

REPORT ON OPERATIONS
FOR THE YEAR ENDED
31 DECEMBER 2014



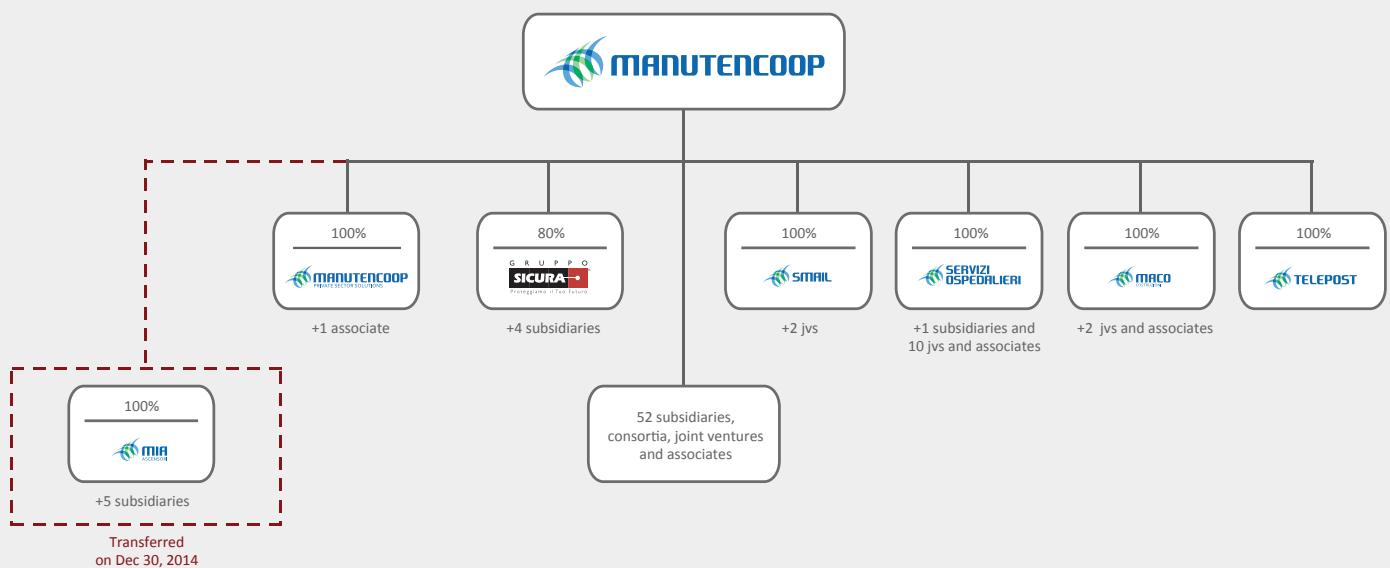


PREAMBLE

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.

Starting from 2014, the Group has applied some newly-issued international accounting standards. Specifically, following the introduction of the standards named *IFRS10 Consolidated Financial Statements* and *IFRS11 Joint Arrangements*, it was necessary to apply the same on a retrospective basis and to restate the consolidated comparative data reported in the Report on Operations in order to recognize the relevant accounting effects. This restatement of data only affected the figures reported in the consolidated Financial Statements at 31 December 2013, whereas no accounting effects were recorded on the figures reported in the separate Financial Statements of Manutencoop Facility Management S.p.A.. More details on the impact of the new accounting standards are provided in the Notes to the Consolidated Financial Statements.

At 31 December 2014 the Group controlled by Manutencoop Facility Management S.p.A. ("MFM Group" and "MFM S.p.A.", respectively) was made up as follows:



MACROECONOMIC AND MARKET SCENARIO

In spite of the help from the fall in oil prices, world economic recovery is still a gradual process, with a slight loss of pace in growth in the fourth quarter of 2014. On the world scene, growth is still robust in the United States, is losing momentum in China and has not yet consolidated again in Japan. Economic conditions deteriorated further in Russia, but the knock-on effects on other emerging markets are limited at the moment. World trade shows signs of strengthening while inflation is driven down by the fall in energy prices. Economic indicators in the Eurozone are still consistent with moderate short-term economic expansion, while the recent fall in oil quotations should assist growth in the long term. At the same time labour markets have shown some more signs of improvement, but unemployment remains high and the level of unused production capacity should only fall slowly. In December 2014 the introduction of the targeted refinancing operation for € 129.8 billion, against € 82.6 billion assigned at the time of the first LTRO in September 2014, led to a further reduction in short-term rates on the money market in a scenario of greater excess liquidity.

Labour markets are still weak but improved further. There was an increase of 0.2% in employment in the third quarter of 2014 against an increase of 0.3% in the previous period. The Eurozone unemployment rate, which began to fall in the middle of 2013, remained stable at 11.5% from August to November 2014. Information, however, points to a slight strengthening of the labour market in the last quarter of 2014.

From a long-term point of view the recent fall in oil prices should support growth, in domestic demand above all, as a result of an increase in real household disposable income and business profits.

According to the International Monetary Fund, in 2014 Italy is expected to record a -0.2% drop in GDP. Spain rose by 1.2%, while Germany, France and the United Kingdom rose by 1.4%, 0.4% and 3.2%, respectively. Beyond the borders of Europe, Japan closed 2014 with a 0.9% rise in GDP and the United States with 2.2%. Employment figures are still critically low in some European countries: Italy's unemployment rate in 2014 was 12.7%, Spain's 24.5% and France's 10.2%. The situation was different in Germany, whose unemployment rate was 5.0% (Source: Eurostat).

Obvious fragmentation still characterises the outsourced Facility Management market, estimated to be worth about € 26 billion. The first 10 operators in this sector hold a share of about 20% of total annual turnover and the Manutencooper Group, with its turnover of about € 1 billion, is still the leading Italian operator.

The Italian Facility Management market is still subject to considerable pressure on prices, while the tendency to outsource, at least in the public sector, is unaltered.

Although the market for the awarding of contracts is stagnant, there is also a trend for public tenders to be called in order to award agreements and thus for demand to be concentrated in group purchasing organisations (e.g.: CONSIP).

As regards payment times, the effects of the resources made available by government decrees (Decree Laws nos. 35/2013, 102/2013 and 66/2014) for the payment of outstanding Public Administration debts were tangible in 2014 too, but in a less pronounced fashion than in 2013. At the moment it is more difficult to assess the effects of Directive 2011/07/EU, which prescribes a binding maximum 60 calendar day payment deadline for contracts with the Member States' public administrations.

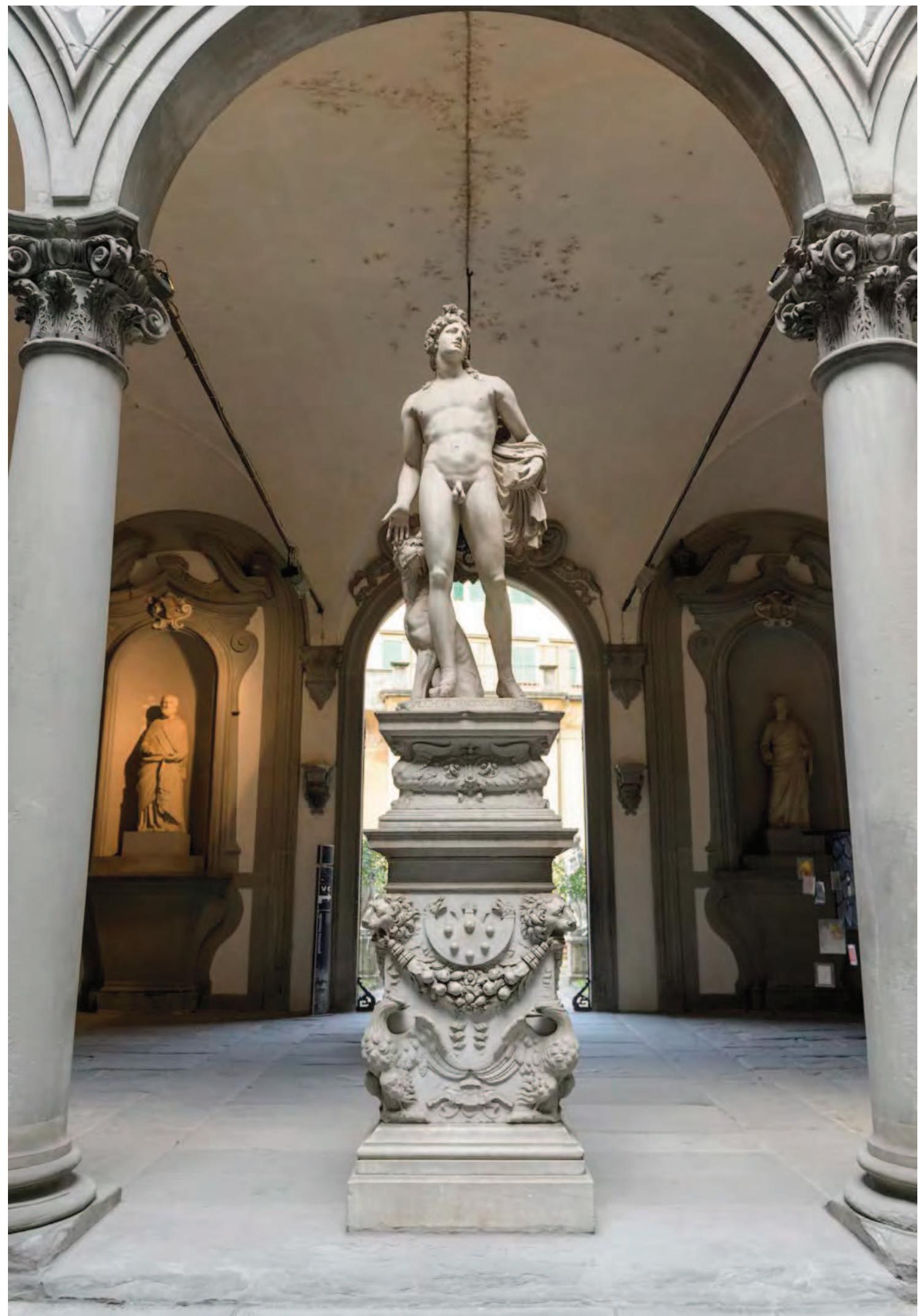
Confirming the not particularly positive trend of the past few years, the private sector continues to feel the effects of the macroeconomic crisis, and the indications in Italy are that business are not very inclined to outsource non-core services. A basic cost cutting trend in the criteria for the selection of suppliers is becoming more pronounced, even to the detriment of quality and innovation.

