) – Economic Observatory, December 2015.

Furthermore, the Italian Facility Management market has recently been affected by a number of new laws which are gradually revising the rules for competing in the public market, i.e. the market that remains the reference market for the company.

In fact, the 2015 financial year saw the full implementation of Decree Law 66/2014 on "Urgent measures for competitiveness and social justice", as amended and converted by Law 89/2014: the subsequent implementation decrees set out a precise list of the central purchasing entities for public authority expenditure (33. including CONSIP, and 21 central regional purchasing entities and 11 central purchasing entities relating to some metropolitan cities and provinces) and an expert Economy and Finance Ministry committee was formed to act as a coordination centre. Finally, the implementation decree, i.e. the President of the Council of Ministers' Decree of 24 December 2015, specified the categories of commodities – including facility management services that are of interest to the Group - which public authorities are obliged to procure through central purchasing bodies.

During 2016 the European Directives 23/2014, 24/2014 and 25/2014 will also be adopted, which provide guidelines to the EU Member States in relation to public contracts and concessions. The enabling law 11/2016 required the Government to revise the rules laid down in the Code of Public Contracts, by 31 July 2016, without prejudice to the power to issue a single legislative decree to adopt and reorganise these rules by 18 April 2016. The main changes introduced in European law regard the simplification and digitalisation of procurement procedures in order to make it easier for SMEs to enter the public authority procurement market, to encourage the adoption of choosing contracts on the basis of a criterion of the economically most advantageous offer (also considering the concept of the cost of an offer's life cycle and its social and environmental impacts) and the possibility of introducing forms of negotiation both when a contract is awarded and while it is being performed, giving public authorities more flexibility and discretion in negotiating contracts.

NON-GAAP FINANCIAL MEASURES

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 ".

	Definition
EBITDA	EBITDA represents the Operating Income before allocations to the accrual of provisions for risks and charges 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 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".
Gross Interest Bearing Financial Indebtedness (GIBFI)	Gross Interest Bearing Financial Indebtedness (GIBFI) is defined as the sum of: i) Current bank overdraft, advance payments and hot money; ii) Current portion of non-current bank debts; iii) Long-term bank debts; iv) Senior Secured Notes; 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 interest bearing financial indebtedness (NIBFI)	Net interest bearing financial indebtedness is defined as Gross Interest Bearing Financial Indebtedness net of Cash and cash equivalents.
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 current financial assets and Cash and Cash equivalents.
NFP or NWOC Adjusted	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.

ADJ EBITDA
in €/mln
97.1
vs 96.3 at 31/12/2014

ADJ EBITDA/REVENUES
10.2%
vs 9.9% at 31/12/2014

EBITDA
in €/mln
93.1
vs 92.9 at 31/12/2014

EBITDA / REVENUES
9,7%
vs 9.5% at 31/12/2014

REVENUES
in €/mln
955.7
vs 974.3 at 31/12/2014

DELTA % ON REVENUES
-1.9%
vs 31/12/2014

NFP / EBITDA
2.6x
vs 3.1x at 31/12/2014

NFP
in €/mln
(240.6)
vs (290.6) at 31/12/2014

ADJ NFP
in €/mln
(242.0)
vs (292.1) at 31/12/2014

ADJ NFP / ADJ EBITDA
2.5x
vs 3.0x at 31/12/2014

EBIT
in €/mln
9.0
vs 47.0 at 31/12/2014

EBIT / REVENUES
0.9%
vs 4.8% at 31/12/2014

ADJ EBIT
in €/mln
61.5
vs 59.5 at 31/12/2014

ADJ EBIT / REVENUES
6.4%
vs 6.1% at 31/12/2014

NWOC
in €/mln
143.7
vs 204.9 at 31/12/2014

NWOC / REVENUES
15.0%
vs 21.0% at 31/12/2014

NET RESULT
in €/mln
(45.4)
vs 12.4 at 31/12/2014

NET RESULT/REVENUES
ND
vs 1.3% at 31/12/2014

ADJ NWOC
in €/mln
145.1
vs 206.4 at 31/12/2014

ADJ NWOC / REVENUES
15.2%
vs 21.2% at 31/12/2014

REPORT ON OPERATIONS

1. SUMMARY OF RESULTS AND MAIN EVENTS IN 2015

PREAMBLE

On 30 December 2015, MFM S.p.A. transferred the total stake held in MIA S.p.A., the sub-holding company of the group that operates in the maintenance and installation of lifting equipment (MIA Group). At the same time the Group's Management classified the business which deals with public lighting, an activity exclusively conducted by subsidiary SMAIL S.p.A. as held for sale.

As already reported in the financial statements at 31 December 2014 the results achieved by these activities in the financial year have been excluded from the perimeter of "Continuing operations" and have been recognized under a single item of the Consolidated Statement of Profit or Loss as "Profit (loss) from discontinued operations".

CONSOLIDATED RESULTS FOR THE 2015 FINANCIAL YEAR ([1])

	For the year ended 31 December			
	2015	2014	Change	%
Revenues	955,729	974,290	(18,561)	- 1.9%
Adjusted EBITDA	97,062	96,297	765	+ 0.8%
Adjusted EBITDA % of Revenues	*10.2%*	*9.9%*		
Adjusted EBIT	61,518	59,459	2,059	+ 3.5%
Adjusted EBIT % of Revenues	*6.4%*	*6.1%*		
Consolidated Net Profit (Loss)	(45,369)	12,627	(57,996)	

In 2015, the Group recorded ***Revenues*** of € 955.7 million, with a € 18.6 million reduction (-1.9%) compared to 2014 (€ 974.3 million). The trend of falling average contract prices already observed in the previous year persisted, and it was especially apparent in the Private and Healthcare markets. The performance of consolidated revenues shows the effects of this trend in the form of a reduction in the number of orders acquired: this phenomenon began to occur in previous financial years, one of the reasons being frequent delays in award procedures. In recent years public authority spending reviews have had significant impacts owing to measures which have affected changes in public expenditure at more than one time.

In recent years the downward trend in turnover from Private Clients is the result of an economic situation in this sector in which the volumes obtained from some big Italian accounts have fallen and even clients of this kind have also shown an exasperated tendency to search for low cost.

At the same time revenues from the Other SBU (- € 6.4 million compared to the previous year), are also lower. This unit served both the markets, and the building work carried out by subsidiary MACO S.p.A., which was also a part of this unit, has been gradually running down.

1. The Adjusted amounts are described in the paragraph on "Non-recurring events and transactions" below.

The commercial **backlog** is more or less unchanged (€ 2,847 million compared with € 2,887 million as of 31 December 2014).

Adjusted EBITDA remained substantially stable (+ € 0.8 million, equal to +0.8%), which caused a significant improvement compared to the previous year (10.2% against 9.9%) in terms of margins (**Adjusted EBITDA/Revenues**). The evidence in the results shows the effects of a substantial process of rationalisation of production costs and overheads which the Group has started, in particular on the parent company, to counterbalance the ongoing trend of a reduction in turnover and margins.
Adjusted EBIT came to € 61.5 million (6.4% of related Revenues), up by € 2.1 million compared to € 59.4 million (6.1% of related Revenues) in the previous year. The further improving trend in absolute terms with respect to the EBITDA was mainly attributable to lower amortisation and depreciation of € 4.1 million, against higher write-downs of trade receivables of € 2.3 million, due to risk adjustments on some specific positions.

The **Consolidated Net Loss** for the year posted a negative value of € 45.4 million, against a positive Consolidated Net Profit of € 12.6 for the financial year ended 31 December 2014.
The income performance was significantly affected by the provision for risks of € 48.5 million set aside by the parent company MFM S.p.A. following an order for sanctions issued by the Competition Authority (*Autorità Garante della Concorrenza e del Mercato*, hereinafter referred to as "AGCM") on 22 December 2015 and served on 20 January 2016, which is currently being challenged by the Company. The potential consequences of the proceedings are described in the paragraph on "2015 significant events" below.
Compared to the previous year, the Group recorded lower net financial costs by € 2.6 million, mainly as a result of the acquisition of portions of the Senior Secured Notes in the market in the last quarter of 2014 (€ 45 million) and of the Tender Offer launched in June 2015 (an additional amount of € 80 million), which ensured net savings of € 7.3 million, in terms of financial costs on six-monthly coupons, compared to 2014. The transactions carried out on the market during 2014, on the other hand, gave rise to € 3.4 million in capital gains from buyback, which did not emerge during the 2015 tender procedure. Finally, in 2015 higher financial costs were recorded in relation to the fees due to financial intermediaries on the repurchase of the Notes and to the accounting effects of this transaction (concerning the write-off of the related "amortised cost" required by the accounting standards IAS/IFRS), equal to a total of € 1.9 million.
Finally, the consolidated net profit for the year includes a negative result from discontinued operations of € 2.9 million against a negative 2015 economic result of € 1.6 million concerning the company that conducted the public lighting business, which was transferred by subsidiary SMAIL S.p.A. during the year, in addition to charges relating to some contract compliance formalities after the disposal of MIA S.p.A. in December 2014. Finally, the 2014 result from discontinued operations (which posted a positive value of € 12.0 million) showed a net capital gain of € 13.2 million on the abovementioned disposal of MIA S.p.A., in addition to the negative results from discontinued operations for the year, totalling € 1.2 million.

	31 December 2015	31 December 2014	Change
Adjusted Net Operating Working Capital (NWOC)	145,142	206,392	(61,250)
Adjusted Net Financial Position (NFP)	(242,001)	(292,099)	50,098

From an equity and financial point of view, the data relating to the Adjusted Net Working Operating Capital (**NWOC**) recorded a decrease of € 61.3 million, with lower trade receivables for € 61.4 million compared to an Adjusted Financial Position (**NFP**) that recorded an increase in the financial year, equal to € 50.1 million. DSO on 31 December 2015 was 185 day (203 day on 30 June 2015 and 189 days on 31 December 2014), thus confirming an improving trend in collection times. DPO, on the other hand, was 234 days (218 days on 31 December 2014).

During the year, change in Adjusted Net Operating Working Capital generated a cash flow of € 55.6 million (€ 36.2 million in 2014 which is added to a € 55.7 million cash flow generated from current operations (€ 34.2 million in 2014), while net industrial investments were made for € 23.1 million (€ 24.5 million in 2014), against net financial disinvestments of € 5.7 million (compared to net disinvestments of € 62.0 million in 2014, of which € 58.8 million related to the disposals of the equity investments in MIA S.p.A. and Energyproject S.r.l.). Finally, during the year, there was a € 14.0 million cash flows for utilizations of provisions for risks and charges and for employee termination indemnity (€ 18.3 million in 2014), in addition to a negative flow of € 29.7 million for changes in other operating assets and liabilities (€27.2 million in 2014). The variations in this item in particular arise from movements in the VAT stock (which recorded, at consolidated level, a net receivable of € 4.9 million at 31 December 2015, against a net debt of € 27.0 million at 31 December 2014), mainly owing to the recent developments in regulations governing "Split payment" and "Reverse charge" introduced by the 2015 Stability Law, which led to a change in the tax treatment of incoming and outgoing invoices from the first quarter of 2015 onwards and which entered into full operation in the year, thus showing a clear discontinuity in the value of the NWOC stock.

Non-recurring events and transactions

In 2015 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, economic result and cash flows of Group companies.

In detail, the following non-recurring costs are recorded in the Consolidated Statement of Profit/Loss for the period:

(in thousands of Euro)	For the year ended 31 December	
	2015	**2014**
Costs for termination of employment relationships by mutual agreement		3,426
Tender offer consulting fees	142	
Structural reorganisation consulting fees	583	
"*Oneri di Sistema*" relating to previous years (*)	3,074	
Legal advice on pending administrative disputes	198	
Non-recurring operating costs impacting on EBITDA	**3,997**	**3,426**
Provisions for risks on AGCM fine	48,510	
Provisions for corporate reorganisation		4,617
Impairment losses of fixed assets		4,418
Non-recurring operating costs impacting on EBIT	**48,510**	**9,035**
Write-off of upfront fees related to the Notes bought back	1,902	1,162
Financial fees	1,069	113
Non-recurring financial costs	**2,971**	**1,275**
TOTAL NON-RECURRING COSTS	**55,478**	**13,736**

(*) The so-called "*Oneri di Sistema*" are costs that have affected some energy contracts, linked to recent regulatory changes that occurred in the field of electricity (which concerned, among others: Legislative Decree no. 79/1999, Industry Ministry's Decree 26/2000, Laws 83/2003 and 368/2003).

Consolidated Adjusted EBITDA and EBIT are thus represented as follows:

(in thousands of Euro)	For the year ended 31 December	
	2015	**2014**
EBITDA	**93,065**	**92,871**
Non-recurring operating costs impacting on EBITDA	3,997	3,426
Adjusted EBITDA	**97,062**	**96,297**
Adjusted EBITDA % Revenues	**10.2%**	**9.9%**
EBIT	**9,011**	**46,998**
Non-recurring operating costs impacting on EBIT	52,507	12,461
Adjusted EBIT	**61,518**	**59,459**
Adjusted EBIT % Revenues	**6.4%**	**6.1%**

2015 SIGNIFICANT EVENTS

Reorganisation of central functions and corporate rationalisation

During the second half of 2015 the Group carried out a process of internal reorganisation, concentrating particularly on the parent company MFM S.p.A.. New functions were created and new key managers were found in order to adapt the business model to increasingly challenging conditions in the domestic market with the primary objective of resuming the growth trend in revenues and profit margins as soon as possible. At the same time the cost-saving measures which began to be introduced at the end of 2014 met the targets that had been set, which had favourable effects on the Group's margin, still stressed by an Italian market situation which is showing no clear signs of recovery.