GLOSSARY

ACRONYMS IN THE REPORT ON OPERATIONS

Definition	
ALL-IN	ALL IN are defined as economic figures that include the current results classified as "discontinued operations" for FY 2014 and FY 2013 (MIA Group and SMAIL). Gains on the disposal of investments, net of transaction costs and the related tax effect, are excluded, due to their non-recurring nature, as well as impairment on assets classified as held for sale to align the book value to fair value, also net of the related tax effect. In the consolidated financial statements prepared under IFRS the current results for the FY 2014 of these activities are classified as a single item of the Income Statement named "Profit from discontinued operations".
Financial Capex	Financial CAPEX are defined as the purchase of investments, the business combinations effects and long term financing disburment.
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 NWOC which is added the amount of other operating assets and liabilities (other current assets, other current liabilities, Current tax assets and liabilities, current provisions for risks and charges).
NWOC	Consolidated Net Operating Working Capital (NWOC) is composed of trade receivables and inventories, net of trade payables.
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 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 Operating Profit (Loss) before tax, gross of Net financial charges and Share of Net profit of associates. The Consolidated Statement of Profit or Loss shows EBIT as "Operating Income/Loss".
EBIT o EBIDA Adjusted	Adjusted EBITDA and Adjusted EBIT exclude certain non recurring financial items accounted in the Consolidated Statement of Profit/Loss, as described in the paragraph "Non-recurring events and transactions in the year".
EBITDA	EBITDA represents the operating Profit (Loss) 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.

Definition	
Gross Interest Bearing Financial Indebtedness (GIBFI)	Gross Interest Bearing Financial Indebtedness (GIBFI) is defined as the sum of: long-term debt, Bank borrowings including current portion of long-term debt and other financial liabilities and derivatives less the sum of the following: collections on behalf of factoring counterparties, loans from parent company Manutencoop Cooperativa, loans from syndicated shareholders, dividends due to non-controlling shareholders, escrow accounts, debt for the acquisition of non-controlling interests, capital contribution to be paid, financial liabilities measured at fair value through profit and loss and other current financial liabilities.
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	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 receivables assigned by the Group in the framework of the previous years' assignment without recourse programmes (now abandoned), and not yet collected by the factoring companies at the reporting date.
Restated	Starting from 2014, the Group has applied some newly-issued international accounting standards. Specifically, following the introduction of the standards named IFRS10 Consolidated Financial Statements and IFRS11 Joint Arrangements, it was necessary to apply the same on a retrospective basis and to restate the comparative data reported in the Report on operations in order to recognize the relevant accounting effects. More details on the impact of the new accounting standards are provided in the Explanatory Notes to the Consolidated Financial Statements.



Key Performance Indicators 2014

REVENUES ALL-IN €/mln

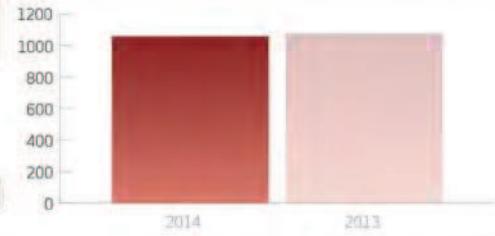
1.005,9

1.078,1

in 2013

Δ %
-6,7%

VS 2013



EBITDA ALL-IN Adj €/mln

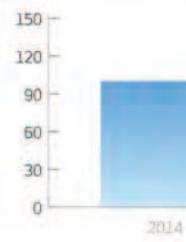
100,1

125,5
nel 2013

EBITDA ALL-IN ADJ/REVENUES ALL-IN %

10,0%

11,6% in 2013



EBITDA €/mln

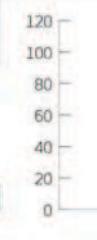
92,9

112,6
in 2013

EBITDA /REVENUES %

9,5%

10,8% in 2013



NFP €/mln

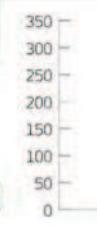
(290,6)

(343,6)
in 2013

NFP/EBITDA

3,1

3,1 in 2013



NFP Adj €/mln

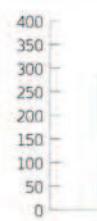
(292,1)

(360,0)
in 2013

NFP Adj/EBITDA

3,1

3,1 in 2013(*)



(*) Ratios 2013 consistently based on data shown l/y before any further restatement



REVENUES

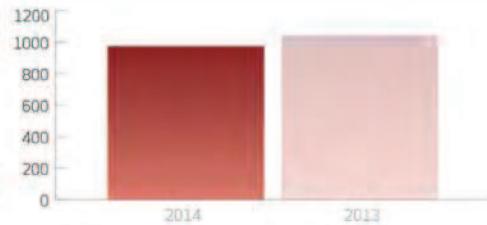
974,3

1.045,0
in 2013

△ %
-6,8%

VS 2013

€/min



EBIT ALL-IN Adj

61,2

77,1
in 2013

EBIT ADJ. ALL IN/REVENUES %

6,1% 7,2% in 2013

€/min

€/min

2014 2013

EBIT

47,0

60,8
in 2013

EBIT/REVENUES %

4,8% 5,8% in 2013

€/min

€/min

2014 2013

NWOC

204,9

247,2
in 2013

NWOC/REVENUES %

21,0% 23,7% in 2013

€/min

€/min

€/min

2014 2013

NWOC Adj

206,4

263,6
in 2013

NWOC ADJ/REVENUES %

21,2% 24,3% in 2013 (*)

€/min

€/min

2014 2013

NET PROFIT

12,6

14,1
in 2013

€/min

€/min

€/min

NET PROFIT/REVENUES %

1,3% 1,3% in 2013

€/min

€/min

2014 2013

1. SUMMARY OF RESULTS AND MAIN EVENTS IN 2014

Preamble

The Report on Operations contains a number of acronyms and Non-GAAP measure. The same are summarized in the Glossary section, to which reference should be made for the respective definitions.

Starting from 2014, the Group has applied some newly-issued international accounting standards (IFRS). Specifically, following the introduction of the standards named *IFRS10 Consolidated Financial Statements* and *IFRS11 Joint Arrangements*, it was necessary to apply the same on a retrospective basis and to restate the comparative data reported in the Consolidated Financial Statements in order to recognize the relevant accounting effects. More details on the impact of the new accounting standards are provided in the Explanatory Notes to the Consolidated Financial Statements, to which reference should be made.

On 30 December 2014, 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.

Both these activities, however, were performed on the same basis as in the past until 31 December 2014: for this reason the economic results that are commented on below are consistently referred to a scope of operations which also includes the MIA Group and public lighting activities.

All the economic data that are defined below as **ALL-IN** include the current results achieved by the MIA Group and SMAIL in the 2014 and 2013 financial years. These figures do not include, because of their non-recurring nature, the capital gain from the sale of the investment in MIA, net of transaction costs and of the related tax effect (a net capital gain of € 13.2 million), as well as the write-down of SMAIL's assets to adjust the carrying amount at fair value, which is also net of the related tax effect (a net write-down of € 2.4 million). In the consolidated financial statements prepared in accordance with IFRS standards, the results achieved by these activities in the 2014 financial year are instead recognized under a single income statement item, i.e. *Profit (loss) from discontinued operations*, together with the net result of the transfer of MIA, and the write-down applied to the SMAIL's assets, as described above. The following paragraph reports the reconciliation statements of the amounts recognized through profit and loss and the related ALL-IN amounts.

Consolidated results for the 2014 financial year

	Year ended 31 December			
	2014	2013 Restated	Change	Change %
ALL-IN revenues	1,005,945	1,078,115	(72,170)	-6.7%
Adjusted ALL-IN EBITDA	100,139	125,516	(25,377)	-20.2%
<i>Adjusted ALL-IN EBITDA % / ALL-IN Revenues</i>	10.0%	11.6%	-1.6%	
Adjusted ALL-IN Operating Income (EBIT)	61,233	77,143	(15,910)	-20.6%
<i>Adjusted ALL-IN EBIT % / ALL-IN Revenues</i>	6.1%	7.2%	-1.1%	
Consolidated Net Profit	12,627	14,091	(1,464)	-10.4%

In 2014, the Group accounted for consolidated ALL-IN Revenues of € 1,005.9 million against € 1,078.1 million in 2013, with a drop of 6.7%. Turnover from the main private sector client (Telecom Italia) was considerably lower in 2014, which led to a € 70 million difference in revenues compared to the previous year. Net of this effect, consolidated revenues were practically unchanged compared to the previous year (-0.2%).

The stability in terms of volumes is not reflected in terms of profit margins (**Adjusted ALL-IN EBITDA / ALL-IN Revenues**), which decreased by 1.6% in 2014 compared to the previous year. In fact a gradual change in the order backlog is taking place over time, the immediate effect of which is an average reduction in fees as a result of strong pressure on prices in the Group's market while the necessary cost efficiency process requires a review and a revision of the model for providing services and of production facilities, which, on the other hand, will take longer to come into effect.

Consolidated results were down at **Adjusted ALL-IN EBIT** level too, passing from € 77.1 million at 31 December 2013 (equal to 7.2% of the related consolidated revenues) to € 61.2 million at 31 December 2014 (equal to 6.1% of consolidated revenues). The reduction in absolute terms agrees with the trend that has already been mentioned in connection with revenues and margins even if, compared to the previous year, there was a reduction in write-downs of trade receivables (- € 3.7 million), which shows that the debtor position is better, and in net provisions for future risks and charges, which had affected some significant specific positions in the previous year.

Finally, the **net profit for the year** was equal to € 12.6 million against a net profit of € 14.1 million for the year ended 31 December 2013. It should be noted that 31 December 2014 saw the recognition of the net capital gain arising from the transfer of MIA S.p.A., equal to € 13.4 million, net of related transaction costs, and of a write-down of inventories of work in progress of SMAIL S.p.A. for € 2.4 million, included in the Profit (loss) from discontinued operations.

The Group's financial position and cash flow were particularly satisfactory, with a continuation of the steady trend in the reduction and rationalisation of Net Operating Working Capital (**NWOC**) and Net Financial Position (**NFP**):

	31 December 2014	31 December 2013 Restated	Change
Adjusted Net Operating Working Capital (NWOC)	206,392	263,616	(57,224)
Adjusted Net Financial Position (NFP)	(292,099)	(360,010)	67,911

As regards this, the Group continued to improve the efficiency of internal cash flow management processes and to enhance its methods for managing working capital. These actions, together with the government measures to counter the problem of Public Administration delaying payments of its debts resulted in a DSO⁽³⁾ of 190 days (against 209 days at 31 December 2013) at the end of 2014 and a DPO of 218 days at 31 December 2014 (236 at 31 December 2013). The Adjusted **NWOC** (defined as the balance of trade receivables and inventories, net of trade payables) reported a decrease of € 57.2 million compared to the previous year (€ 8.4 million of which attributable to the transfer of MIA S.p.A.), recording lower trade receivables for € 129.0 million and trade payables for € 72.9 million.

In the course of the financial year the Consolidated **Adjusted NFP** recorded a decrease, in absolute values, of € 67.9 million, € 65.7 million of which are financial resources freed up from the sale of shares during the year (MIA S.p.A. and Energyproject S.r.l.).

Reconciliation statements of Statutory schedules items and the related ALL-IN and Adjusted figures

Below are the reconciliation statements of Statutory amounts for the 2014 and 2013 financial years as and the related ALL-IN and Adjusted amounts:

(in thousands of Euro)

	Year ended 31 December				
	2014	2014 MIA + SMAIL accounted as continuing operations	2014 ALL-IN	2014 non- recurring costs	2014 Adjusted ALL-IN
Total revenues	974,290	31,655	1,005,945		1,005,945
Total costs of production	(881,419)	(28,250)	(909,669)	3,863	(905,806)
EBITDA	92,871	3,405	96,276	3,863	100,139
Amortization, depreciation, write-downs and write-backs of assets	(38,635)	(2,010)	(40,645)	4,418	(36,227)
Accrual and reversal of provisions for risks and charges	(7,238)	(58)	(7,296)	4,617	(2,679)
Operating Income	46,998	1,337	48,335	12,898	61,233
Share of net profit of associates	1,198		1,198		
Net financial charges	(36,204)	34	(36,170)		
Profit before taxes	11,992	1,371	13,363		
Income taxes	(11,414)	(183)	(11,597)		
Profit from continuing operations	578	1,188	1,766		
Profit (loss) from discontinued operations	12,049	(1,188)	10,861		
NET PROFIT	12,627		12,627		
Minority interests	(273)		(273)		
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12,354		12,354		

(in thousands of Euro)

	Year ended 31 December				
	2013 Restated	2013 MIA + SMAIL accounted as continuing operations	2013 ALL-IN Restated	2013 non- recurring costs	2013 Adjusted ALL-IN Restated
Total revenues	1,044,998	33,117	1,078,115		1,078,115
Total costs of production	(932,445)	(27,818)	(960,263)	7,664	(952,599)
EBITDA	112,553	5,299	117,852	7,664	125,516
Amortization, depreciation, write-downs and write-backs of assets	(40,755)	(2,064)	(42,818)	1,861	(40,957)
Accrual and reversal of provisions for risks and charges	(11,010)	(96)	(11,105)	3,689	(7,416)
Operating Income	60,788	3,141	63,929	13,214	77,143
Share of net profit of associates	2,652	0	2,652		
Net financial charges	(28,469)	(418)	(28,887)		
Profit before taxes	34,971	2,724	37,694		
Income taxes	(22,748)	(430)	(23,178)		
Profit from continuing operations	12,224	2,294	14,516		
Profit (loss) from discontinued operations	1,867	(2,294)	(425)		
NET PROFIT	14,091		14,091		
Minority interests	(344)		(344)		
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	13,747		13,747		

It should be noted that, as regards the 2014 financial year, there was no reclassification, in the ALL-IN version, of the capital gain from the transfer of MIA S.p.A., net of related transaction costs and tax effect,

nor of the write-down of the SMAIL S.p.A.'s assets, net of related tax effect, which was carried out in order to adjust them at fair value pursuant to IFRS5.

Non-recurring cost components for the 2014 and 2013 financial years are reported in a specific section of paragraph 3 below in the Report on operations.

Significant events in the year

The reference market continued to feel the after-effects of the unfavourable economic conditions which had begun to present themselves in the 2011 financial year, so that production volumes were practically unvaried. The lack of any substantial commercial opportunities and the lasting competitive pressure on prices and margins constituted a very perceptible break with the past from the point of view of the Group's profit expectations.

In the light of all these factors, in 2014 the Manutencooper Group management put a series of measures in motion which it considered indispensable in order to resume the process of sustainable growth that has been a feature of its history so far in the shortest possible time. In practice, these measures go in the direction of an operation whose aim is to cut costs and recover profitability, whose effects will already be seen in the short term and which has taken the form, among other steps, of a substantial reduction in the organisational structure.

Another process that has started is that of working out new growth and business strategies, which has led on one hand, to the disposal of operations conducted in sectors that are not thought to be of interest in the future (PV plants for Energyproject S.r.l., building sector for MACO S.p.A. and public lighting for SMAIL S.p.A.). On the other hand, the sale of the 100% stake in Manutenzione Installazione Ascensori S.p.A. (MIA S.p.A.) on 30 December 2014 freed up a considerable amount of financial resources that had been invested in an operation which does not account for a very significant proportion of the amount of services delivered by the Group (just above 2.3% of consolidated turnover). Established by MFM S.p.A. itself in 2008, this company operated in its market by gradually acquiring smaller companies and creating a network of operators in some specific areas of Italy. The area coverage sold, on the other hand, did not respond in full to the Group's need for nationwide coverage, which had to continue to make use of third-party services companies in contracts which required the maintenance of lifting equipment for this very reason.

At the same time the Group's financial position and cash flows were strong again in 2014, as in 2013, resulting in a further reduction in the effect of Net Operating Working Capital (NWOC) on the Group's revenues. This good performance was again driven by the trend for the reduction in days sales outstanding (DSO), obviously with a positive impact on net financial debt.

It was also due to this good cash flow performance, which provided the Group with extra liquidity, that in the fourth quarter of 2014 MFM S.p.A. bought back some of its bonds on the open market, making its financial structure more efficient and more consistent with its borrowing needs.

Transfers of consolidated equity investments and corporate rationalisation

First of all, as has been mentioned, some substantial transfers of equity investments were put in hand which changed the Group's shareholding structure.

On 30 December 2014 the Parent Company MFM S.p.A. sold its 100% stake in MIA S.p.A. to KONE S.p.A., an Italian affiliate company of KONE Corporation, one of the leading companies in the sector of lift and escalator design, production and maintenance. Within the Manutencooper Group, MIA S.p.A. was the sub-holding for

the companies operating in the market for services of installation, management, maintenance and modernisation of lifts and lifting equipment. This transaction allowed MFM S.p.A. to achieve a capital gain of € 13.2 million, net of selling costs and related tax effects, and also freed up € 60.8 million for the Group, also through the total repayment of the substantial intragroup debt of MIA S.p.A. to MFM S.p.A. (€ 42.6 million at the date of transfer), which had been disbursed in support of growth through external lines during various financial years.