In this scenario, the strategic objective of growth in international markets meant that the Group had to equip itself with resources specifically devoted to searching for new areas of activity in Europe and outside. On 22 November 2015 the sub-holding Manutencoop International FM S.r.l. was established with a quota capital wholly owned by MFM S.p.A., for the purpose of creating or acquiring shareholdings in foreign countries for the local development of new business undertakings.
On the same date e-Digital Services S.r.l. was also established, which was also wholly owned by MFM S.p.A., with the objective of embarking on a path to growth in Technology-based markets and B2B and B2C services markets. The B2B business sector in particular is based on the utilisation of expertise which has been built up in the spheres of applications, management and sourcing in order to be able to back up the already established ICT activities which support the Group's business with a portfolio of services and solutions which can be put on the market exploiting the network of established relations with MFM clients and suppliers and the know-how already acquired in the sectors of Facility Management and Healthcare. On the other hand the objective of the B2C business sector is to enter the Consumer market for household and personal services, combining all the traditional Facility Management services which the Group has, up till now, directed solely at the Business market and taking advantage of the creation of a digital platform easily accessible to a broad range of potential customers.

Finally, the negotiations with a third party regarding the sale of the public lighting company conducted by subsidiary SMAIL S.p.A. ended with closing on 13 November 2015, completing the Group's exit from an area of business which the management had decided was not strategic. The disposal took place against a price of € 4.9 million, which was fully collected on the closing date of the financial year. Furthermore, write-downs of € 0.9 million were recorded on the operations disposed of, in order to adjust the carrying amount of the same at the fair value acknowledged in the sales transaction. Finally, by a deed dated 16 December 2015, the merger by incorporation of the legal entities SMAIL S.p.A. in MFM S.p.A. was completed, with accounting, statutory and tax effects from 1 January 2016.

Tender offer on Senior Secured Notes and re-balancing of the Group's sources of financing

The bonds issued in August 2013 (€ 425 million with an issue price of 98.713, maturing in 2020 at a fixed rate of 8.5% and listed on the Luxembourg Stock Exchange Euro MTF Market in addition to the Italian Stock Exchange Extra MOT Pro Segment), gave the Group financial stability based on a long-term time horizon. In the following year, however, there was a recovery in the financial market, in which finance at rates far below historical averages again became more easily accessible. At the same time public authorities pumped in further funds in massive volume by paying a large part of their overdue debts and this was also followed by a certain amount of regularity in the payment of more recently issued invoices.

The Group then embarked on a verification of its options for rebalancing its sources of finance towards different credit lines, and this already led in the fourth quarter of 2014 to a € 45 million buy-back transaction carried out on the market at an average price of just under 93. In order to take opportunities of reducing average debt-financing costs, a Tender Offer was also launched for portions of its bond issue amounting to € 80 million on 19 May 2015, bought back at par and financially settled on 3 June 2015. None of the notes bought (€ 125 million nominal value) were cancelled; they are deposited in a securities account with Unicredit S.p.A. and are reported in the Statement of Financial Position as a straight reduction of total financial debt.

Thanks to the repurchase transactions carried out on the bond issue, the financial cost of the consolidated sources of finance will be less onerous, their amounts will be reduced and their composition partly revised in favour of types of financing that are more in line, economically speaking, with the present situation in financial markets, to the benefit of the overall consolidated profitability. At 31 December 2015 the Group obtained access to € 117 million in bank credit lines (which had been used for a total of € 47 million as at 31 December 2015), to be used to meet temporary cash requirements and give it greater financial flexibility at lower costs. A part of the facility (€ 14 million) consists of a 3-year committed credit line with CCFS for € 10 million, secured by a pledge over € 14 million nominal value of the notes held in the Group's portfolio, and of a further 3-year committed credit line for advances on invoices with Unipol Banca for € 4 million.

Antitrust Authority's order for sanctions

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

The Directors have obtained the opinion of the Company's lawyers and continue to place reliance on the case for the defence but advise a conservative approach in calculating the estimate of the amount to recognise in the accounts for this dispute, in which they see some uncertain factors. Therefore, in view of

the uncertainty surrounding the final outcome of the hearing at which the merits of the case are to be considered, they decided that setting aside the amount of the fine in full is the solution which is the most coherent with the requirements of IAS 37 for the purposes of recognising provisions for risks and charges.
Likewise, the directors of associate Roma Multiservizi S.p.A. (which is 45.47%-owned by MFM S.p.A.), on which a fine of € 3,378 thousand was imposed in the same context, decided to set aside a provision for risks to the same amount, which affects the net result attributable to the Group for the financial year ended 31 December 2015 for € 1,536 thousand, as this was an investment consolidated according to the Equity method.

While the Group hopes that it will obtain a stay of the ruling and is confident that the Court will accept its case at the time of the appeal on the merits, it has reviewed its financial planning in order to create the conditions for meeting this extraordinary outflow of cash, formally due before the end of April 2016. To this end, on 23 February 2016, MFM S.p.A. and Servizi Ospedalieri S.p.A. entered into a factoring maturity contract, without recourse (*pro-soluto*), with Banca Farmafactoring S.p.A. in relation to the assignment of receivables from entities in the National Health System, for an annual amount of up to € 100 million. It is a committed credit line with a term of three years.

2. BUSINESS DEVELOPMENT

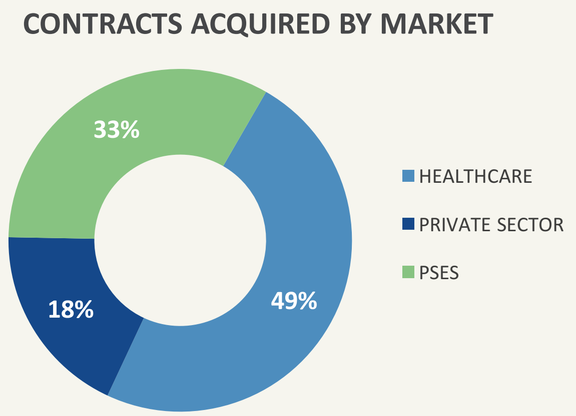
The Italian Facility Management market's moves are those of a mature, long-established sector in which the tendency for unit services prices to be strongly pulled down has not yet ended. Indeed Spending Reviews and the Stability Pact have led to shortages in funds for public authorities which often entail solutions in which price considerations prevail over project requirements. Furthermore, in the private market, in this still uncertain phase of macroeconomic development it is hard to find major industrial partners prepared to embark on processes of outsourcing their non-core services, above all on the basis of a real partnership and not of mere cost cutting.

Nevertheless it is a market which has some level of concentration and retains the positive features of anti-cyclicity and resilience. In this scenario, the growth prospects for the more innovative players which are able to seize both public and private market opportunities are likely to be more favourable than they would be otherwise. Therefore the Group's commercial policy is to push towards innovative proposals which on one hand meet the client's need to cut its investment and on the other hand provide a service which goes beyond traditional maintenance and adds value to the properties managed.

The Group is also in the process of diversifying its services into non-traditional services as far as it is concerned, such as *urban facility management*, *healthcare logistics* and the management of *IT services* as a sub-contractor or outsourcer.

In 2015 the Group brought new orders for services for an overall multi-year amount of € 742 million, within which extensions and renewals of contracts already included in its sales portfolio amount to € 341 million. As in the past, these data regards only 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 they are typically long-term contracts. 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 and, therefore, a future minor visibility. However, these companies have a not particularly significant impact on consolidated production volumes (equal to about 4% in 2015).

New contracts in the Public and Healthcare sectors still affected the total in a significant manner (an overall percentage of 82%, equal to € 245 million and € 361 million, respectively).



A new entry to the Public sector is the final award of 9-year energy management and property management services for the Municipality of Bologna's real estate assets, which started up in the second half of 2014.
In the same sector of services, it should be noted that in the last quarter of 2015 the Group was awarded a major 15-year contract with the Municipality of Alessandria based on the legal institute of the "Service Concession" referred to in Presidential Decree 207/2010. The law's guidelines tend to favour measures based on enhancing the value of real estate assets based on the future recovery of the investment in the form of savings in consumption, the reduction of emissions of polluting gases into the atmosphere and lower running costs. Indeed the Group, with the advantage of its strong local position and its design know-how, has started to put a string of initiatives on the drawing board which are closely bound up with the end-client's needs. Finally, it was also awarded a 3-year contract for the management of hygiene services for rolling stock and at the industrial plants of Trenitalia S.p.A. that are located in the local areas of the Campania and Molise regions.

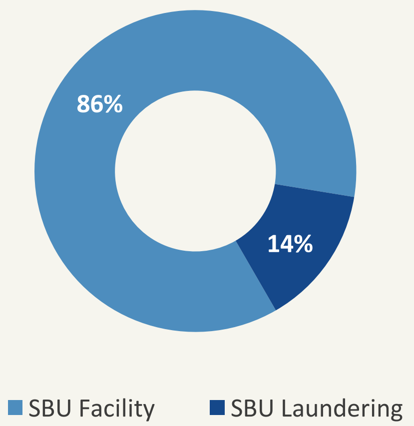
The Group's approach to the Healthcare sector, too, is one of helping its clients to cut the costs of non-core services. In this regard, it should be noted that the e-Digital Services S.r.l. being established (for the development of B2B and B2C services) acquired a business unit from the private healthcare entity Valduce di Como, which is operated by a Congregation of nuns named *Congregazione delle Suore Infermiere dell'Addolorata*, as well as the related 5-year contract for the provision of IT services in outsourcing. Finally, a major 9-year contract was acquired in the Lazio region, for multi-technology and energy services at the ASL Frosinone Local Health Unit.

Finally, acquisitions in the Private market during the year were worth € 136 million, € 25 million coming from the 5-year renewal of the document management services contract that is managed by Telepost S.p.A. with the Telecom Italia Group, which was already extended in February 2014. This renewal, which came into effect on 1 January 2015, entailed a reduction in the overall volume of annual revenues against a longer contract term. Also important in this market are the new industrial cleaning contracts at Michelin S.p.A.'s factories in Piedmont and office cleaning contracts for UnipolSai and at the Milan exhibition district.

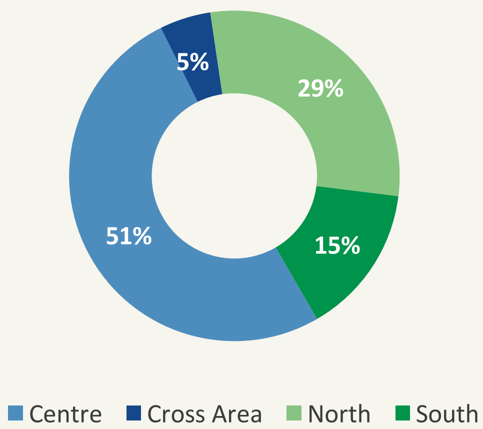
Regarding the business development in the year in terms of Strategic Business Unit (SBU), the Facility Management segment obtained contracts of € 637 million and the Laundering&Sterilization of € 104 million. The abovementioned orders are placed under the Facility Management SBU. There were, moreover, two valuable renewals in the Laundering&Sterilisation SBU, one for linen rental and industrial laundering services to the "*Azienda Ospedaliera Ancona Le Torrette di Ancona*" and a substantial linen rental and industrial laundering and cloakroom service contract for some health trusts in Tuscany. Furthermore, note new linen rental and industrial laundering at the Martino Hospital in Genoa and at the ASL Ravenna Local Health Unit. Finally, the sterilization of linen and surgical instruments is the object of the renewal of the contract with the Cosenza Hospital.
Finally, within the CONSIP agreements, note that, as early as during the second quarter, the ceiling for the CONSIP Energy SIE3 Sicily contract, obtained in a previous financial years, was further raised to seven-fifths.

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

CONTRACTS ACQUIRED BY SBU



CONTRACTS ACQUIRED BY GEOGRAPHICAL AREA

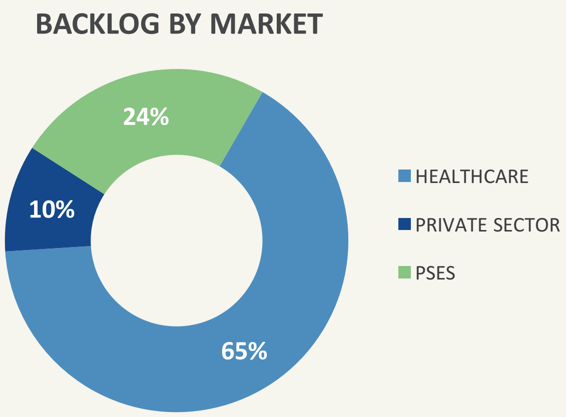


The first months of 2016 already saw a positive completion of some major awards, including the renewal of cleaning services at the S.S.C. S.r.l. CARREFOUR hypermarkets (Private sector) and the new award of the contract for cleaning services within the "Cittadella Sanitaria" (Health District) project at the Treviso Hospital.

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:

	2015	2014
Backlog	2,847	2,887



3. THE MFM GROUP'S PERFORMANCE OF OPERATIONS AND CONSOLIDATED FINANCIAL POSITION FOR THE 2015 FINANCIAL YEAR

3.1 Consolidated performance of operations for FY 2015

Below are reported the main income figures relating to 2015, compared to the figures of the previous year:

(in thousands of Euro)	For the year ended 31 December		Change	%
	2015	2014		
Total revenues	955,729	974,290	(18,561)	-1.9%
Total costs of production	(862,664)	(881,419)	18,755	-2.1%
EBITDA	**93,065**	**92,871**	**194**	**0.2%**
EBITDA %	**9.7%**	**9.5%**	**-0.2%**	
Amortization, depreciation, write-downs and write-backs of assets	(32,493)	(38,635)	6,142	
Accrual and reversal of provisions for risks and charges	(51,561)	(7,238)	(44,323)	
Operating Income (EBIT)	**9,011**	**46,998**	**(37,987)**	**-80.8%**
EBIT %	**0.9%**	**4.8%**		
Share of net profit of associates	90	1,198	(1,108)	
Net financial charges	(33,551)	(36,204)	2,653	
Profit before taxes	**(24,450)**	**11,992**	**(36,442)**	
Profit before taxes %	**ND**	**1.2%**		
Income taxes	(18,032)	(11,414)	(6,618)	
Profit from continuing operations	**(42,482)**	**578**	**(43,060)**	
Profit (loss) from discontinued operations	**(2,887)**	**12,049**	**(14,936)**	
NET PROFIT (LOSS)	**(45,369)**	**12,627**	**(57,996)**	
NET PROFIT %	**ND**	**1.3%**		
Minority interests	(43)	(273)	230	
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**(45,412)**	**12,354**	**(57,766)**	
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT %	**ND**	**1.3%**		

REVENUES

In 2015 consolidated revenues came to € 955.7 million against € 974.3 million in the previous year. The trend of consolidated revenues shows the effects in a reduction in the number of orders acquired which began in previous financial years, one of the reasons for which were frequent delays in award procedures. In recent years public authority spending reviews have had significant impacts owing to measures which have affected changes in public expenditure at more than one time.