The Management also proceeded with the programme of exiting from business segments which were no longer considered strategic. In the SBU designated "Other", the process of the transfer of MFM S.p.A.'s investment in subsidiaries Energyproject S.r.l. and Mowbray S.r.l. was completed on 3 February 2014. This sale concluded the disposal of PV plant management operations and thus constituted the Group's final exit from this market.

A programme was also put into motion for the sale of the public lighting maintenance business segment (managed by SMAIL S.p.A.) which the management aims to conclude in 2015.

In connection with the corporate combination and streamlining program conducted within the so-called "specialist services" area, on 1 January 2014, Sedda S.r.l., Securveneta S.r.l., Mako Engineering S.r.l., Antincendi Piave S.r.l. and Sicurrama S.r.l.'s were merged into Sicura S.p.A., to combine in a single company all the maintenance and engineering activities related to the fire prevention and safety segment. Finally, within the same Sub-group, April 2014 saw the implementation of the merger of Gruppo Sicura S.r.l. by incorporation into Sicura S.p.A., with the consequent change in the designated sub-holding.

Buy-back of Notes and rationalisation of sources of finance

In early 2014 the Management used its available cash to early repay some long-term loans (MPS and CCFS) for a total nominal amount of € 38 million. These loans had been granted before the € 425 million Senior Secured Notes issued during the 2013 financial year, maturing in 2020, which were intended from the start to take the place of the Group's bank financing.

Furthermore, as regards the latter, in the last quarter of the year, MFM S.p.A. formalised the acquisition of some of its bonds on the open market, for a total nominal amount of € 45 million. The weighted average buy-back price was just under 93% against an issue price equal to 98.713% on 2 August 2013. The transactions in question entailed the recognition of financial capital gains in the consolidated income statement, net of related commissions, equal to € 3.3 million. On the other hand, there was a proportional write-off of the upfront fees that had been accounted for at the time of the issue to an amount of € 1.2 million.

In this context there also was the cancellation of the Revolving Credit Facility (R.C.F.), with effect from 30 July 2014, which had been obtained within the bond issue process from a pool made up of UniCredit S.p.A., J.P. Morgan Chase Bank S.A. Milan Branch, Cassa di Risparmio in Bologna S.p.A. and Mediobanca – Banca di Credito Finanziario S.p.A.. The revolving credit line, which can be activated on demand for a nominal amount of € 30 million on the basis of a 3-year term, has never been used by the Group and no future use has been contemplated in the provisions governing consolidated financial flows. Therefore, the Group accounted for the residual amount to be amortised in relation to the costs incurred for the registration of the line, equal to € 579 thousand, as a financial charge for the period, thus eliminating the costs of ordinary maintenance.

2. BUSINESS DEVELOPMENT

The Manutencoop Group is countering the persistent economic crisis in the domestic market by taking measures to maintain its position in a scenario of a widespread fall in the number of attractive business opportunities. Public authorities are not calling many tenders and they are often being conducted in conditions in which legal disputes are very frequent, which lengthens the time before a contract is awarded and makes the timing of the start-up phases uncertain. 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. In 2014 the Group gained orders totalling € 404 million. Over 60% of this backlog consisted of new clients, while the figures for renewals/re-awards of expiring contracts were more modest owing to the lack of movement in the market.

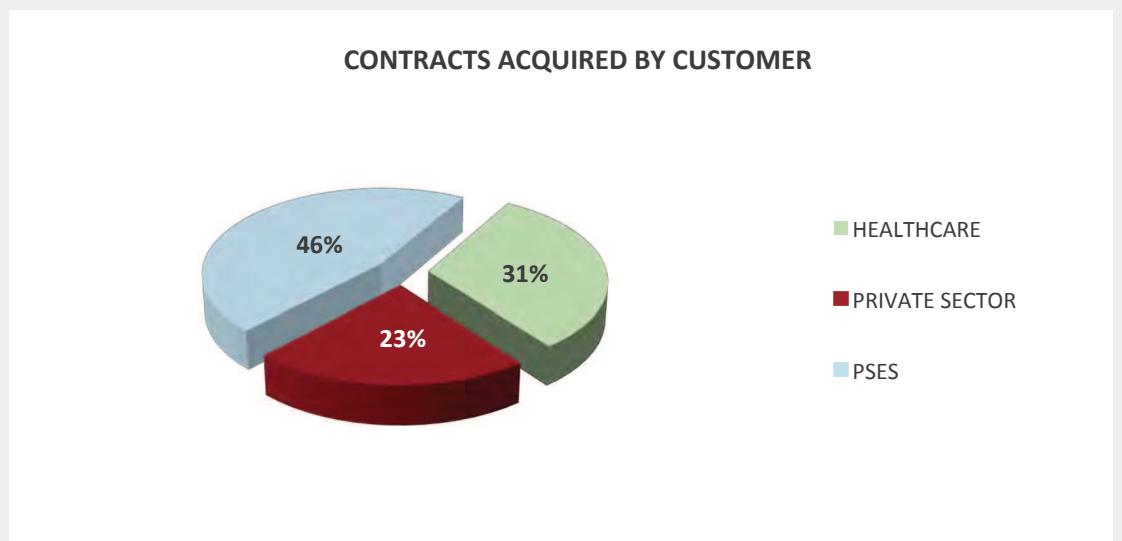
The figure only regards contracts obtained in the context of services for "traditional" facility management, for public lighting, for linen rental and for laundry services as well as for the sterilization of surgical instruments, as they are typically long-term contracts. On the contrary, the figure does not include the commercial portfolio of the sub-group related to Sicura S.p.A. since they consist of contracts that have an average term not exceeding one year and a not particularly significant impact on the consolidated performance (equal to about 4% of the consolidated turnover in 2014).

New contracts in the Public market had a more significant effect on the total compared to the previous year (46% in 2014 against 33% in 2013), with an acquired total value equal to € 187 million. Important developments in the transport sector were the acquisition of some lots awarded by tender by the main Italian rail transport operator for network cleaning services and the stipulation of global services contracts with a big Lombardy local authority company and finally, again for cleaning services, the acquisition of a lot from the main Rome local transport company. A big long-term energy services contract was also obtained in the Rome area. The amount of business from orders for cleaning services in the framework of contracts under the Consip Scuole Agreement⁽¹⁾ that had been acquired in 2013 also rose during the period as a result of new requests from ministerial entities and expansions of existing contracts.

Remaining in the sphere of arrangements with public authorities, contracts began to be signed for the Consip SIE3 Sicily lot, acquired in the last year: the overall orders signed amounted to about 1/3 of the available ceiling estimated at € 40 million with an average contract term of about 6 years.

There were not many re-awards on the basis of new tenders: in many cases authorities tended to extend existing contracts while they waited to see how the "reacquisition process" will take shape (joining a nationwide and/or regional agreement for each service, acquisition on the public administration electronic marketplace, new tender for each service/global service, etc.). Even in cases in which the tender process has ended, in any case the lengthening of the time taken for the completion of the final award procedure and for starting the service have also led to similar situations in which the contract is extended.

1. CONSIP S.p.A. is the national platform through which the purchases of services on the part of the Public Administration entities are organized at central level. This agreements is concluded by CONSIP S.p.A. on behalf of the Ministry of Economy and Finance.

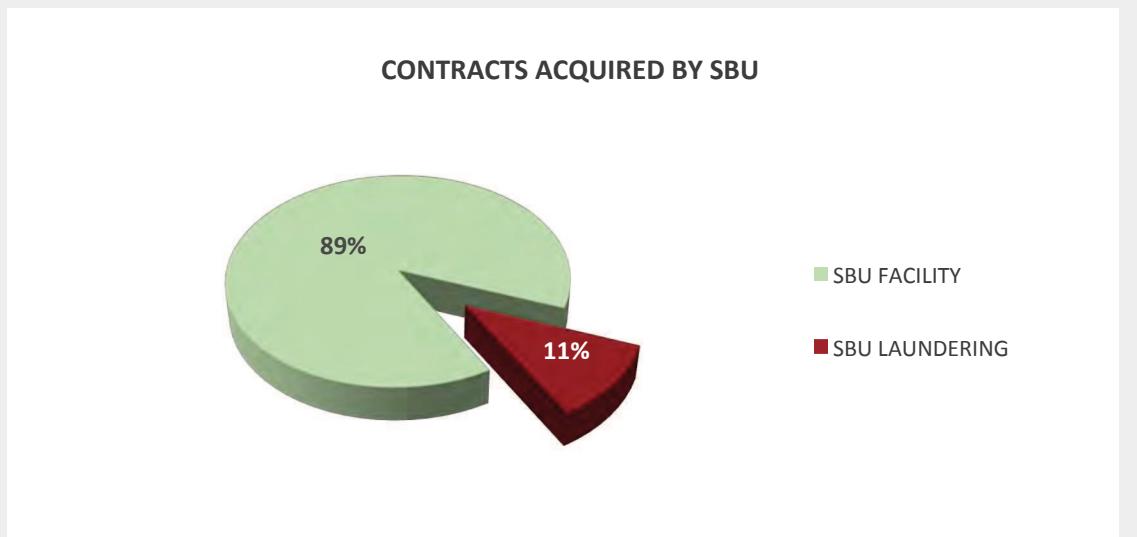


Healthcare remains an important commercial target for the Group, which obtained € 126 million worth of orders, i.e. 31% of the total, a proportion which is practically the same as in the previous year. This is the market in which some lots under the Consip MIES Agreement were awarded for integrated technological and energy supply services for healthcare facilities with a total value of the available ceiling of about € 70 million. As regards cleaning services, an important four-year contract for cleaning services at a big Rome hospital complex and another three-year contract at a major hospital in the Campania Region were obtained, and some contracts with other big hospital clients were extended for an average of one year pending the finalisation/conclusion of new tenders.

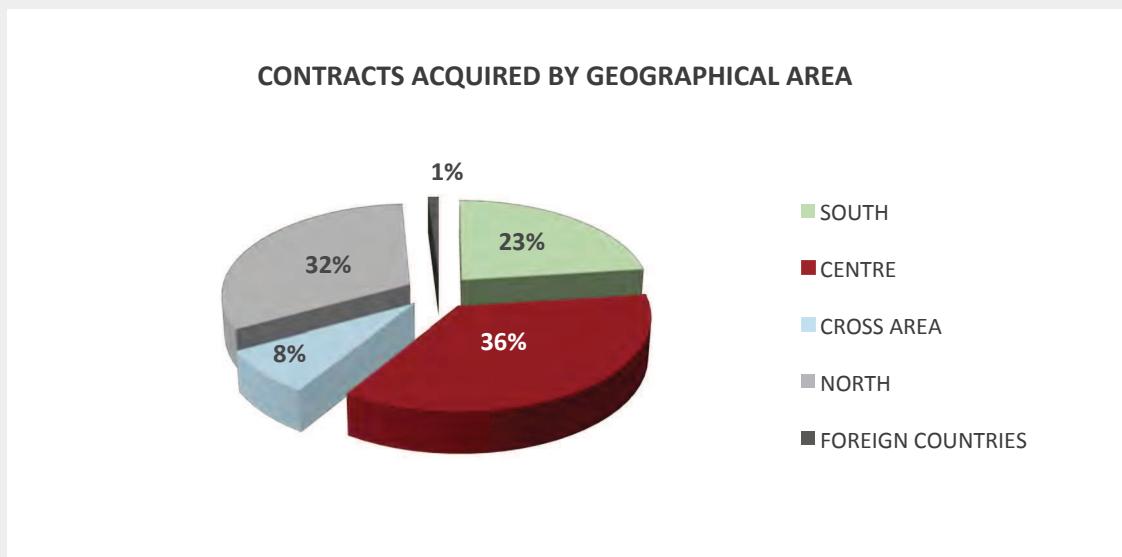
Sterilisation services for surgical instruments in the healthcare sector were performing increasingly well and the first results are also being seen in the foreign market, in Turkey particularly.

The value of the new contracts in the Private sector for the period was € 91 million. Among the private sector contracts in 2014 were those for maintenance services for the local offices of a major Italian banking and insurance company for one year and a big mall in Turin for three years; as regards cleaning services, a contract was signed with a leading Piedmontese industrial company with a very long 7-year term. There were valuable renewals of cleaning and technical services contracts in banking, mass retail and telecommunications, in addition to new global services operations at the local offices of an important client which is a leader in the recruitment sector.

Regarding the new contracts, in terms of Strategic Business Unit (SBU), in the *Laundering & Sterilization* segment the Group obtained contracts of € 46 million against € 358 million in the Facility Management segment.



These acquisitions were mainly made in the last sector, in which, in fact, the Group is historically present in the market with a vast range of services which entitle it to be described as a qualified outsourcing operator throughout the country for both public and Private clients. It is in this sphere of activity that the Consip Agreements that have been referred to were obtained: their total value was nearly € 65 million in 2014. Finally, a geographical distribution of the commercial portfolio of new acquisitions in the period is provided below:

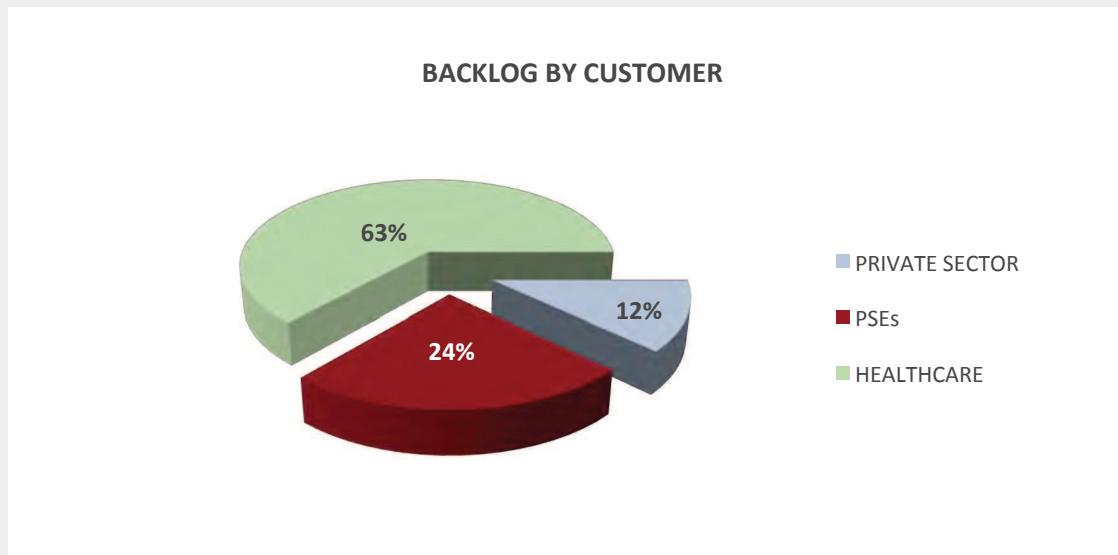


As has been said, the Group is developing some business opportunities in foreign markets, as a result of which it was awarded contracts, in the period, for surgical instrument sterilization in Turkey through the subsidiary Servizi Ospedalieri S.p.A. (*Laundering & Sterilization SBU*).

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:

	2014	2013
Backlog	2,887	3,216



Commercial activities developed in the first few months of 2015

No change in the market has been seen in early 2015: in spite of the first faltering signs of economic recovery, the market still seems difficult and practically stationary and still with very high resort to the instrument of the extension of contracts in the public sector market. Another aspect is that Public Administration remains desirous of expanding the role of Consip Agreements to other markets and services which have not been involved in awards of these kinds up to now.

There have not been any important new acquisitions but contracts for the Consip SIE3 Sicily lot continued to be signed and there were other valuable contract extensions, some for longer than a year, especially in the Private market.

3. THE MFM GROUP'S PERFORMANCE OF OPERATIONS AND CONSOLIDATED FINANCIAL POSITION FOR THE 2014 FINANCIAL YEAR

3.1 Consolidated performance of operations for FY 2014

Below are reported the main consolidated income figures relating to 2014, compared to the figures of the previous year.

(in thousands of Euro)	Year ended 31 December		Year ended 31 December	
	2014	2013 Restated	2014 ALL-IN	2013 ALL-IN Restated
Total revenues	974,290	1,044,998	1,005,945	1,078,115
Total costs of production	(881,419)	(932,445)	(909,669)	(960,263)
EBITDA	92,871	112,553	96,276	117,852
EBITDA %	9.5%	10.8%	9.6%	10.9%
Amortization, depreciation, write-downs and write-backs of assets	(38,635)	(40,755)	(40,645)	(42,818)
Accrual and reversal of provisions for risks and charges	(7,238)	(11,010)	(7,296)	(11,105)
Operating Income	46,998	60,788	48,335	63,929
Operating Income %	4.8%	5.8%	4.8%	5.9%
Share of net profit of associates	1,198	2,653	1,198	2,652
Net financial charges	(36,204)	(28,470)	(36,170)	(28,887)
Profit before taxes	11,992	34,972	13,363	37,694
Profit before taxes %	1.2%	3.3%	1.3%	3.5%
Income taxes	(11,414)	(22,749)	(11,597)	(23,178)
Profit from continuing operations	578	12,223	1,766	14,516
Profit (loss) from discontinued operations	12,049	1,868	10,861	(425)
NET PROFIT	12,627	14,091	12,627	14,091
NET PROFIT %	1.3%	1.3%	1.3%	1.3%
Minority interests	(273)	(344)	(273)	(344)
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12,354	13,747	12,354	13,747
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT %	1.3%	1.3%	1.2%	1.3%

Revenues

In 2014 consolidated revenues came to € 974.3 million against € 1,045.0 million in the previous year. While also considering, in both financial years, the third-party revenues achieved by the MIA Group and SMAIL S.p.A., consolidated revenues would amount to € 1,005.9 million in 2014 against € 1,078.1 million in 2013. As already mentioned, in both cases, if the effects of the reduction in turnover resulting from the renegotiation of the contract with Telecom Italia (which can be estimated at € 70 million in 2014) are excluded, revenues were in line with those in the previous year, although the effects of the pressure on prices and margins that has also been referred to were evident.