The breakdown of the consolidated revenues in 2015 is provided below, compared to the previous year, broken down by Customer.

In this financial year the Group changed its definition of “market” for the purposes of its interim reports in order to present a fairer view of its results, and in particular of the results relating to the “Healthcare” market. In fact revenues from contracts in which the clients are or belong to public or private healthcare establishments are reclassified in a single “Healthcare” item, which takes the place of the previous classification, according to which contracts with private healthcare establishments were included in the “Private” market and those with public healthcare establishments in the “Public Healthcare” market”. The revenues for the 2014 financial year reported below as comparative data adopt the new classification.

REVENUES BY MARKET

(in thousands of Euro)	For the year ended 31 December				Change
	2015	% of total Revenues	2014	% of total Revenues	
PSEs	242,867	25.4%	232,505	23.9%	10,362
Healthcare	466,344	48.8%	472,188	48.5%	(5,844)
Private sector	246,518	25.8%	269,597	27.7%	(23,079)
CONSOLIDATED REVENUES	**955,729**		**974,290**		**(18,561)**

The breakdown of turnover by market shows that there was an increase in the proportion from PSEs (+ € 10.4 million, equal to 25.4% of the consolidated Revenues against 23.9% in 2014). In this area, some major orders acquired in the previous financial year started up in the second quarter of 2015 (including, among the most significant ones, Trenitalia and Azienda Trasporti Milanesi).

There was also a fall in the turnover from healthcare clients (€ 5.8 million less than in 2014) even if the result was absolutely stable in relative terms with respect to total consolidated revenues (48.8% compared to 48.5% at 31 December 2014). In this market a reduction was recorded in the turnover from building construction activities, which MACO S.p.A. carried out under project finance contracts (- € 4.5 million), as well as from the linen rental and industrial laundering services and the sterilization of surgical instruments (– € 6.3 million as a whole). Generally speaking, while on one hand, at the time of renewing contracts, above all in the Public Healthcare segment, the effects are being seen of a reduction in volumes of expenditure by contracting authorities in this market too, on the other hand new commercial opportunities are emerging which set off this trend, in a sector in which the Group confirms its leading position.

In the Private market the reduction in business volumes and the discount applied at the time of the renewal of the Telepost S.p.A. document management contract led to a € 3.6 million reduction in turnover, in the year, from Telecom, coupled with a € 1.6 million lower contribution from MACO S.p.A. to the consolidated market turnover. More generally, the trend of fall in turnover from Private Clients, however, was due, in the latest financial years, to an economic phase in this sector in which volumes from some big domestic accounts are lower in addition to the expenditure budgets of these organisations having tended to shrink.

Analysis of revenues by Segment

The business segments were identified on the basis of IFRS 8 and correspond to the following business areas: "*Facility Management*", "*Laundering & Sterilization*" and complementary activities (so-called "*Other*" activities).

A comparison of Group revenues by business segment is provided below:

REVENUES BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				Change
	2015	% of total Revenues	2014	% of total Revenues	
Facility Management	819,153	85.7%	824,370	84.6%	(5,217)
Laundering & Sterilization	138,568	14.5%	144,856	14.9%	(6,288)
Other	2,205	0.2%	8,654	0.9%	(6,449)
Intra-group elimination	(4,197)	-0.4%	(3,590)	-0.4%	(607)
CONSOLIDATED REVENUES	**955,729**		**974.290**		**(18,561)**

The breakdown of turnover by operating segments showed a slight increase in the weight relating to the *Facility Management* sector (85.7% in 2015 compared to 84.6% in 2014) against a slight decline in the weight of *Laundering & Sterilization* (14.5% in 2015 compared to 14.9% in 2014).

Revenues in the Facility Management sector amounted to € 819.2 million in 2015, marking a decrease of € 5.2 million (-0.6%) compared to the previous year, mainly as a result of the smaller volumes in the Private segment, which presents the most significant accounts in this sector.

In 2015 *Laundering & Sterilization* segment achieved revenues of € 138.6 million, against € 144.9 million for FY 2014. The decrease in volumes was mainly attributable to the linen rental and industrial laundering activities (- € 4.0 million) and, to a lesser extent, to the surgical instrument sterilization service (-2.0

million). There was a € 1.0 million rise in turnover from abroad owing to the sterilisation work carried out in Turkey.

The turnover relating to "Other activities" (€ -6.4 million) remained residual and steadily dropping, which is currently made up only of building construction activities of MACO S.p.A., as a result of the Management's decisions not to invest in the business units of this segment any further. The Company mainly recorded revenues from construction activities under project finance agreements, in addition to those arising from contracts in which MACO S.p.A. was participating on the basis of orders gained in previous years.

EBITDA

EBITDA of the Group came to € 93.1 million in 2015, against € 92.9 million in 2014, with a considerable stability (+ € 0.2 million) in absolute values and a profit margin that increased from 9.5% to 9.7%. EBITDA performance inverts the downward trend of Revenues and shows the effects of the operating cost efficiency improvement measures which the Group put in hand at the end of 2014 financial year and which are gradually coming into full effect.
Below is provided a comparison of EBITDA by business segment for 2015 and 2014:

EBITDA BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				Change
	2015	% of segment Revenues	2014	% of segment Revenues	
Facility Management	60,031	7.3%	55,813	6.8%	4,218
Laundering&Sterilization	33,560	24.2%	38,089	26.3%	(4,529)
Other	(527)	-23.9%	(1,031)	-11.9%	505
CONSOLIDATED EBITDA	**93,065**	**9.7%**	**92,871**	**9.5%**	**194**

There has been a recovery in percentage margin on Revenues in the *Facility Management* sector (7.3% at 31 December 2015 compared to 6.8% at 31 December2014), even with the phenomena of price pressure on new awards referred to previously. This is the sector (especially as regards parent company MFM S.p.A.), in which the most forceful measures were adopted for the improvement of efficiency and for cutting fixed costs and overheads in order to support the company's margins: the result is that these costs were about € 12 million lower than at the end of the previous year.

EBITDA of the *Laundering&Sterilization* segment decreased compared to 2014 both in absolute terms (€ 4.5 million) and in terms of profit margins (which passed from 26.3% to 24.2% of related revenues). The trend is in line with the data reported for the sector turnover. Nevertheless it must be borne in mind that efficiency improvement measures are also being carried out in this SBU; in view of the nature of the business, they relate to investments in capital assets (with a more evident effect in terms of EBIT).

Finally, at 31 December 2015 the residual construction activities (Other activities segment), which the management no longer considers as strategic, showed a substantial break-even with a negative EBITDA equal to € 0.5 million against a negative EBITDA of € 1.0 million at 31 December 2014.

Costs of production

On 31 December 2015, *Costs of production*, which amounted to € 862.7 million, showed a decrease of € 18.8 million in absolute terms compared to € 881.4 million (-2.1%), posted at 31 December 2014.

(in thousands of Euro)	**For the year ended 31 December**				**Change**
	2015	**% of total**	**2014**	**% of total**	
Costs of raw materials and consumables	133,155	15.4%	135,524	15.4%	(2,369)
Costs for services and use of third-party assets	336,114	39.0%	364,040	41.3%	(27,926)
Personnel costs	380,793	44.1%	374,210	42.5%	6,583
Other operating costs	12,602	1.5%	7,645	0.9%	4,957
TOTAL COSTS OF PRODUCTION	**862,664**		**881,419**		**(18,755)**

In 2015 *Costs of raw materials and consumables* came to € 133.2 million, showing a decrease of € 2.4 million (-1.7%) compared to 2014, with their incidence on consolidated revenues that remained substantially unchanged. This reduction is linked to decreased fuel costs (- € 4.8 million), due to a lower average cost, against volumes of supply of energy and heat management services that had no showed significant changes. Furthermore, there was a higher consumption of materials (+ € 2.5 million) as a result of a different mix of the types of services provided compared to the previous year.

Costs for services and use of third-party assets showed a considerable decrease of € 27.9 million (-7.7%), with a incidence on total revenues, which passed from 41.3% at 31 December 2014 to 39.0% at 31 December 2015. Specifically, the cost of services rendered by third parties (third party services, consortium services, professional services) fell by € 21.8 million in all, partly as a result of small volumes, also owing to a different mix of contracts, which have, at the moment, moved towards services with a greater labour content, and partly as a result of the measures we have already mentioned for cutting overheads, which have a substantial impact on this item. Efficiency improvement measures also affected costs of leased assets, down by € 2.4 million.

The reduction in costs for services and use of third-party assets was accompanied by an increase in *Personnel costs* (+ € 6.6 million), with a incidence on consolidated Revenues, which passed from 41.3% in 2014 to 39.0% in 2015), owing to the different composition of the services the company rendered and the consequent increase in the make-or-buy decisions that had to be taken compared with the previous year. The number of employees as at the closing date of the year was equal to 16,434 (15,923 units at 31 December 2014).

Finally, *Other operating costs* amounted to € 12.6 million compared with € 7.6 million on 31 December 2014. Among other costs, the item includes sundry operating costs for € 6.1 million (so-called "*oneri di sistema*", i.e. system charges) owing to recent changes in law that affected some energy service contracts. This item also includes € 3.1 million costs which are considered to be non-recurring because they accrued in previous financial periods.

Operating Income (EBIT)

In 2015 Consolidated Operating Income (EBIT) stood at € 9.0 million, against €47.0 million in the previous year. The operating income performance in 2015 was adversely and significantly affected by a provision for risks of € 48.5 million set aside by the parent company MFM S.p.A. following the issue by AGCM of its order for sanctions on 22 December 2015, which was served on 20 January 2016. Net of this provision (and other non-recurring costs with effects on EBITDA), **Adjusted EBIT** came to € 61.5 million (€59.5 million at 31 December 2014), with relative margins (EBIT Adjusted/Revenues) which passed from 6.1% to 6.4%.

EBIT was mainly affected by the abovementioned consolidated performance for the period in terms of EBITDA, from which must be deducted *amortization and depreciation* of €28.0 million (€ 32.1 million at 31 December 2014), *accruals of provisions for risks and charges* of € 55.6 million (€ 10.3 million at 31 December 2014) against *reversals* of € 4.1 million (€ 3.0 million at 31 December 2014). In 2015, specifically, accruals to provisions for future risks and charges include the abovementioned non-recurring provision for the AGCM sanction, while in 2014 they include a provision for corporate restructuring of € 4.6 million which the Parent Company considered necessary in order to enable it to carry out the production process rationalisation measures started off in the last quarter of 2014.

The Group also reported *write-downs of receivables* of € 4.4 million, against € 2.1 million at 31 December 2014, following risk adjustments on some specific positions. At 31 December 2014, finally, *impairment of fixed assets* were recognized for € 4.4 million (€ 0.1 million at 31 December 2015) concerning write-downs made by the Parent Company, MFM S.p.A., on the residual net book value of software projects capitalised in previous years which, after careful analysis, proved to be no longer suitable to be used for company business purposes because they were no longer utilised or had been superseded by subsequent projects.

Below is reported a comparison of Operating Income (EBIT) by segment in 2015 and 2014:

EBIT BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				Change
	2015	% of segment Revenues	2014	% of segment Revenues	
Facility Management	(4,027)	ND	33,164	4.0%	(37,191)
Laundering & Sterilization	13,768	9.9%	14,758	10.2%	(1,080)
Other	(640)	ND	(924)	ND	284
CONSOLIDATED EBIT	**9,011**	**0.9%**	**46,998**	**4.8%**	**(37,987)**

The *EBIT* in the Facility Management segment was negative and equal to a loss of € 4.0 million at 31 December 2015. However, the segment result was affected by the provision for risks set aside as a result of the issue by AGCM of an order for sanctions (€ 48.5 million). Net of the same, the segment EBIT would be equal to € 44.5 million, with a sharp improvement, in absolute values, compared to the value posted in 2014 (equal to € 33.2 million). The sector's EBITDA performance (+ € 4.2 million) is reflected, in fact, in EBIT, which, furthermore, benefits, compared to the previous financial year, from lower amortization, depreciation and write-downs for € 4.7 million against a € 2.4 million increase in net appropriations (obviously excluding the abovementioned provision set aside for AGCM).

On the other hand, the reduction in the sector EBITDA (- € 4.5 million) reflected on the EBIT of the Laundering&Sterilization sector, which showed, however, at EBIT level, a decrease compared to the previous year which was less than proportional and equal, in absolute terms, to € 1.1 million; this in its turn led to a fall in profit margins (- 0.3% on Revenues) which was less than proportional compared to the values reported in terms of the EBITDA performance (- 2.1% compared to 2014). In fact in this sector depreciation and write-downs fell by € 1.3 million (mainly as a result of efficiency measures in the linen hire and laundry segment taking the form of more rational management of investments in linen) and provisions fell by € 2.1 million net: of this, € 800,000 was released from provisions recognised in previous financial years for restructuring, which has now been brought to an end, and € 500,000 was also released from provisions against risks on some foreign contracts.

Finally, there is a completely residual effect on EBIT from the negative contribution of the segment of *Other activities;* within this segment, as has been said, there was the residual construction activities of

MACO S.p.A. only, which had recorded an operating loss of € 0.6 million at 30 December 2015 (€ 0.9 million at 30 December 2014).

Profit before taxes

To the consolidated EBIT must be added net income from companies valued at equity equal to € 0.1 million (€1.2 million at 31 December 2014), which reflected, among others, the Group's share of the negative result of associate Roma Multiservizi S.p.A. for € 0.8 million (against proceeds of € 0.3 ,million at 31 December 2015), it was also affected by the recognition of non-recurring provision for risks relating to the order for sanctions issued by AGCM, within the same proceedings that involved the Parent Company MFM S.p.A..