The breakdown of the consolidated revenues in 2014 is provided below, compared to the previous year, broken down by Customer:

REVENUES BY CUSTOMER (in thousands of Euro)	Year ended 31 December				Year ended 31 December			
	2014	% of total	2013 Restated	% of total	2014 ALL-IN	% of total	2013 ALL-IN Restated	% of total
PSEs	242,103	24.8%	254,555	24.4%	251,386	25.0%	265,013	24.6%
Healthcare	438,255	45.0%	418,658	40.1%	438,255	43.6%	418,665	38.8%
Private sector	293,932	30.2%	371,785	35.6%	316,304	31.4%	394,437	36.6%
CONSOLIDATED REVENUES	974,290		1,044,998		1,005,945		1,078,115	

The breakdown of turnover by type of customer, whether the MIA Group and SMAIL S.p.A. revenues in 2013 and 2014 are classified under profit (loss) from discontinued operations or in the same way as in the past, show that Healthcare played a more important part in 2014 than in the previous year, its share of revenues rising by about 5%. In fact contracts for some big PPP (Private Public Partnership) projects in which Group companies have roles became fully operational during the year.

The portion of turnover from PSEs proved to be more or less stable at 25%. In 2013 the Group was awarded some CONSIP Scuole lots and a CONSIP Uffici lot which partly took the place of the previous expired agreement.

Finally, the decrease in turnover from Private Sector clients is mainly attributable, as has already been seen, to the reduction in revenues from Telecom Italia, accentuated by the classification of the MIA Group revenues under profit (loss) from discontinued operations.

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 in 2014 and 2013 is provided below:

REVENUES BY SEGMENT (in thousands of Euro)	Year ended 31 December				Year ended 31 December			
	2014	% of total	2013 Restated	% of total	2014 ALL-IN	% of total	2013 ALL-IN Restated	% of total
Facility Management	824,370	84.6%	899,244	86.1%	856,025	85.1%	932,361	86.5%
Laundering & Sterilization	144,856	14.9%	138,402	13.2%	144,856	14.4%	138,402	12.8%
Other	8,654	0.9%	12,684	1.2%	8,654	0.9%	12,684	1.2%
Intra-group elimination	(3,590)	-0.4%	(5,332)	-0.5%	(3,590)	-0.4%	(5,332)	-0.5%
CONSOLIDATED REVENUES	974,290		1,044,998		1,005,945		1,078,115	

Revenues in the Facility Management sector amounted to € 824.4 million in 2014 (€ 856.0 million considering the same scope of operations including the MIA Group and SMAIL S.p.A. as in the past), marking a decrease of € 74.9 million, equal to -8.3% (€ 76.3 million, equal to -8.2% considering the same scope of operations as in the past) compared to the previous year, when they amounted to € 899.2 million (€ 932.4 million considering the revenues including the MIA Group and SMAIL S.p.A.). As a result, there was a slight decline in the same in terms of percentage of total consolidated revenues, to the benefit of revenues from the *Laundering &*

Sterilization segment. As anticipated, the Facility Management business bore the effect of the downsizing of the activities conducted with Telecom Italia, in terms of decline in revenues.

In 2014 *Laundering & Sterilization* segment achieved revenues of € 144.9 million. The increase recorded, amounting to +4.7% compared to the previous year, was mainly attributable to the growth in the surgical instrument sterilization's activity. Furthermore, starting from the 2014 financial year, this sector has been reporting the first results in the activities carried out abroad at healthcare units in Turkey.

Finally, a decrease was recorded in revenues (-€ 4.0 million compared to the previous year) in the Other activities segment, 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 and after having transferred the companies that carried out energy management activities in January 2014. In 2014, the sector 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, while, in 2013 it had mainly recorded revenues from construction activities carried out on a time and materials basis within the MFM Group (€ 1.8 million).

EBITDA

Group's gross operating income (EBITDA) came to € 92.9 million in 2014, against € 112.6 million in 2013, reporting a decrease of € 19.7 million in absolute values. Margins came to 9.5% of revenues, showing a decrease compared to 10.8% in 2013. If also considering the EBITDA of the MIA Group and SMAIL S.p.A., the decrease between 2013 and 2014 would come to € 21.6 million with profits passing from 10.9% in 2013 to 9.5% in 2014.

Below is provided a comparison of EBITDA by business segment for 2014 and 2013:

EBITDA BY SEGMENT (in thousands of Euro)	Year ended 31 December				Year ended 31 December			
	2014	% of segment Revenues	2013 Restated	% of segment Revenues	2014 ALL-IN	% of segment Revenues	2013 ALL-IN Restated	% of segment Revenues
Facility Management	55,813	6.8%	79,362	8.8%	59,218	6.9%	84,661	9.1%
Laundering & Sterilization	38,089	26.3%	35,182	25.4%	38,089	26.3%	35,182	25.4%
Other	(1,031)	-11.9%	(1,991)	-15.7%	(1,031)	-11.9%	(1,991)	-15.7%
CONSOLIDATED EBITDA	92,871	9.5%	112,553	10.8%	96,276	9.6%	117,852	10.9%

The effects of increasingly widespread price pressure have been evident in the facility management sector during the last few quarters, and have been a characteristic of the most recent order acquisitions, in which average prices have tended to fall for the same amount of services. This unfavourable tendency now requires the Group swiftly to review and cut its operating costs. This process should not only involve the costs related to the delivery of its services but also bring about a rationalisation and reduction of overheads: however, these measures entail complex procedures and do not lead to immediate results. The process started during the 2014 financial year through targeted efficiency improvement measures focusing on both direct costs and overheads and structural costs: the first step was a restructuring plan mainly involving the Parent Company

MFM S.p.A and thus the so-called “traditional” facility management sector. Most of the positive effects of these measures will be seen from the 2015 period onwards.

The Group’s structures were also involved in processes of corporate combination and rationalisation including, among other measures, the transfer of the business segment with which Manutencooper Private Sector Solutions S.p.A. operated with Telecom Italia to MFM S.p.A., in order to reorganise the contract and simplify production processes.

On the other hand, the Laundering & Sterilization segment also recorded a positive performance, which improved both in absolute terms (segment EBITDA of +€ 2.9 million, equal to +8.3%) and in terms of profit margins (a segment EBITDA which passed from 25.4% to 26.3% of related revenues) and was mainly attributable to the higher impact of the contracts for the sterilization of surgical instruments in which profit margins were higher than the average for the linen rental and industrial laundering segment.

Finally, at 31 December 2014 the residual construction activities (Other activities segment), which the management no longer considers as strategic, showed gross operating losses that were more limited compared to 2013 (€ 1.0 million against € 2.0 million) due to the recognition of write-downs of € 1.1 million on the PV plants (which were subsequently transferred to third parties) in 2013.

Costs of production

In 2014, *Costs of production*, which amounted to € 881.4 million, showed a decrease of € 51.0 million in absolute terms compared to € 932.4 million (-5.5%) in the previous year.

(in thousands of Euro)	Year ended 31 December				Change
	2014	% of Costs of production	2013 Restated	% of Costs of production	
					Euro/000
Costs of raw materials and consumables	135,524	15.4%	165,704	17.8%	(30,179)
Costs for services and use of third-party assets	364,040	41.3%	385,699	41.4%	(21,660)
Personnel costs	374,210	42.5%	375,207	40.2%	(997)
Other operating costs	7,645	0.9%	7,672	0.8%	(27)
Capitalized internal construction costs	0		(1,838)	-0.2%	(1,838)
TOTAL COSTS OF PRODUCTION	881,419		932,445		(51,026)

In 2014 *Costs of raw materials and consumables* came to € 135.5 million, showing a decrease of € 30.2 million compared to 2013 (-2.4 percentage points over the total costs of production, equal to a total of -18.2%), with their incidence on consolidated revenues falling from 15.9% to 13.9%. Specifically, there was still a decrease in fuel costs, which had been already reported in the year (-€ 19.6 million), to which must be added a reduction of € 10.6 million in the consumption of raw materials compared to 2013.

Costs for services and use of third-party assets showed a decrease of € 21.7 million (-5.6%), which was consistent with the reduction reported in revenue volumes, and which was mainly attributable to a reduction in the recourse to third-party work in the provisions of services, as well as to a reduction in maintenance and lease costs for offices and plants of the Group.

The reduction in costs for services and use of third-party assets was not accompanied by a similar considerable decrease in *Personnel costs*, which remained substantially unchanged compared to 2013 (- € 1.0 million). The number of employees as at the closing date of the year moved from 15,282 units at 31 December 2013 to 15,922 units at 31 December 2014, above all due to the mechanisms for the transfer of the workforce provided for by the laws on contract changes, in particular in the cleaning services segment. In third regard, there were more than 1,500 new hires under CONSIP Scuole and CONSIP Uffici Agreements, as a result of the importance of the related contract start-up.

Finally, it should be noted that, during the 2013 financial year, personnel costs were affected by the recognition of the effects of the Group's MBO system reserved for top and middle management. This system was not adopted in 2014, so that personnel costs were recognised, with a € 2.3 million impact on EBITDA.

Other operating costs, equal to € 7.6 million for 2014, showed a balance that was in line with 2013 and was made up of sundry operating expenses, such as capital losses from disposals of fixed assets, taxes and duties, fines and penalties, membership fees and entertainment expenses.

Finally, *Capitalized internal construction costs*, equal to € 1.8 million at 31 December 2013, related to activities of construction on a property used as a laundry plant of Servizi Ospedalieri S.p.A., which were completed in 2013. These works, in fact, had been carried out by MACO S.p.A. and were considered as having been performed on a time and materials basis, net of the intra-group margin obtained.