Furthermore, there was the recognition of net financial charges of € 33.6 million (€ 36.2 million in 2014), thus obtaining a profit before taxes equal to, at 31 December 2015,a loss of € 24.4 million (a profit of € 12.0 million at 31 December 2014).

Below is provided the breakdown by nature of net financial charges for the 2014 financial year and for the previous year:

(in thousands of Euro)	**For the year ended 31 December**		**Change**
	2015	**2014**	
Dividends, income (charges) from sale of equity investments	(459)	427	(886)
Financial income	984	5,679	(4,695)
Financial charges	(34,066)	(42,313)	8,247
Profit / (loss) on exchange rate	(10)	3	(13)
NET FINANCIAL CHARGES	**(33,551)**	**(36,204)**	**2,653**

Dividends, income (charges) from sale of equity investments includes the net result for the year for investment operations (€ -0.5 million as of 31 December 2015 compared with € 0.4 million as of 31 December 2014).

Financial income fell by € 4.7 million compared to the previous financial year. At 31 December 2014, the item recorded financial gains of € 3.4 million achieved in the last quarter by the Parent Company MFM S.p.A. through the acquisition of portions of its bond issue on the market for a total nominal value of € 45 million. Furthermore, lower interest was recorded received on current accounts (- € 0.5 million) and lower interest income on trade receivables for € 0.7 million.

The impact of *financial charges* on the consolidated results of operations was equal to € 34.1 million, with a decrease of € 8.2 million compared to the 2014 financial year.
First of all, the item recorded lower financial costs on the bond coupons for € 7.3 million, given the gradual repurchase of portions of these bonds on the market, resulting in a decrease of € 125 million In particular, in addition to a first tranche of Notes with a nominal value of € 45 million, which the parent company MFM S.p.A. had repurchased on the free market as early as in December 2014, on 3 June 2015 a Tender offer for a further € 80 million closed successfully on 3 June 2015. The Notes have not been cancelled and are held in a securities deposit account at the moment. The favourable impact of this transaction in terms of lower financial costs will become even more considerable in future financial years (€ 10.6 million on an annual basis). Finally, the buy-back transaction carried out in 2015 entailed writing off a proportionate part of the upfront fees reported in accordance with IAS 39, and € 1.9 million (€1.2 million for the operations carried out in December 2014) higher financial costs were reported in the period. Finally, financial fees amounting to € 1.1 million for the buy-back transaction were reported (€ 0.1 million in 2014 financial year).

Net profit (loss) for the year

From the profit before taxes of the financial year (negative for € 24.5 million) must be deducted taxes of € 18.0 million, thus obtaining a negative Net Result arising from continuing operations of € 42.5 million (positive for € 0.6 million at 31 December 2015).

The 2015 financial year also saw the recognition of a negative *Profit (loss) from discontinued operations* and equal to € 2.9 million. According to IFRS5, the *Profit (loss) from discontinued operations* includes the net negative result for the year relating to the operations of subsidiary SMAIL S.p.A. and used by the same for the business of maintenance of public lighting systems, whose disposal was completed during the year (€ 2.4 million, to which must be added a tax income of € 0.8 million). This item also includes estimated total cost of € 1.3 million accrued in the year in relation to the continuation of the formalities envisaged as per contract and arising from the disposal of the investment in MIA S.p.A., which was completed in December 2014.
In 2014 a positive *Profit (loss) from discontinued operations* (including the tax effect) was recorded for € 12.0 million, against a positive result of € 14.7 million relating to the overall valuation of the abovementioned disposal of MIA S.p.A. and its subsidiaries, as was a negative result relating to the operations of SMAIL S.p.A., equal to € 2.6 million, including a write-down of € 2.8 million applied on the financial assets being disposed of.

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

(in thousands of Euro)	For the year ended 31 December	
	2015	**2014**
Profit before taxes	**(24,450)**	**11,992**
Non-deductible AGCM provision	48,510	
Profit before taxes, excluding AGCM provision	**24,060**	**11,992**
Current and deferred IRES tax, including income and charges from Tax Consolidation	(12,607)	(5,072)
Current and deferred IRAP tax	(4,740)	(9,833)
Adjustments to current and deferred taxes related to previous financial years	(685)	3,491
Income taxes	**(18,032)**	**(11,414)**
Tax rate of continuing operations	**74.9%**	**95.2%**
Profit (loss) before taxes from discontinued operations	**(3,713)**	**11,970**
Taxes related to the profit (loss) from discontinued operations	826	79
Consolidated Net Profit, excluding AGCM provision	**3,141**	**12,626**
Global tax rate	**84.6%**	**47.3%**

As already described, the *Profit before taxes* includes a considerable provision relating to the administrative dispute pending with AGCM (€ 48.5 million). This non-recurring provision, which is not deductible for the purposes of calculating the tax burden for the year, makes the Profit before taxes negative for € 24.5 million. The tax rate for the year is then analysed by excluding the effect of this provision on the consolidated profit before taxes, which would be then positive for € 24.1 million.

Compared to the previous year, the Group recognised lower current and deferred IRAP tax for a total of € 5.1 million, determined by the application of the new regulations providing for the full deductibility of labour costs limited to the workers employed under permanent employment contracts.

However, higher current and deferred IRES tax was recognised on the Profit from continuing operations for € 7.5 million (against a higher profit before taxes, as defined above, by € 12.1 million). The main impact is attributable to the recognition of higher current IRES tax on a higher taxable base, against lower proceeds from deferred tax assets on financial costs that were not deductible in the year.

Furthermore, there was the recognition of lower adjustments to taxes from previous years for € 4.2 million: in 2014 they mainly related to tax revenues (€ 4.6 million) reported after the Parent Company MFM S.p.A. and subsidiary Manutencoop Private Sector Solutions S.p.A. (now H2H Facility Solutions S.p.A), presented a supplementary declaration to the *2014 Modello Unico* tax return, on the basis of the clarifications provided in Ministerial Circular Letter no. 31/E of 24 September 2013.

Therefore, the tax rate of continuing operations (which represents the tax burden on the Consolidated net profit from continuing operations, excluding AGCM provision) came to 74.9% (95.2% in 2014).

Finally, in 2015 the Group recorded a Profit before taxes from discontinued operations of € 3.7 million, including the negative result for the year arising from discontinued operations concerning the discontinued operations of SMAIL S.p.A. for € 2.4 million, against an income from tax consolidation for € 0.8 million. In 2014 the Consolidated net profit was significantly affected by the capital gain from the disposal of MIA S.p.A. (€ 13.4 million) on which IRES (Corporate Income) tax under the participation exemption regime is therefore 5% of the taxable base, with a tax effect equal to € 0.1 million. These elements, of an opposite sign, include an *overall tax rate* (which then represents the overall tax burden on the *Consolidated net Profit, excluding AGCM provision*) which came to 84.6% for 2015, against 47.3% for 2014.

Finally, the Group recorded a net negative Net Result of € 45.4 million attributable to the Group, against a positive net Result of € 12.4 million attributable to the Group at 31 December 2014.

3.2 Statement of financial position as at 31 December 2015

(in thousands of Euro)	31 December 2015	31 December 2014	Change
USES			
Trade receivables and advances to suppliers	519,194	580,629	(61,435)
Inventories	4,763	5,115	(352)
Trade payables and advances from customers	(380,215)	(380,821)	606
Net commercial working capital	**143,742**	**204,923**	**(61,181)**
Other elements of working capital	(54,519)	(79,630)	25,111
Net working capital	**89,223**	**125,293**	**(36,070)**
Property, plant and equipment	64,372	70,558	(6,186)
Goodwill and other Intangible assets	396,461	394,642	1,819
Investments accounted for under the equity method	28,484	29,390	(906)
Other elements of non-current assets	40,383	51,016	(10,633)
Fixed assets	**529,700**	**545,606**	**(15,906)**
Non-current liabilities	(88,357)	(45,363)	(42,994)
NET INVESTED CAPITAL	**530,566**	**625,536**	**(94,970)**
SOURCES			
Equity attributable to non-controlling interests	380	682	(302)
Equity attributable to equity holders of the parent	289,585	334,224	(44,639)
Shareholders' equity	**289,965**	**334,906**	**(44,941)**
Net financial indebtedness	240,601	290,630	(50,029)
FINANCING SOURCES	**530,566**	**625,536**	**(94,970)**

Net working capital

At 31 December 2015 Consolidated Net Working Capital (**NWC**) amounted to € 89.2 million, against a decrease of € 36.1 million compared to 31 December 2014 (€ 125.3 million).

At 31 December 2014, the consolidated net operating working capital (**NWOC**), composed of Trade receivables and advances to suppliers and inventories, net of Trade payables and advances from customers, was equal to € 143.7 million against € 204.9 million at 31 December 2014. Considering the now residual balance of receivables assigned by the Group in the framework of the previous years' assignment without recourse programmes and not yet collected by the factoring agencies (which are currently no longer used and equal to € 1.4 million at 31 December 2015 and € 1.5 million at 31 December 2014), the Adjusted NWOC stood at € 145.1 million and € 206.4 million, respectively.

The decrease is mainly linked mainly to the decrease in the balance of trade receivables compared to a considerable stability in the balance of trade payables and advances from customers (€ - 0.6 million).

As of 31 December 2015 the stocks of trade receivables (and in particular in a considerable portion of those concerning the customers in the Public and Healthcare sectors) and trade payables showed a significant change compared to 31 December 2014. This is attributable to the new VAT regulations introduced by the 2015 Stability Law, particularly those governing "Split Payments" and "Reverse Charge". The Split Payment rules require Public Administrations to pay the VAT charged by their suppliers directly to the Tax Office instead of the suppliers themselves settling the VAT they have charged their customers; while the "Reverse Charge" rules have reduced VAT on procurement and, to a lesser extent, on sales invoices. As far as the Group's NWOC is concerned, this has led to trade receivables being reduced by the portion of tax that is no longer recorded, under a contra-entry, as a VAT liability to be paid and to trade payables being reduced by the portion of tax no longer recognised as a VAT credit to be deducted. On the other hand, a lower VAT liability appears among the other elements in working capital, which has a positive impact which is reclassified from NWOC in NWC. From the analysis conducted to monitor this phenomenon within the Group, it has emerged that this net reclassification can be estimated at € 35 million (substantially in line with the value posted in the quarters of the 2015 financial year).

The impact of this shows a fall of about € 25 million in pro-forma NWOC as of 31 December 2015.

Average DSO at 31 December 2015 was 185 days, against 189 days at 13 December 2014 Collection times did in fact lengthen slightly, in the first half of the financial year, when the VAT law to which we have just referred was introduced: the new rules delayed invoicing processes during the initial phases of its application, causing a temporary slippage in the issuing of invoices and collection times. The delays, however, grew shorter more still in the third quarter, taking DSO up to more satisfactory levels.

On the other hand, the stock of trade payables came to € 380.2 million at 31 December 2015, in line compared to the balance at 31 December 2014 (€ 380.8 million).

Starting from the end of the 2013 inflows from the collection of debts were substantially stable (the differences between the quarters being only physiological) so that benefits could periodically be transferred to outflows. However, the end of the 2015 financial year saw an upward trend in DPO (234 days at 31 December 2015 and 223 days at 30 June 2015 and 218 days on 31 December 2014). Also as regards invoice management, the already mentioned new reverse charge VAT rules affected incoming invoices and this delayed the average time it took to handle them, which had an impact on overall DPO. As

early as in 2014, on the other hand, the Group also started to report a downward trend in invoiced costs (costs for professional services, subcontracted services and industrial capex) which partially affects a reduction in the average stock of trade payables. Finally, from the point of view of financial planning, the funds from some receipts tranches that had not been expected by the reporting date could not be used for payments to suppliers, which were only made in early January, with a consequent impact on the recognition of DPO as at the reporting date.
In fact historically DPO performance, which was in line with that of DSO during the year, slows down in the last quarter. Furthermore during the last quarter of 2015 substantial sums of money received during the last days of the year were not available soon enough to reschedule the settlement of trade payables so that these payments were only made in 2016. Additionally, in the last part of the year some services were launched which entailed delays in start-up payments.

The balance of the other elements in working capital at 31 December 2015 was a net liability of € 54.5 million, down by € 25.1 million compared to a net liability of €79.6 million at 31 December 2014:

(in thousands of Euro)	**31 December 2015**	**31 December 2014**	**Change**
Current tax receivables	23,430	28,922	(5,492)
Other current assets	31,138	30,632	506
Assets classified as held for sale		5,003	(5,003)
Provisions for risks and charges, current	(14,515)	(20,559)	6,044
Current tax payables		(4)	4
Other current liabilities	(94,572)	(123,624)	29,052
OTHER ELEMENTS IN WORKING CAPITAL	**(54,519)**	**(79,630)**	**25,111**

The effect of the Split Payment, net of the reverse charge rule already described, is evident: in fact, there was a total lower net VAT debt for € 31.9 million compared to the amount reported on 31 December 2014. Therefore, the statistical performance of the item constantly showed a net liability (at 31 December 2014 a net consolidated debt of € 27.0 million) against a net consolidated credit of € 4.9 million at 31 December 2015.
This decrease in net liability of the other working capital elements was due to a combination of further 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 a decrease in net liabilities of € 1.2 million;
- the recognition of lower net receivables for income taxes for € 5.5 million;
- a decrease of € 6.0 million in the short-term portion of provisions for risks and charges;

At 31 December 2014, The working capital elements also included “Assets held for sale” of SMAIL S.p.A. (€ 5.0 million), which were disposed of in November 2015.

Other long-term liabilities

“*Other long-term liabilities*” include liabilities relating to:

- TFR (employee benefits), equal to € 18.4 million and € 21.2 million at 31 December 2015 and 31 December 2014, respectively;
- long-term portion of provisions for future risks and charges for € 58.7 million at 31 December 2015 (of which € 48,5 million related to the provision set aside for the sanction imposed by AGCM) against € 12.4 million at 31 December 2014;
- deferred tax liabilities of € 11.2 million (€ 11.8 million at 31 December 2014).