Non-recurring events and transactions in the year

In the course of the 2014 and 2013 financial years, the Group carried out transactions that originated "non-recurring" financial items which impacted on the normal dynamics of the consolidated results of operations. 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, profits and cash flows of the Group companies.

Specifically, the following non-recurring costs were recognized in the Consolidated Statement of Profit or Loss:

(in thousands of Euro)	Year ended 31 December	
	2014	2013 Restated
Costs for termination of employment relationships by mutual agreement	3,863	1,185
Bond issue costs	3,887	3,887
Costs related to the shutdown of the Porto Garibaldi (FE) plant	318	318
Penalties from tax audits	897	897
Costs related to the 2012 earthquakes	316	316
Write-down of PV plants	1,061	1,061
Total non-recurring operating costs	3,863	7,664
Provisions for restructuring	4,617	3,689
Impairment of fixed assets	4,418	1,861
TOTAL NON-RECURRING COSTS	12,898	13,214
<i>Of which related to continuing operations</i>	<i>12,461</i>	<i>13,214</i>
<i>Of which related to discontinued operations</i>	<i>437</i>	

In the 2014 financial year costs of € 3,863 thousand were recognised for termination of employment, € 437 thousand of which related to *discontinued operations* (€ 1,185 thousand at 31 December 2013, partly including costs of € 318 thousand arising from the shutdown of an industrial laundering plant) in the framework of a restructuring process started off by the Parent Company. This process also involved, among other things, the recognition of provisions for additional expected future charges of € 4.6 million, included under "*Accrual and reversal of provisions for risks and charges*" (€ 3.7 million at 31 December 2013, mainly related to subsidiary Servizi Ospedalieri S.p.A.).

In the 2014 financial year the Parent Company, MFM S.p.A., also reported impairment losses of fixed assets of € 4.4 million, on the net residual 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 more innovative projects. In 2013 write-downs of this kind were made necessary for the capital assets used at the Porto Garibaldi (FE) industrial laundering plant, decommissioned at the end of the year.

Finally, the 2013 financial year recorded non-recurring operating costs related to the bond issue process, which had been launched in August for € 3,887 thousand, in addition to penalties from tax assessments of € 897 thousand and costs for non-recurring refurbishment and maintenance of the Group's operating offices for € 316 thousand in relation to the earthquakes that involved Emilia Romagna during 2012. Finally, net write-downs of inventories were recognised in relation to PV plants for € 1,061 thousand, which were made necessary by the adjustment to their book value at the market value within the negotiations for the sale of the same.

Therefore, at 31 December 2014, consolidated adjusted EBITDA came to € 96,297 thousand, net of the abovementioned items (€ 120,217 thousand at 31 December 2013), with profit margins of 9.9% (11.5% at 31 December 2013).

Finally, at 31 December 2014, consolidated adjusted EBIT came to € 59,459 thousand, net of the abovementioned items (€ 74,004 thousand at 31 December 2013), with profit margins of 6.1% (7.1% at 31 December 2013).

Operating Income (EBIT)

In 2014 Consolidated Operating Income (EBIT) stood at € 47.0 million (equal to 4.8% of revenues) against € 60.8 million in the previous year (equal to 5.8% of revenues).

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 € 32.1 million (€ 33.1 million at 31 December 2013), *accruals of provisions for risks and charges* of € 10.3 million (€ 13.4 million at 31 December 2013) against *reversals* of € 3.0 million (€ 2.4 million at 31 December 2013). Specifically, accruals to provisions for future charges 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 (€ 3.6 million at 31 December 2013, mainly linked to the restructuring commenced in the Laundering & Sterilisation SBU after the shutdown of a production site). Finally, the 2014 financial year saw the allocation of a merely residual provision of € 0.5 million in connection with the system of incentives mentioned above, which was not adopted in 2014; the amount set aside in the accounts for the period ended 31 December 2013 was 1.9 € million.

The Group also reported *write-downs of receivables* of € 2.1 million, against € 5.6 million at 31 December 2013. This shows less need for adjustments of credit risk, which had already been adequately covered in previous financial years in the provision for bad debts. Furthermore, the positive trends in the collection of trade receivables mean lower average days sales outstanding and at the same reduce the need to assess generic risks on more senior outstanding debt brackets.

Finally, *impairment of fixed assets* were recognized for € 4.4 million (€ 2.1 million at 31 December 2013). Specifically, the latter item includes 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. In 2013, however, the Group recorded, in the Laundering & Sterilisation SBU, write-downs of assets used in the laundering activity for € 1.2 million, in addition to write-downs of specific software used in the Facility management SBU on Telecom order, for € 0.7 million.

Below is reported a comparison of Operating Income (EBIT) by segment in 2014, with the amounts recorded in 2013:

EBIT BY SEGMENT (in thousands of Euro)	Year ended 31 December				Year ended 31 December			
	2014	% of segment Revenues	2013 Restated	% of segment Revenues	2014 ALL-IN	% of segment Revenues	2013 ALL-IN Restated	% of segment Revenues
Facility Management	33,164	4.0%	54,993	6.1%	34,501	4.0%	58,134	6.2%
Laundering & Sterilization	14,758	10.2%	7,891	5.7%	14,758	10.2%	7,891	5.7%
Other	(924)	-10.7%	(2,096)	-16.5%	(924)	-10.7%	(2,096)	-16.5%
CONSOLIDATED EBIT	46,998	4.8%	60,788	5.8%	48,335	4.8%	63,929	5.9%

The *EBIT* performance in the Facility Management segment (-€ 21.8 million compared to 2013) confirmed the trend of the segment EBITDA (-€ 23.5 million).

Nevertheless, write-downs of trade receivables were less significant than the previous year (- € 3.0 million), effect of an improvement in the collection of debt and lower net provisions for future risks and charges, which had affected some significant specific positions in the previous year.

On the contrary, the Laundering & Sterilization segment showed, at EBIT level, an increase compared to 2013, equal, in absolute terms, to € 6.9 million (+ € 2.9 million at EBITDA level), which also entailed a considerable increase in profit margins (+4.5 percentage points over related revenues), which is even more considerable compared to the values reported in terms of the positive EBITDA performance (+0.9% compared to 2013). As already anticipated, the SBU was involved in restructuring activities as early as in 2013, which entailed, among other things, considerable provisions and write-downs, totalling € 3.9 million.

Finally, the consolidated EBIT in 2014 was positively affected by lower operating loss of the segment of *Other activities*; within this segment, as has been said, there was a disposal of the companies that operated in the photovoltaic market in the first months of 2014. These companies contributed a negative EBIT of € 1.1 million to the consolidated results of the 2013 financial year.

Profit before taxes

To the EBIT must be added net income from companies valued at equity equal to € 1.2 million, compared to € 2.7 million in 2013, less net financial charges of € 36.2 million (€ 28.5 million in 2013), thus obtaining a profit before taxes equal to € 12.0 million at 31 December 2014 (€ 35.0 million at 31 December 2013).

The net income from companies valued at equity reflects, among other things, the income for the year of the (45.47%-owned) associated company Roma Multiservizi S.p.A., which reported a positive proportional result of € 0.3 million at 31 December 2014 (€ 1.5 million at 31 December 2013), lower as a result of the lower profits returned by this associate after a fall in production owing to a reduction in its services to the Lazio Region. Furthermore, total income was reported by project companies within *project financing* contracts for € 1.0 million.

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)	Year ended 31 December		Change Euro/000
	2014	2013 Restated	
Dividends, income (charges) from sale of equity investments	427	665	(238)
Financial income	5,679	1,884	3,795
Financial charges	(42,313)	(31,019)	(11,294)
Profit / (loss) on exchange rate	3	0	3
NET FINANCIAL CHARGES	(36,204)	(28,470)	(7,734)

In 2014 *financial income* amounted to € 5.7 million, recording an increase of 3.8 million compared to € 1.9 million in 2013. The main item recorded during the financial year related to the capital gain 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 open market for a total nominal value of € 45 million. Furthermore, higher interest income was recorded on trade receivables for € 0.5 million and higher interest from discounting-back for € 0.3 million, against, on the contrary, lower financial income, which was mainly recorded following the fair value measurement of potential liabilities for acquisitions of equity investments (Earn-out and Put options).

In the financial year ended 31 December 2014 *financial charges* amounted to € 42.3 million, up by € 11.3 million compared to € 31.0 million in the financial year ended 31 December 2013. In fact, the 2014 financial year saw the full recognition of financial charges that had accrued on the fixed-coupon bond issue (8.5% p.a.) launched for a nominal amount of € 425 million in August 2013 (€ 36.0 million) and that had been accounted for starting from 2 August 2013 only (with an impact of € 15.0 million). On the other hand, the buy-back transaction on the Notes market gave the Group an accrued interest income of € 1.6 million on the portions acquired and held in the portfolio, in spite of paying non-recurring financial costs of € 1.2 million consisting of the write-off of the portion of their amortised cost, recognised in accordance with IFRS on the date of issue and amortised until maturity. In this context, there was also the cancellation of the Revolving Credit Facility (R.C.F.) as from 30 July 2014, which had been granted within the bond issue process: this entailed the recognition of financial costs for the amortisation of the remaining costs of taking out the credit facility, equal to € 0.6 million, thus zeroing the related maintenance costs.