Consolidated net financial indebtedness

Details of net financial indebtedness at 31 December 2015 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 2014.

(in thousands of Euro)	31 December 2015	31 December 2014	Change
A. Cash	34	36	(2)
B. c/a, bank deposits and consortia, non-proprietary accounts	114,357	113,346	1,011
C. Securities held for trading			
D Cash and cash equivalents (A) + (B) + (C)	**114,391**	**113,382**	**1,009**
E. Current financial assets	**5,257**	**3,501**	**1,756**
F. Current bank overdraft	34,064	0	34,064
G. Current portion of non-current debt	11,215	27,108	(15,893)
H. Other current financial liabilities	3,284	1,404	1,880
I. Current financial indebtedness (F)+(G)+(H)	**48,563**	**28,512**	**20,051**
J. Current net financial indebtedness (D) + (E) - (I)	**(71,085)**	**(88,371)**	**17,286**
K. Long-term bank debts and Senior Secured Notes	303,435	370,280	(66,845)
L. Other non-current financial liabilities	8,251	8,721	(470)
M. Derivatives			
N. Non-current financial indebtedness (K) + (L) + (M)	**311,686**	**379,001**	(67,315)
O. NET FINANCIAL INDEBTEDNESS (J) + (N)	**240,601**	**290,630**	**(50,029)**

The 2015 financial year saw a positive change in the consolidated net financial debt, which passed from € 290.6 million at 31 December 2014 to €240.6 million at 31 December 2015. The consolidated adjusted net financial debt for the amount of receivables assigned to factoring companies that had not been collected by the latter at the reporting date (equal to € 1.4 million at 31 December 2015, substantially in line with the value posted at 31 December 2014) would come to € 242.0 million (€292.1 at 31 December 2014). The main factors in the variation are the cash flow generated by the variations in NWOC (€ 55.6 million) and in the operating result in the financial year (€55.7 million) as against outflows for investments, the utilisation of provisions and other variations in assets items amounting to € 61.2 million.

The following is a breakdown of the net financial exposure for bank credit lines and obligations for finance leases ("Net interest bearing financial indebtedness”) compared to 31 December 2014:

(in thousands of Euro)	**31 December 2015**	**31 December 2014**
Cash and cash equivalents	(114,391)	(113,382)
Current bank overdraft, advance payments and hot money	34,064	
Current portion of non-current bank debts	10,651	26,333
Long-term bank debts	10,000	
Senior Secured Notes	293,435	370,280
Finance lease obligations	1,484	2,288
NET INTEREST BEARING FINANCIAL INDEBTEDNESS	**235,243**	**285,519**

The Net interest bearing financial Indebtedness reported a decrease compared to 31 December 2014 passing from € 285.5 million (€ 287.0 considering the exposure to factoring companies) to € 235.2 million (€ 236.6 considering the exposure to factoring companies).

The main cause of the variation is the use of € 34.1 million from short-term credit lines (hot money and advances on invoices) up to 31 December 2015 to meet cash requirement peaks in the normal course of business, to which must be added lines for assignments with recourse (*pro-solvendo*) of receivables used at 31 December 2015 for € 2.5 million (not included under the NIBFI).

On the other hand there was a reduction of € 15.7 million in the current portion of non-current bank debt, which included a net accrued expenses of € 13.5 million at 31 December 2014 relating to interest on the bond coupons paid in February 2015, while the net liability on 31 December 2015 for the coupons maturing in February 2016 was € 10.6 million, and the short-term portion of the loan raised with Banca Popolare di Vicenza (€ 12.9 million), which was paid off through the payment of instalments during 2015.

The debt for Senior Secured Notes fell by € 76.8 million: a portion of these notes with a nominal value of € 80 million was bought back by means of a tender offer in June 2015 and the transaction was recognised in the accounts according to the amortised cost method in accordance with IAS 39.

The change in consolidated Cash and cash equivalents is shown in the table below: the cash flows for the 2015 financial year are compared with the figures for the previous year. Annex IV to the Financial Statements, to which reference should be made, contains a reconciliation between the items in this table and those in the statutory Statement of Cash Flows presented in the Condensed Explanatory Notes pursuant to IAS 7.

	2015	2014
At 1 January	**113,382**	**184,538**
Cash flow from current operations	55,676	34,217
Uses of provisions for risks and charges and for employee termination indemnity	(14,012)	(18,279)
Change in adjusted NWOC	55,588	36,232
Industrial capex, net of disposals	(23,098)	(24,975)
Financial capex	5,692	67,905
Change in adjusted net financial liabilities	(29,747)	(139,067)
Other changes	(49,089)	(27,188)
AT 31 DECEMBER	**114,391**	**113,382**

The overall cash flows mainly reflect the net effect of:

- a positive cash flow arising from current operations for € 55.7 million (€ 34.2 million at 31 December 2014);
- payments linked to the use of provisions for future risks and charges and for employee termination indemnity for € 14.0 million (€ 18.3 million at 31 December 2014);
- a cash flow of € 55.6 million (compared with a positive cash flow of € 36.2 million at 31 December 2014) from changes in adjusted NWOC, mainly resulting from a positive flow correlated to a change in adjusted trade receivables of € 54.6 million (€ 36.2 million at 30 September 2014) and to a change in trade payables of € 1.1 million (compared with a negative cash flow of € 70.8 million in 2014);
- a € 23.1 million net cash flow used in investing activities (€25.0 million at 31 December 2014), net of disposals for € 0.8 million (€ 1.8 million at 31 December 2014). Furthermore, there were positive inflows arising from financial investments and financial disinvestments for € 5.7 million (€ 67.9 million at 31 December 2014, of which € 65.7 million relating to disinvestments from discontinued operations);
- a decrease of € 49.1 million in net adjusted financial liabilities (mainly due to the use of short-term credit lines for € 36.7 million and medium/long-term lines for € 10 million, as well as to the Tender for the repurchase of Senior Secured Notes at a book value of € 76.8 million and the trend in accruals of interest coupons on Senior Secured Notes) against a reduction of € 139.1 million at 31 December 2014 (mainly against the previous repurchase of Senior Secured Notes at a book value of € 42.4 million and the early termination of long-term loans for additional € 38 million);
- changes in other assets and liabilities amounting to a total outflow of €29.7 million (€27.2 million at 31 December 2014), which were mainly due to changes in flows relating to the VAT debt compared to the previous years.

Industrial and financial capex

In 2015 the Group made net capital expenditures which totalled € 24.0 million, compared to disinvestments of € 0.9 million:

(in thousands of Euro)	For the year ended 31 December	
	2015	**2014**
Purchases of properties		8
Purchases of plant and equipment	17,389	17,422
Other capital expenditures in intangible assets	6,614	9,190
Investments related to assets held for sale		262
INDUSTRIAL CAPEX	**24,003**	**26,796**

Purchases of plant and equipment mainly relate to the purchase of linen by Servizi Ospedalieri S.p.A. for the linen rental and industrial laundering activity, in which frequent periodic replacements are necessary (€ 10.7 million at 31 December 2015, against € 11.7 million at 31 December 2014). Investments in intangible assets for the year amounted to € 6.6 million (€ 9.1 million at 31 December 2014) and mainly related to improvements on the company's IT systems.

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

(in thousands of Euro)	For the year ended 31 December	
	2015	**2014**
Facility Management	7,683	10,518
Laundering & Sterilization	16,320	16,016
Other		
Assets held for sale		262
INDUSTRIAL CAPEX	**24,003**	**26,796**

Finally, disinvestments of tangible assets were recorded for the period equal to € 0.8 million against € 1.8 million at 31 December 2014, mainly related to capital goods of the industrial laundering site of Porto Garibaldi (FE), which had been used in the past for linen rental and industrial laundering operations and which was disposed of in early 2014.

The € 5.7 million positive cash flow was the final result of the divestment of a portion of the investment in Progetto Nuovo Sant'Anna S.r.l. and the shareholders' loan (€ +4.7 million) as against new long-term loans to project financing companies (€ -5.6 million) and the reclassification of nominal € 5.0 million escrowed in connection with the sale of MIA S.p.A. in December 2014 among short-term financial assets. On the contrary, there were financial divestments of € 67.9 million as of 31 December 2014, mainly against the cash flows arising from the disposal of discontinued operations (Energyproject S.r.l. Mowbray S.r.l. for a total of € 4.8 million, of which an amount of € 3.9 million had already been collected on 31 December 2014, and above all MIA S.p.A. for € 60.9 million).

Change in Adjusted Net financial liabilities

The table below shows the changes that were recorded in the financial year in the items making up consolidated financial liabilities, including the balance of the receivables assigned without recourse and not yet collected by the factoring companies:

(in thousands of Euro)	31 December 2014	New loans	Refunds and payments for the year	Buy-back Notes	Other changes	31 December 2015
Bank loans	12,869	10,000	(12,844)		15	10,000
Current bank overdraft, advance payments and hot money		34,064				34,064
Accrued and deferred expenses on loans	13,410		(28,900)		26,089	10,599
Senior Secured Notes	370,280			(80,000)	3,155	293,435
BANK DEBTS	**396,558**	**44,064**	**(41,784)**	**(80,000)**	**29,259**	**348,098**
Finance lease obligations	2,288		(804)			1,484
Payables for non-performing trade receivables assignment		5,442	(2,898)			2,543
Other financial liabilities	8,667				(544)	8,123
FINANCIAL LIABILITIES	**407,513**	**49,506**	**(45,486)**	**(80,000)**	**28,714**	**360,248**
Current financial assets	(3,501)				(1,756)	(5,257)
NET FINANCIAL LIABILITIES	**404,012**	**49,506**	**(45,486)**	**(80,000)**	**26,959**	**354,991**
Outstanding amount of receivables assigned to factoring companies without recourse	1,469				(69)	1,400
adjusted NET FINANCIAL LIABILITIES	**405,481**	**49,506**	**(45,486)**	**(80,000)**	**26,890**	**356,391**

During 2015 saw the payment of the net six-monthly coupon on the Senior Secured Notes of € 28.9 million; the settlement date was 2 February and 2 August. As already disclosed to the market, in the last quarter of the 2014 financial year MFM S.p.A. formalised the acquisition of some of its Senior Secured Notes on the open market for a total nominal amount of € 45 million. Furthermore, in June 2015, a public tender offer to investors was made as a result of which notes with a nominal value of € 80 million were bought back; these, too, were not cancelled but kept in a securities account. A part of these securities (amounting to a nominal value of € 14 million) was pledged against a 3-year € 10 million committed credit facility from CCFS.

Furthermore, the year saw the payment of the six-monthly instalments of the loan raised with Banca Popolare di Vicenza for a total of € 12.8 million, to pay off the related residual debt, while short-term credit lines for hot money and advances on invoices for € 34.1 million were used to meet cash requirement peaks in the normal course of business.
Furthermore, during the year MFM S.p.A. entered into an agreement for the assignment with recourse (*pro-solvendo*), of trade receivables with Unicredit Factoring S.p.A., concerning receivables from customers in the Public sector. The assignment took place on 28 October 2015 at a nominal value of receivables of € 5.4 million, while the amount of receivables assigned but not yet collected by the factor at 31 December 2015 amounted to € 2.5 million.

3.3 Financial ratios

The main financial balance sheet ratios as at 31 December 2015, calculated at consolidated level, compared with the ratios recorded for the consolidated Financial Statements as at 31 December 2014.
The financial data used for their calculation are normalised, i.e. net of the AGCM provision, which are thought to distort an assessment of the Group's current results.

Profitability ratios

	2015	2014
ROE	0.9%	3.8%
ROI	4.7%	3.6%
ROS	6.0%	4.8%

ROE (*Return on Equity*) provides a summary measurement of the return on capital invested by shareholders, and stood at 0.9% in 2015, compared to 3.8% in 2014. The ratio reflects a lower consolidated Net Profit compared to the previous year (which was affected by a significant capital gain from disposal of equity investments), against an increase in the equity reserves for the allocation of profits from the previous year to reserves. It should also be borne in mind that the tax burden on the Consolidated net profit is greater than in the previous period, in which there were substantial capital gains from sales of equity investments while the tax levied on these sales was very moderate, as it was calculated under a participation exemption regime for IRES tax purposes.

ROI (*Return on Investments*) provides a summary measurement of the operating return on capital invested in the company, and stood at 4.7% in 2015, compared to 3.6% in 2013. The improvement reflects the higher increase recorded in proportional terms in EBIT for the year (€ 57.5 million, excluding the AGCM provision, against € 47.0 million in 2014, equal to +22%) %) compared to a decrease in the Group's gross Invested Capital, which passed from € 1,311.7 million in 2014 to € 1,230.8 million in 2015 (- 6%).

ROS (*Return on sales*), provides a summary measurement of the Group's ability to convert turnover to EBIT, and stood at 6,0% in 2015 compared to 4,8% in 2015, against, as already illustrated, an improvement in the Group's EBIT (+22%), in spite of a slight reduction in Revenues from sales and services (-2%).

Liquidity ratios

	2015	2014
Current ratio	129.8%	137.7%

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 decrease of the ratio reflects a decrease in current assets (in particular for a decrease in trade receivables) against a total balance of future outflows that recorded a less than proportional reduction.

Ratios of composition of Assets and Liabilities

	2015	2014
Rigidity ratio	43.1%	41.6%
Liquidity ratio	56.5%	57.7%
Indebtedness ratio	0.69	0.72
Medium/Long-term Indebtedness ratio	32.6%	32.3%

The *rigidity ratio*, which expresses long-term loans as a percentage of total loans, was equal to 43.1% in 2015 against 41.6% in 2014, as a result of a reduction in invested capital compared to the previous financial year, which was more 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.

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 56.5% in 2015, compared to a ratio of 57.7% 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 compared to 0.72 in the previous year, mainly against a reduction in the consolidated financial debt described above.

The medium/long-term indebtedness ratio, expressed as the ratio of consolidated liabilities and total sources of funding, passed from 32.3% in 2014 to 32.6% in 2015, recording a decline that mainly reflects a reduction in medium/long-term loans in the course of the financial year, mainly due to the repurchase of a nominal amount of € 80 million of Senior Secured Notes through the Tender in June 2015, against a reduction in funding sources as a result of a reduced debt to third parties (€ 50.0 million) and net worth (€ 44.9 of which € 45.4 for the consolidated Loss 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.

	2015	2014
Turnover/internal and external personnel costs	146%	144%
Make ratio	57.8%	55.0%

At 31 December 2015 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 146% (144% at 31 December 2014). In 2015, the ratio was affected by a slight reduction in turnover against a considerable recovery of operating cost efficiency (and in particular of "external" personnel costs recognized under costs of services).

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 points to higher trend than in the previous financial year. This represents a greater recourse to internal production factors than to purchasing services from external sources, also due to a changed mix of contracts in the backlog.

4. ANALYSIS OF THE PROFITABILITY, FINANCIAL POSITION AND CASH FLOWS 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, all the costs relating to non-recurring events and operations described in Paragraph 1 of the Report on Operations (€ 55.5 million) were recognised in the Parent Company's Statement of Profit/Loss for 2015, against total non-recurring costs incurred in 2014 for € 13.9 million. Below is the related breakdown:

(in thousands of Euro)	**For the year ended at 31 December**	
	2015	**2014**
Costs for termination of employment relationships by mutual agreement		2,983
Tender offer consulting fees	142	
Structural reorganisation consulting fees	583	
"*Oneri di Sistema*" relating to previous years	3,074	
Legal advice on pending administrative disputes	198	
Non-recurring operating costs impacting on EBITDA	**3,997**	**2,893**
Provisions for risks on AGCM fine	48,510	
Provisions for business reorganization		4,617
Impairment losses of fixed assets		4,418
Non-recurring operating costs impacting on EBIT	**48,510**	**9,035**
Write-off of upfront fees related to the Notes bought back	1,902	1,162
Financial fees	1,069	112
Non-recurring financial costs	**2,971**	**1,274**
TOTAL NON-RECURRING COSTS	**55,478**	**13,292**

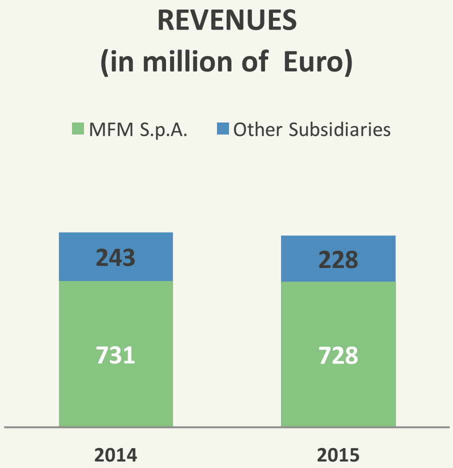
4.1 Economic results

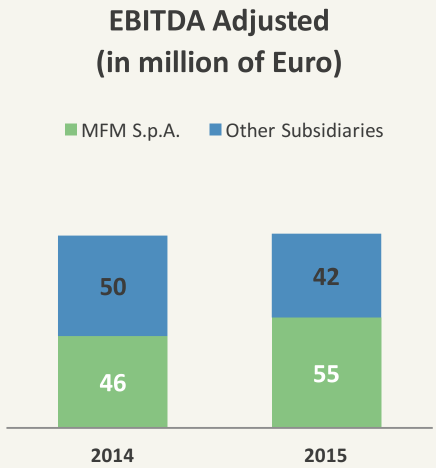
The main income data of the MFM S.p.A. for the year ended 31 December 2015, are shown below, as well as a comparison with the figures from the previous year:

(in thousands of Euro)	For the year ended 31 December		Change	%
	2015	2014		
Total revenues	727,632	731,142	(3,511)	-0.5%
Total costs of production	(676,217)	(688,555)	12,388	-1.8%
EBITDA	**51,415**	**42,587**	**8,828**	**+20.7%**
EBITDA %	**7.1%**	**5.8%**		
Amortization, depreciation, write-downs and write-backs of assets	(10,829)	(12,037)	1,208	
Accruals and reversal of provisions for risks and charges	(55,197)	(5,784)	(49,413)	
Operating Income (EBIT)	**(14,611)**	**24,766**	**(39,377)**	
EBIT %	**ND**	**3.4%**		
Income (charges) from investments	10,894	12,619	(1,726)	
Net financial charges	(27,996)	(28,595)	598	
Profit before taxes	**(31,714)**	**8,790**	**(40,405)**	
Profit before taxes %	**ND**	**1.2%**		
Income taxes	(11,256)	(3.433)	(7,813)	
Profit from continuing operations	**(42,970)**	**5,347**	**(48,318)**	
Profit (loss) from discontinued operations	**(1,286)**	**7,585**	**(8,871)**	
NET PROFIT (LOSS)	**(44,257)**	**12,932**	**(57,189)**	
NET PROFIT %	**ND**	**1.8%**		

In 2015 revenues for MFM S.p.A. stood at € 727.6 million, showing a decrease of € 3.5 million compared to € 731.1 million in 2014.

The Parent Company MFM S.p.A. guarantees the Group a sizeable portion of the consolidated results (about 76% 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.





In 2015 EBITDA came to € 51.4 million against € 42.6 million in 2014, with a considerable increase in terms of related margins, which passed from 5.8% at 31 December 2014 to 7.1% at 31 December 2015. In 2015 the Parent Company contributed to consolidated EBITDA for about 57% of the same (47% for the financial year ended 31 December 2014).

The remarks concerning the Group's income performance, in fact, are fully borne out in MFM S.p.A. since the efficiency improvement actions in support of margins and the pressure on volumes and prices in the Facility Management segment that have been described more generally are most obviously concentrated in the Parent Company. Cost efficiency improvement measures had to be put in place as a result of falling sales volumes; during 2015 these led to a full-scale internal reorganisation. New functions were created and new key managers were found in order to adapt the business model to the changed conditions in the domestic market with the primary objective of resuming the growth trend in revenues and profit margins as soon as possible. At the same time the cost-saving measures which began to be introduced at the end of 2014 met the targets that had been set in 2015, with a recovery in terms of fixed costs and overheads, in absolute terms, equal to about € 12 million.

Specifically, there was a reduction in *Costs of raw materials and consumables* for € 2.4 million, *Costs of services* for € 22.4 million, against higher *Personnel costs* for Euro 6.9 million and higher *Other operating costs* for € 5.4 million (of which an amount of € 3.1 million related to non-recurring *Oneri di Sistema*). Obviously, the different performance in the various cost items was also linked to a different mix of services rendered, with different overall labour costs in the two comparative periods.

In 2015 EBIT was negative for € 14.6 million (against € 24.8 million at 31 December 2014). EBIT was significantly affected by the non-recurring costs described above and in particular by the provision for risks of € 48.5 million set aside following the issue by AGCM of the order for sanctions on 22 December 2015, which was then served on 20 January 2016. In fact, *Adjusted EBIT* would amount to € 37.9 million, against an *Adjusted EBIT* of e 36.8 million at 31 December 2014 (+ € 1.1 million). In 2014 EBIT also included the revaluation of the investment in MIA S.p.A., which was transferred in the course of the financial year, equal to € 6.2 million. This investment was written down during 2013 but was later on reversed to its original value since the legal reasons making its impairment necessary no longer applied after it was measured at a market price higher than that for which it was reported when negotiating its sale.
Furthermore, during 2015 note *write-downs of equity investments* of € 1.4 million (€ 3.2 million at 31 December 2014) which were mainly connected to the subsidiaries operating in the building (MACO S.p.A) and public lighting segments (SMAIL S.p.A.), for which a gradual exit from the markets has been completed for these activities.

In 2015 amortisation and depreciation amounted to € 6.7 million against € 9.0 million at 31 December 2014, to which must be added write-downs of € 4.4 million on the residual amortisable value of investments in intangible assets carried out in previous financial years. In a scenario in which some corporate functions are rationalised and structural costs are reduced, these assets were deemed no longer suitable for use in the conduct of the Group’s business. Finally, *net write-downs of trade receivables* amounted to € 2.7 million (€ 1.6 million at 31 December 2014), as a result of having set aside a provision for risks on some specific positions.

Lastly, as at 31 December 2015 there were provisions allocated (net of any transfers) for € 55.,2 million (€ 5.8 million at 31 December 2014). These provisions included the abovementioned provision for risks arising from the fine imposed by AGCM for € 48.5 million. At 31 December 2014, a provision of € 4.6 million for corporate restructuring was recognised, being the estimated future costs of measures to improve the efficiency of the operational structures in terms of staff reductions, which took place during 2015.

To EBIT must be added dividends and net income from equity investments amounting to € 10.9 million, compared to € 12.6 million in the previous year. The income reflects, among others, dividends from subsidiaries for € 11.1 million (€ 10.9 million at 31 December 2014), in addition to € 0.2 million from associated companies and minority interests (€ 1.7 million at 31 December 2014), as summarised below:

	Year ended 31 December	
	2015	2014
Servizi Ospedalieri S.p.A.	6,040	1,880
Telepost S.p.A.	3,030	4,376
Sicura S.p.A.		1,600
H2H Facility Solutions S.p.A.	1,998	2,952
Roma Multiservizi S.p.A.		1,510
Other minors	232	219
DIVIDENDS	**11,300**	**12,537**

Financial income fell by € 7.4 million compared to the previous year. At 31 December 2014, the item recorded financial gains of 3.4 million achieved in the course of the last quarter from the buy-back of portions of bonds on the market for a nominal value of € 45 million. Furthermore, the Parent Company also recognised lower interest income on bank current accounts (- € 0.4 million) and lower interest income on trade receivable for € 0.7 million.

The impact of financial charges on the results of operations of the Company was equal to € 34.5 million, showing a reduction of € 8.0 million compared to 2014.
First of all this item recorded lower financial costs on the coupons of the bond issue for € 8.0 million, given the gradual repurchase of portions of the same in the market, which entailed a reduction in the nominal debt for a total of € 125 million. Specifically, in addition to a first tranche of Notes repurchased on the market as early as in December 2014 for a nominal amount € 45 million, on 3 June 2015 a tender offer successfully concluded for a nominal amount of € 80 million more of this loan. At present all the Senior Secured Notes are held in a securities deposit account; none were cancelled. The buy-back transaction carried out during 2015 entailed writing off a proportionate part of the upfront fees reported in accordance with IAS 39, and € 1.9 million higher financial costs were reported in the financial year (€ 1.2 million for the operations in December 2014). Finally, financial fees amounting to € 1.1 million for the buy-back transaction were reported (€ 0.1 million in 2014).

From the profit before taxes must be deducted taxes of € 11.3 million (€ 3.4 million at 31 December 2014), thus obtaining a *net profit from continuing operations* negative of € 43.0 million. The 2015 financial year also recorded a *Profit (loss) from discontinued operations* negative of € 1.3 million against a positive result of € 7.6 million at 31 December 2014. Both these components relate to the transfer of the investment in MIA S.p.A., which entailed a considerable capital gain in 2014 against total costs accrued in the year in relation to the continuation of formalities set out as per contract and resulting from the transfer that was completed in December 2014.

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

(in thousands of Euro)	For the year ended at 31 December	
	2015	**2014**
Profit before taxes	**(31,714)**	**8,790**
Non-deductible AGCM provision	48,510	
Profit before taxes, excluding AGCM provision	**16,796**	**8,790**
Current, prepaid and deferred IRES tax, including income and expenses from Tax consolidation	(7,383)	960
Current and deferred IRAP tax	(3,533)	(7,321)
Adjustments to income taxes related to previous years	(340)	2,918
Income taxes	**(11,256)**	**(3,443)**
Net profit from continuing operations, excluding AGCM provision	**5.540**	**5,347**
Tax rate from continuing operations	**67.0%**	**39.2%**
Profit (loss) before taxes from discontinued operations	**(1,303)**	**7,691**
Taxes on profit (loss) from discontinued operations	17	(106)
Net profit (loss) for the year, excluding AGCM provision	**4,254**	**12,932**
Total tax rate	**72.5%**	**21.5%**

As already described, the *Profit before taxes* includes a considerable provision relating to the administrative dispute pending with AGCM (€ 48.5 million). This non-recurring provision, which is not deductible for the purposes of calculating the tax burden for the year, makes the Profit before taxes negative for € 31.7 million. The tax rate for the year is then analysed by excluding the effect of this provision on the Profit before taxes, which would be then positive for € 16.8 million.

Compared to the previous year, the Company recognised lower current and deferred IRAP tax for a total of € 3.8 million, determined by the application of the new regulations providing for the full deductibility of labour costs limited to the workers employed under permanent employment contracts.

However, higher current and deferred IRES tax was recognised on the Profit from continuing operations for € 8.3 million (against a higher profit before taxes, as defined above, by € 8.0 million). The main impact is attributable to the recognition of current IRES tax on a higher taxable base, against lower proceeds from deferred tax assets on financial costs that were not deductible in the year.

Furthermore, there was the recognition of lower adjustments to taxes from previous years for € 3.3 million: in 2014 they mainly related to tax revenues (€ 2.6 million) reported after the Company presented a supplementary declaration to the *2014 Modello Unico* tax return, on the basis of the clarifications provided in Ministerial Circular Letter no. 31/E of 24 September 2013.

In 2014, finally, the Net profit was significantly affected by revaluations and capital gains on the sale of equity investments (a total of € 14.7 million) on which IRES tax under the participation exemption regime is 5% of the taxable base, with a tax effect of € 0.1 million. These elements, of an opposite sign, include an *overall tax rate* (which then represents the overall tax burden on the *Net Profit, excluding AGCM provision*) which came to 72.5% for 2015, against 21.5% for 2014.

Finally, the Company recorded a negative Net profit of € 44.3 million, against a positive net Profit of € 12.9 million at 31 December 2014.

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 2015 is shown below, compared with the figures for year ended 31 December 2014.

(in thousands of Euro)	December 2015	31 December 2014	Change
USES			
Trade receivables and advances to suppliers	398,477	436,044	(37,566)
Inventories	884	1,172	(289)
Trade payables and advances from customers	(264,404)	(267,893)	3,489
Net commercial working capital	**139,957**	**169,323**	**(34,366)**
Other elements of working capital	(59,959)	(73,939)	13,980
Net working capital	**74,998**	**95,384**	**(20,386)**
Property, plant and equipment	9,529	11,186	(1,656)
Intangible assets	317,145	314,926	2,219
Investments	143,528	145,231	(1,703)
Other non-current assets	80,188	89,773	(9,584)
Fixed assets	**550,391**	**561,115**	**(10,724)**
Non-current liabilities	(75,237)	(30,219)	(45,018)
NET INVESTED CAPITAL	**550,152**	**626,281**	**(76,128)**
SOURCES			
Shareholders’ equity	298,362	342,360	(43,999)
Net financial indebtedness	251,791	283,920	(32,130)
TOTAL FINANCING SOURCES	**550,152**	**626,281**	**(76,128)**

Net working capital

Net working capital (NWC) totalled € 75.0 million as at 31 December 2015, compared to a decrease of € 20.4 million compared to the value posted at 31 December 2014 (€95.4 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 € 135.0 million as at 31 December 2015, while it was equal to € 169,3 million at 31 December 2014. The decrease was mainly due to a reduction in the balance of Trade Receivables and advances to suppliers (- € 37.6 million), against a more limited reduction in the balance of Trade payables and advances from customers (-€ 3.5 million).

As of 31 December 2015 the stocks of trade receivables (and in particular in a considerable portion of those concerning the customers in Public Authorities and private Healthcare sector) and trade payables showed a significant change compared to 31 December 2014. This is attributable to the new VAT regulations introduced by the 2015 Stability Law, particularly those governing “Split Payments” and “Reverse Charge” (which has been already referred to in details in previous paragraphs). As far as the Group’s NWOC is concerned, this has led to trade receivables being reduced by the portion of tax that is no longer recorded, under a contra-entry, as a VAT liability to be paid (estimated, in MFM S.p.A., at about € 20 million for the portion of “Split Payment”, to which must be added a further amount of about € 16 million relating to the “Reverse Charge” mechanism on sales invoicing) and to trade payables being reduced by the portion of tax no longer recognised as a VAT credit to be deducted (equal to about € 13 million for the “Reverse Charge” mechanism on purchase invoicing”). The overall impact of the new regulations on the NWOC can be estimated at a reduction of about € 23 million, against the recognition, under Other NWC elements, of a lower VAT debt for € 19.1 million, showing the reclassification of this balance from NWOC to NWC. Net of these phenomena, however, NWOC is lower because while the DSO figure is satisfactory (thus reducing the amount of Trade Receivable), when Trade Payables are purged of the effects of the Reverse Charge they are higher than in the previous year. In fact some of the outflows for the payment of suppliers were postponed to the first days of the 2016 financial year, with a financial leverage on these that was more evident on the reporting date.

The balance of the other elements in working capital at 31 December 2015 was a net liability of € 60.0 million, down by € 14.0 million compared to a net liability of € 73.9 million at 31 December 2014:

(in thousands of Euro)	31 December 2015	31 December 2014	Change
Current tax receivables	12,254	20,939	(8,685)
Other current assets	19,402	19,870	(468)
Provisions for risks and charges, current	(13,864)	(16,455)	2,591
Other current liabilities	(77,750)	(98,293)	20,542
OTHER ELEMENTS IN WORKING CAPITAL	**(59,959)**	**(73,939)**	**13,980**

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

- the recognition of lower net credit of € 8.7 million for estimated income tax for the 2015 financial year owing to the higher taxable base in the financial statements at 31 December 2015 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 € 2.6 million, mainly for the use of the provision for corporate reorganisation, during the year, which had been recognised at 31 December 2014;
- the recognition of lower net VAT payables for € 19.1 million (against a net debt of € 2.3 million at 31 December 2015 against a net debit of € 21.6 million at 31 December 2014), mainly as a result of the trend already described with regard to the new regulations that came into force in 2015. Furthermore, lower VAT tax advances were recorded which were paid in December 2015 compared to December 2014 for € 14.8 million.

Fixed assets

Fixed assets include the following main items:

(in thousands of Euro)	31 December 2015	31 December 2014	Change
Property, plant and equipment and Intangible assets	33,436	32,873	563
Goodwill	293,238	293,238	
Equity investments in subsidiaries, associates and joint ventures	143,528	145,231	(1,703)
Other investments	2,868	2,718	150
Non-current financial assets	61,372	66,964	(5,592)
Other non-current assets	1,904	1,429	475
Deferred tax assets	14,045	18,662	(4,618)
FIXED ASSETS	**550,391**	**561,115**	**(10,724)**

The most substantial variations occurred in the reclassification to current financial receivables of a part of the credit for sums escrowed in connection with the contract of sale of the investment in MIA S.p.A. in December 2014 (equal to a nominal amount of € 5.0 million), as a result of the expiring of some contractual deadlines provided for therein. Additionally, during the year portions of long-term loans to project financing companies were paid out for € 4.4 million, against the disinvestment from the portion of loan held in Progetto Nuovo Sant'Anna S.r.l. (€ 4.2 million), for which a 20% share might be transferred which is held in the quota capital.

Other non-current liabilities

"Other non-current liabilities" include liabilities relating to:

- TFR (employee benefits), equal to € 11.0 million and € 12.4 million at 31 December 2015 and 31 December 2014, respectively;
- long-term portion of provisions for future risks and charges (€ 54.6 million at 31 December 2015 against € 7.5 4 million at 31 December 2014), of which an amount of € 48.5 million relates to the provision for risks set aside as a result of the sanction imposed by AGCM on the Company;
- deferred tax liabilities of € 9.7 million (€ 10.4 million at 31 December 2014).

Net financial indebtedness

The Parent Company's net financial indebtedness at 31 December 2015 and at 31 December 2014 is reported below:

	31 December 2015	31 December 2014	Change
Long-term financial liabilities	303,435	370,280	(66,845)
Bank borrowings and current portion of long-term debt	60,114	44,411	15,703
GROSS FINANCIAL INDEBTEDNESS	**363,549**	**414,691**	**(51,142)**
Cash and cash equivalents	(84,543)	(92,641)	8,099
Other current financial assets	(27,215)	(38,129)	10,914
NET FINANCIAL INDEBTEDNESS	**251,791**	**283,921**	**(32,130)**

2015 financial year saw the payment of the net six-monthly coupons on the Senior Secured Notes of € 28,9 million; the settlement date was 2 February and 2 August (€ 36.1 million in 2014).

In fact, the reduction in Gross Financial Indebtedness was connected to the already described repurchase, through a Tender Offer in June 2015, of portions of Senior Secured Notes in a nominal amount of € 80 million, following those that took place in the market in the last quarter of 2014 for a nominal amount of € 45 million. Furthermore, the loan disbursed by Banca Popolare di Vicenza (€ 12.8 million) was paid off through the payment of the last six-monthly coupons. On the other hand, very short-term credit lines were raised for hot money and advances on invoices for € 27.4 million, in consideration of contingent cash requirements and an assignment was carried out with recourse (*pro-solvendo*) of trade receivables with Unicredit Factoring S.p.A. concerning receivables from Public Authorities in a nominal amount of receivables equal to € 5.4 million (of which € 2.5 million not yet collected by the Factor at 31 December 2015). Furthermore, current financial assets reduced by € 10.9 million, mainly as a result of a reduction in the credit balances of current financial accounts registered in the name of subsidiaries (- € 13.7 million). At 31 December 2015 the item also included the abovementioned share of escrow (for a nominal amount of € 5 million) against the disposal of the investment in MIA S.p.A., which was reclassified to short-term maturity items.

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

(in thousands of Euro)	31 December 2015		31 December 2014	
	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	**(44,257)**	**298,362**	**12,932**	**342,360**
- Elimination of consolidated equity investment values		(137,054)	(552)	(137,210)
- Accounting of Shareholders' Equity to replace the values eliminated		48,976	(13)	50,351
- Allocation to consolidation difference		61,954		62,438
- Allocation of tangible assets	(4)	71	(4)	75
- Recognition of financial income/costs on PUT options	(43)	(43)	(484)	(484)
- Dividends distributed to Group companies	(11,068)		(4,596)	
- Profit generated by consolidated companies	7,281	7,281	8,474	8,474
- Associates and JVs valued at equity	(156)	5,186	(162)	5,225
- Tax effects on consolidation adjustments	(32)	(367)	(55)	(336)
- Reversal of statutory write-downs	(3,268)	5,468	(3,213)	3,551
- Other consolidation adjustments	(401)	(249)	26	(223)
Total consolidation adjustments	**(1,155)**	**(8,777)**	**(579)**	**(8,148)**
Shareholders' equity and profit (loss) for the year pertaining to the Parent Company	**(45,412)**	**289,585**	**12,354**	**334,223**
Shareholders' equity and profit (loss) for the year pertaining to Minority Interests	43	380	273	683
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS	**(45,369)**	**289,965**	**12,627**	**334,906**

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.
Under MFM's rules, 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 Management Board;
- the "Organismo di Vigilanza (ODV)", pursuant to Legislative Decree 231/2001;
- the Internal Control Committee.

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 parameters:

- 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 and to the market

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.

In this particularly challenging scenario, two particular events occurred during the first part of 2016 which mean that the risks of existing contracts or agreements being terminated or withdrawn from must be assessed more carefully than in the recent past:

- as a result of the Competition Authority fine ruling on 20 January 2016, on 4 February 2016 CONSIP S.p.A. initiated a procedure to terminate the Agreements entered into with the Parent Company MFM S.p.A. regarding cleaning and other services provided in order to keep school buildings and Public Administration training establishments clean and in working order (under the "Consip Scuole" agreement), also informing the company that it would consider the possibility of excluding it from future tenders for "work of the same type" (pursuant to article 38, paragraph 1, letter f) of Legislative Decree 163/06). In fact the Management pointed out that there are no tenders for "work of the same type" among the tenders in the pipeline waiting to be awarded. Furthermore recent Council of State case law has questioned whether a Competition Authority fine ruling can constitute a rightful cause of exclusion from future tenders pursuant to article 38, paragraph 1, letter f) of Legislative Decree 163/06.

In a subsequent notice of 26 February 2016, the Authority accepted the parent company's request to stay the procedure pending the outcome of the company's appeal before the Lazio Regional Administrative Court;

- on 19 February 2016 Telecom Italia S.p.A. exercised a contractually agreed right in the event of any Company Directors being committed for trial and withdrew from its contract. MFM S.p.A. immediately started an internal review of almost all its contracts with clients in the Private sector; none of these contracts contain clauses allowing their termination after a similar occurrence. Furthermore, the Code of Public Contracts which governs contracts concluded with Public Authorities and Public Healthcare Institutions do not state that a mere committal for trial can be a cause of their termination; on the contrary, what is required is a final conviction for a serious criminal offence that detracts from the professional integrity of the person concerned.

Financial risks

Concerning financial risks:

- liquidity
- credit
- interest rates
- exchange rates and
- price risks

the Group deals with in its operations and how they are managed, the subject is discussed in detail under note 35 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 2015 significant changes were made to the legislation concerning the legal rules affecting the scope of application of Legislative Decree 231/2001.

Specifically, Law 186 of 15 December 2014 came into force on 1 January 2015 and was published in the Official Gazette (*Gazzetta Ufficiale*) of 17 December 2014. Under this law, "self-money laundering" entered the Italian Criminal Code (under Article 648-*ter*, paragraph 1) and Legislative Decree 231/2001 (under Article 25-*octies*) and minor amendments were made to the crime of "money laundering" (Article 648-*bis*) and the "use of money, goods or assets of illicit origin" (Article 648-*ter*).

Law 68 of 22 May 2015, which was published in the Official Gazette on 28 May 2015 and came into force on the subsequent day, also revised Article 25-*undecies* on "Environmental crimes" under legislative Decree 231/2001. The following were added to the list of crimes which constitute grounds for the administrative liability of legal persons as a result of the commission of a criminal offence:

- environmental pollution (penalty from 250 to 600 units);
- environmental disaster (penalty from 400 to 800 units);
- criminally negligent environmental pollution and environmental disaster (penalty from 200 to 500 units);

- aggravated common criminal conspiracy and organised crime conspiracy (penalty from 300 to 1000 units);
- trafficking in and dumping highly radioactive materials (penalty from 250 to 600 units).

An entity is disqualified, as referred to in Article 9 of Legislative Decree 231/2001, if it is found guilty of the crime of environmental pollution and environmental disaster under the new paragraph 1-*bis* of Article 25-*undecies*.

Finally, Law 69 of 27 May 2015 has been adopted, which was published in the Official Gazette on 30 May 2015 and came into force on 14 June 2015. This Law:

- raises the penalties laid down for some crimes against Public Authorities (bribery in public office, bribing a public officer to act in breach of official duties, judicial bribery and inducing to give or promise benefits) and belonging to "organised criminal associations"; and amends the crime of "extortion" (these crimes are already referred to in Legislative Decree 231/2001);
- makes "false corporate disclosures", usually referred to in Italian as "false financial statements", a criminal offence again after it was, in practice, made a purely civil offence in 2002 (the new law raises the fine from 200 to 400 units for the basic offence of falsifying company documents. The fine is increased from 400 to 600 units in the case of listed companies. The fine is from 100 to 200 units if Article 2621-*bis* of the Italian Civil Code on minor offences applies);
- strengthens the power of the Italian Anti-Corruption Authority.

As a result of the changes made, MFM S.p.A. updated the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001 (hereinafter the Model).

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. The procedure to update the Model was approved by the "Organismo di Vigilanza (ODV)", a collective body whose functioning is governed by Regulations which are communicated to the Management Board.

On 20 February 2015 and, subsequently, on 1 December 2015, the "ODV" approved the draft Organisational, Management and Control Model, appointing the chairman of the Supervisory Board to submit it for the approval of the Management Board of MFM S.p.A., which took place on 23 February 2015 and 16 December 2015, respectively.

The "ODV", which had been appointed on 30 April 2014, was made up as follows:

- a representative from the Legal Affairs department;
- an outside member;
- a member of the Board Management without delegated powers.

In January 2015 the representative of the Legal Affairs department resigned from his office as a member of the ODV and was replaced by another external member on 23 February 2015. Therefore, at 31 December 2015, the current composition of the ODV, which was appointed on 23 February 2015, was as follows:

- two outside members;
- a member of the Board Management without delegated powers.

It is a requirement that a member of the Supervisory Board and a member of the Internal Control Committee should be permanently invited.

In 2015 the "ODV" formally met five times (20 February, 10 April, 14 July, 21 October and 1 December 2015).

As regards audit activities, at the second meeting in 2015, the ODV approved the proposed audit plan for 2015, 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 to the Chairman of the company's Management Board in a timely fashion.

7. HUMAN RESOURCES AND ORGANISATION

As at the closing date of the 2014 financial year, the MFM Group employed 16,434 workers (at 31 December 2014: 15,922 units), including personnel on lease from the Parent Company Manutencoop Società Cooperativa to Group companies, equal, at 31 December 2015, to 483 units (31 December 2014: 567 units).

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

	31 December 2015	31 December 2014
Executives	56	58
Office workers	1,251	1,462
Manual workers	15,127	14,402
EMPLOYEES	**16,434**	**15,922**

Prevention and protection

During the year, some job orders were checked on a sample basis by the certifying body in the various areas of operations in the framework of the activities for the certification of the OHSAS 18001 Health and Safety Management System, which had been already started by the RINA in the 2012 financial year. RINA's audit was favourable on the whole.

In 2015 the Prevention and Protection Service conducted 42 audits in the Operations structure, 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.

The "Risk Assessment Document" was further revised during 2015 (it had already been revised four times by 2014). The 2015 revision, however, was only made to adjust some formal and not substantive aspects which had emerged during the KHC safety management system certification process as a requirement to obtain a higher score for tenders in Sicily. The new document was completed and formalised on 30 January 2016.

Healthcare supervision, performed by occupational physicians widely distributed throughout the country, concerned all personnel exposed to "regulated" risks, i.e. occupational risks that may adversely affect health. As a result all the workplaces of MFM S.p.A. are under supervision, with the exception of the hygiene sector for services provided in non-industrial areas, in that the extent of each risk assessed in this sector in the overall risk assessment process is not such as to entail the obligatory inclusion of hygiene in these controls. These members of staff, in any case, have the right to consult the Company doctor on request. In the 2015 financial year 6,099 workers underwent a medical examination.

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:

	2015	2014	2013
Impact (no. of accidents x 1,000/no. of employees)	67.49	85.60	90.22
Frequency (no. of accidents x 1,000,000/no. of worked hours)	56.61	72.04	75.80
Severity (days of accident x 1,000/ no. of worked hours)	1.34	1.68	1.74

There are currently 22 Workers' Safety Representatives at MFM S.p.A. distributed throughout the areas of Operations In 2015 they were involved in a training/education plan on occupational safety.

36 Health and Safety at Work inspections were also conducted 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 2015.

Training

In the course of the 2015 financial year 707 training sessions were held, which involved 7,198 participants for a total of 55,700 training hours.

The table below shows the comprehensive results, divided into 5 subjects:

	2015				2014			
Subject	**Courses**	**Editions**	**Participants**	**Hours**	**Courses**	**Editions**	**Participants**	**Hours**
Safety	37	420	5,900	42,982	38	773	10,405	87,253
Technical-professional	56	135	1,028	10,864	76	177	1,434	15,242
IT					1	3	38	608
Quality and Environment	8	27	221	760	8	19	277	988
Management	4	7	49	1,094	12	23	266	8,234
TOTAL	**105**	**107**	**7,198**	**55,700**	**135**	**995**	**12,420**	**112,327**

MFM S.p.A. continued with obligatory basic Safety training as required by Legislative Decree 81/2008; over 4,700 employees attended.

As regards technical and occupational training, MFM S.p.A. gave specific technical courses for each job type in order to fill the training gap and enhance employees' skills and job performance. It also added a Phytosanitary Certificate to the certificates it issues after a modification of the rules and continued giving staff boiler certificate lessons, thus training about fifty boiler room operators.

In order to meet corporate requirements, English language courses were given to about 50 persons for 6 months. Finally, training sessions continued for employees enrolled with the Council of Architects and Engineers; these were necessary in order for them to retain their registration.

Some Management training sessions on effective presentation and communication techniques were given. The Company went on with its project involving two employees attending the Executive MBA course of Impresa Cooperativa at the Alma Mater Studiorum Bologna Business School every year.

Finally, the specialist training as regards Quality and Environment was related to job orders and the requirements of the different Areas.

About 40% of the expenditure sustained in the 2015 financial year was covered using the Formatemp Fund and the Foncoop Company Training Account. Specifically, the funding met a part of the costs of the Safety, Technical and Occupational and Management training projects.

8. ENVIRONMENT AND QUALITY

In 2015 MFM S.p.A. again certified that its management systems comply with the rules:

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

The Company's certificate of compliance with SA8000:2008 (Social Accountability System) standard and UNI CEI 11352:2014 - Energy Management - Companies providing energy services (ESCO) standard was also updated as well as the ANMDO CERMET standard for the voluntary accreditation of suppliers of hospital cleaning and sanitation services.

In 2015 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 required by Article 30 of Legislative Decree 81/08, as amended, MFM 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*.

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

Sicura S.p.A. and its direct subsidiaries	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 monitoring leakages and recovering fluorinated greenhouse gases, installing, servicing and repairing fixed fire fighting plants and extinguishers containing such gases.
H2H Facility Solutions S.p.A.	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.

Servizi Ospedalieri S.p.A.	Maintenance according to the UNI EN ISO 9001:2008 standard (Quality Management System), UNI EN ISO 13485 standard (Quality Management Systems. Requirements for regulatory purposes), UNI EN 14065:2004 (Laundry Processed Textiles - Biocontamination Control System), UNI EN ISO 20471:2013 (High Visibility Clothing - Test Methods And Requirements), BS OHSAS 18001:2007 (Occupational Health and Safety Management Systems), 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.
Telepost S.p.A.	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). No final convictions against Group companies for environmental crimes were recorded during 2015.

9. 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 2015 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 2015, to which reference should be made.

10. CORPORATE GOVERNANCE

The Corporate Governance structure of Manutencoop Facility Management S.p.A. is set up under a two-tier administration and control system, as regulated by articles 2409-octies et seq. of the Italian Civil Code, widely used in other EU countries.

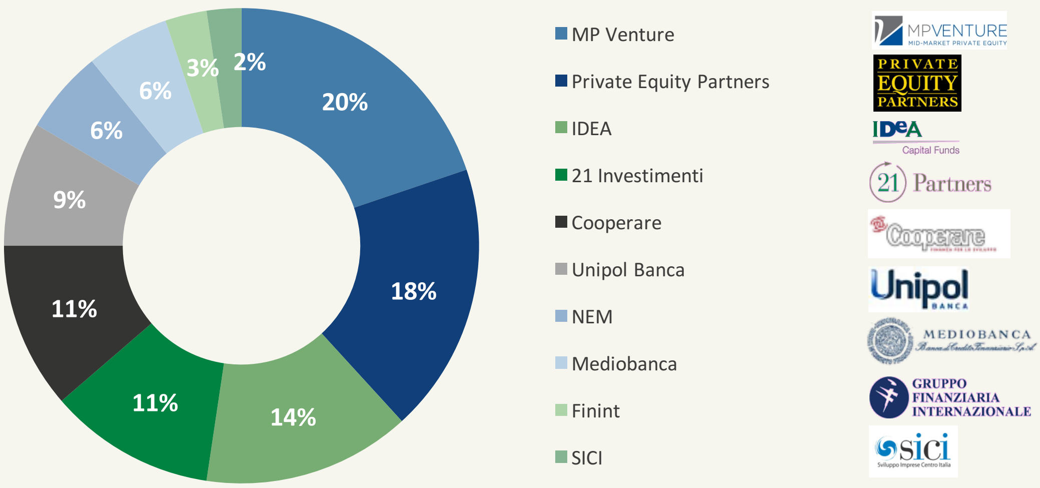
This model provides a clear distinction between ownership and management, given that the Supervisory Board, composed entirely of independent members, acts as a barrier between the shareholders and the Management Board and, therefore, is able to more effectively meet the need of greater transparency and lower potential conflict of interest risk as opposed to the "traditional" model.

11. SHAREHOLDING STRUCTURE

Ordinary shares issued by the MFM Group and fully paid up at 31 December 2015 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.

Manutencoop Società Cooperativa holds a controlling interest of 71.889% in MFM S.p.A.. On 1 July 2013 it also 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. The financial and administrative rights attached to said stake pertain to the buyer.

The remaining stake was held by a pool of Private Equity investors:



12. RESEARCH AND DEVELOPMENT

In 2015, the MFM Group companies did not bear any research and development costs.

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

The company does not hold own shares, or shares or interests in parent companies, neither through trusts nor intermediaries.
In 2015, the company did not purchase or dispose of own shares, or shares or interests in parent companies, neither through trusts nor intermediaries.

14. 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..

15. SECONDARY OFFICES

The MFM Group has no secondary offices.

16. 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.
- Alisei S.rl. in liquidation
- SI.MA.GEST 2 Soc. Cons. a r.l.

- Società Manutenzione Illuminazione S.p.A.
- H2H Facility Solutions S.p.A.
- MACO S.p.A.
- Telepost S.p.A.
- S.AN.GE. Soc. Cons. a r.l.
- Sicura S.p.A.
- Evimed S.r.l.
- 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:

- Manutencoop Immobiliare S.p.A.
- Segesta Servizi per l'ambiente S.r.l.
- Nugareto S.r.l.

17. SUBSEQUENT EVENTS

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

On 19 February 2016 client Telecom Italia formally exercised its right of withdrawal from its contract with MFM S.p.A. for Telecom Italia Group ("contract"), hygiene and other Facility Management services owing to the committal for trial of MFM S.p.A.'s Managing Director Claudio Levorato in a current criminal case. During 2015 the contract generated about € 25 million p.a. of consolidated turnover and has a residual order backlog of about € 29 million, employing more than 450 FTEs. The trade receivables related to this contract are not included in the assets issued as security in accordance with provisions of the Senior Secured Notes financing agreement because their assignment was prohibited under the contract with Telecom Italia. MFM S.p.A. immediately started an internal review of almost all its contracts with clients in the Private sector; none of these contracts contain clauses allowing their termination after a similar occurrence. Furthermore, the Code of Public Contracts which governs contracts concluded with Public Authorities and Public Healthcare Institutions do not state that a mere committal for trial can be a cause of their termination; on the contrary, what is required is a final conviction for a serious criminal offence that detracts from the professional integrity of the person concerned.

Finally, on 29 February 2016, Claudio Levorato resigned from his office as Chairman and Managing Director of the Management Board of MFM S.p.A.. This decision was taken because the Group wished to make a tangible change in Manutencoop Group 's management and prevent the current legal proceedings in which he is involved from adversely affecting its activities, even if no final and non-appealable judgments have been handed down.
The Vice Chairman of the Management Board and other two members resigned from their positions on the Management Board on the same date. Finally, on 1 March, other four board members also resigned from their positions with the resulting of the reset of the entire Management Board. Pursuant to the Article of Association, the Company's Supervisory Board then called the Extraordinary Shareholders' Meeting on 6 April 2016 in order to appoint the new members of the new Management Board.

18. OUTLOOK

2015 was a year of organisational innovation for the Group, undertaken through creating new functions and key managers and reviewing its business model with the primary objective of resuming its trend of rising revenues and profit margins.
The core objective of the new business vision is to strengthen the persons whose roles involve contacts with Clients by giving the production areas more responsibility and encouraging them to be more proactive in order to foster upselling and client retention, making innovations in the range of new services proposed (such as, for example, those relating to B2B).

In the last two financial years, especially in the one which has just ended, the efficiency measures taken by the Group have been directed at optimising production costs (direct, indirect and structural) in order to stabilise future margins in a market scenario in which it appears that pricing pressure will persist in the future and which does not show any signs of an appreciable recovery of organic growth rates at least until 2017.
This is also the basis on which the Group's international development strategy is founded. Its aim is to diversify Revenues geographically and accelerate future growth in countries with positive growth rates in which the Group feels that it can provide its value-added business solutions, sustained by its know-how and a successful range of commercial offers.

At the same time as it maintains its operational efficiency, the Group is taking action to boost the measures for reducing its Invested Capital (NIC), particularly by further cutting down collection times. During recent financial years, attention paid to this aspect has already led to substantial advantages in terms of cash flow generation. Furthermore, the Group does not rule out the possibility of selling other

companies in future in the framework of a strategy which is not harmful to its interests and a well-disciplined investment policy.
On the other hand the Group expects to adopt a wait-and-see financial policy based on developments in the administrative dispute with the Competition Authority, which has levied a substantial fine against it (€ 48.5 million), which has already been recognised in the financial statements of the Group and in particular in those of the Parent Company MFM S.p.A.. Even if it is confident that its case will be accepted by the appeal court, the parent company has already revised its financial plan in order to create the conditions to be able to meet this potential extraordinary outflow of cash, formally due before the end of April 2016, by signing committed letters of credit to cover the liability.

Finally, an overall governance review is in progress after the recent resignations of the majority of the members of the Board Management members headed by the Chairman and Managing Director, Claudio Levorato. An Extraordinary Shareholders' Meeting of the Parent Company has been called for 6 April 2016 in order to appoint a new Management Board in the shortest possible time allowable under the Articles of Association; the new Board will be responsible for leading the Group during the coming financial years.

19. ALLOCATION OF THE RESULT FOR THE YEAR

In concluding the report on 2015, the Directors invite you to approve the Financial Statements of Manutencoop Facility Management S.p.A. for the year ended 31 December 2015 and to carry forward the loss for the year amounting to € 44,256,591.14.

Zola Predosa, 18 March 2016

The Chairman and CEO

Claudio Levorato

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

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

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