Furthermore, it should be noted that the 2013 bond issue has taken the place of most of the Group's sources of financing previously existing, primarily with short-term maturity, and, above all, there have been no assignments of trade receivables without recourse, with the consequent absence of costs for *interest discount* in 2014, equal to € 2.3 million in 2013. The repayment of the other medium- and long-term loans, partly in 2013 and partly in 2014, finally eliminated their financial cost, reducing the overall cost of borrowing not included in the coupons paid on the bond issue.

Lastly, it should be mentioned that dividends received from companies described as "other equity investments" amounted to € 0.4 million, against € 0.7 million recorded in 2013.

Net profit for the year

From the profit before taxes must be deducted taxes of € 11.4 million, thus obtaining a net profit continuing operations of € 0.6 million (€ 12.2 million at 31 December 2013).

The 2014 financial year also saw the recognition of a Profit (loss) from discontinued operations of € 12 million arising from the transfer of the investment in MIA S.p.A. and related subsidiaries (positive for € 13.2 million), as well as to a write-down of the assets of the SMAIL S.p.A. business segment, which is included in a disposal programme which the management started during the 2014 financial year and which is expected to be completed during 2015 (negative for € 2.4 million). According to IFRS5, the *Profit (loss) from discontinued operations* also includes, both for 2014 and 2013, the net profit for the year of both the MIA Group and SMAIL S.p.A., for a total amount of € 1.2 million and € 2.3 million for 2014 and 2013, respectively. Therefore a positive net profit for the year was recorded for € 12.6 million (€ 14.1 million at 31 December 2013).

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

(in thousands of Euro)	For the year ended 31 December	
	2014	2013 Restated
Profit before taxes	11,992	34,972
Current and deferred IRES tax, including income and charges from Tax Consolidation	(5,072)	(12,536)
Current and deferred IRAP tax	(9,833)	(12,629)
Adjustments to current and deferred taxes related to previous financial years	3,491	2,416
Profit from continuing operations	578	12,223
Tax rate of continuing operations	95.2%	65.0%
Gross profit (loss) from discontinued operations	11,970	2,298
Taxes related to the profit (loss) from discontinued operations	79	(430)
CONSOLIDATED NET PROFIT	12,627	14,091
TOTAL TAX RATE	47.3%	62.2%

The consolidated tax rate for the year (i.e. the tax burden on the *Consolidated net profit*, including the *Profit/loss from discontinued operations*) came to 47.3%, with a decrease of about 15 percentage points compared to 31 December 2013, when it stood at 62.2%. The main positive effect is due to tax revenues (€ 4.6 million) reported after the Parent Company MFM S.p.A. and subsidiary Manutencoop Private Sector Solutions S.p.A. presented a supplementary declaration to the 2014 *Modello Unico* tax return, after the recent clarification provided in Ministerial Circular Letter no. 31/E of 24 September 2013. In 2013 the above declaration had also been presented by subsidiary SANCO Soc. Cons. a r.l. (€ 1.8 million). Net of these revenues, the normalised consolidated tax rate would be 66.9% for the 2014 financial year, in line with the figure that can be calculated in a similar way for the 2013 financial year (67.1%). Finally, it should be noted that in the 2014 financial year the consolidated profit was significantly affected by capital gains from the transfer of equity investments (€ 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. This, however, was partially offset by higher IRAP (Local Production Activities) tax on a pre-tax result for the 2014 financial year (being the sum of the pre-tax result from continuing operations and the gross result from discontinued operations) which was significantly lower than the figure for the same item in the 2013 financial year.

3.2 Statement of financial position as at 31 December 2014

(in thousands of Euro)	31 December 2014	31 December 2013 Restated	Change
USES			
Trade receivables and advances to suppliers	580,629	694,704	(114,075)
Inventories	5,115	6,162	(1,047)
Trade payables and advances from customers	(380,821)	(453,687)	72,866
Other elements of working capital	(79,630)	(122,460)	42,830
Net working capital	125,293	124,719	(574)
Property, plant and equipment	70,558	80,918	(10,360)
Intangible assets	394,642	444,156	(49,514)
Investments accounted for under the equity method	29,390	31,858	(2,468)
Other non-current assets	51,016	39,642	11,374
Fixed assets	545,606	596,574	(50,968)
Non-current liabilities	(45,363)	(51,465)	6,102
NET INVESTED CAPITAL	625,536	669,828	(44,292)
SOURCES			
Minority interests	682	1,955	(1,273)
Equity attributable to equity holders of the parent	334,224	324,300	9,924
Shareholders' equity	334,906	326,255	8,651
Net financial indebtedness	290,630	343,573	(52,943)
FINANCING SOURCES	625,536	669,828	(44,292)

Net working capital

At 31 December 2014 Consolidated Net Working Capital (**NWC**) amounted to € 125.3 million, in line in absolute terms compared to 31 December 2013 (€ 124.7 million).

On the contrary, at 31 December 2014, the consolidated net operating working capital (**NWOC**), composed of trade receivables and inventories, net of trade payables, was equal to € 204.9 million against € 247.2 million at 31 December 2013, with a net decrease equal to € 42.3 million.

This positive change was mainly due to a reduction recorded in the balance of **trade receivables** (-€114.1 million). Furthermore, if we consider the residual balance of receivables assigned by the Group in the framework of the previous years' assignment without recourse programmes (which are currently no longer used) and not yet collected by the factoring agencies (€ 1.5 million at 31 December 2014 and € 16.4 million at 31 December 2013), the balance of trade receivables would amount to € 582.1 million at 31 December 2014, against € 711.1 million at 31 December 2013.

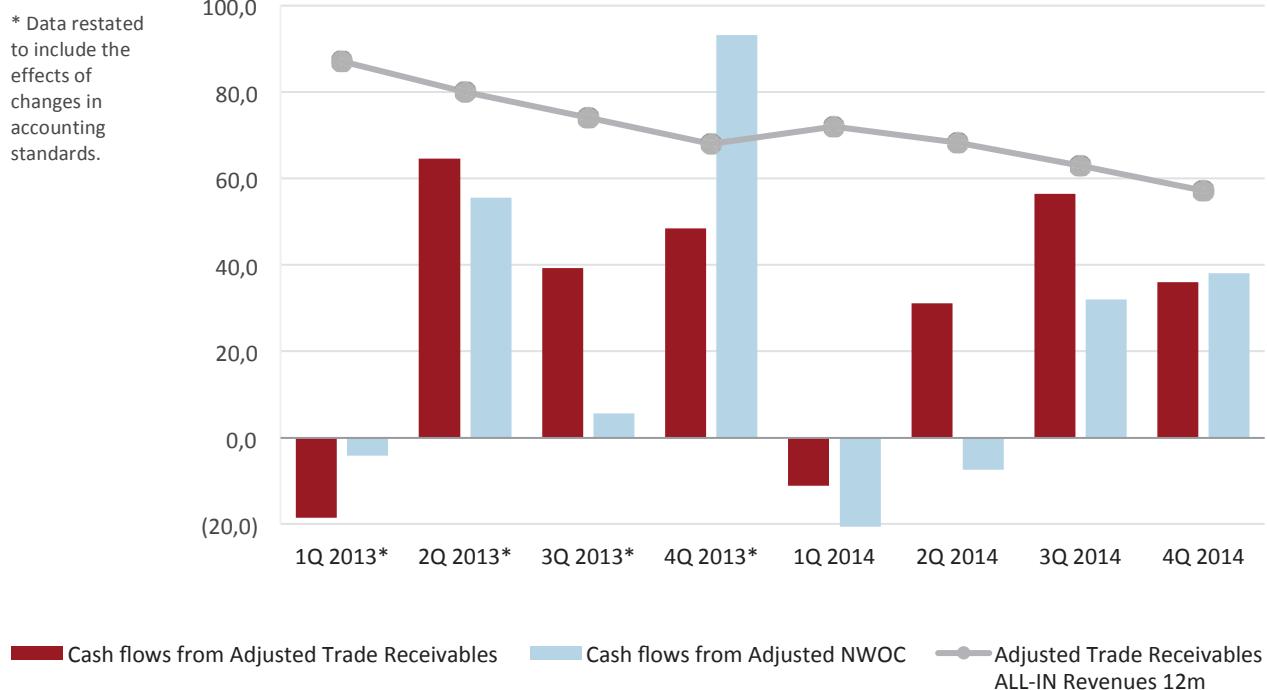
As early as in the course of the first quarter of 2014 the Group also entered into an agreement for the repurchase of the trade receivables assigned to Banca IMI in previous years and not yet collected by the same, for a total initial value of € 9.9 million. The balance of the items not yet collected as at 31 December 2014 was equal to € 5.9 million and was included in the balance of trade receivables.

The inflow from the collection of trade receivables, in fact, was affected, starting from 2013, by a constant and clear trend of improvement and stabilization. This was linked, first of all, to higher financial resources available to Italian public administrations for the extraordinary cash inflow arising from Decree Law 35/2013 and subsequent Decrees (€ 36.5 billion paid at 30 January 2015), aimed at sharply reducing the outstanding debt of public administrations.

In fact, average DSO at 31 December 2014 was 190 days, i.e. well under the average time recorded by the Group in last financial years and noticeably lower than in the previous one (209 days at 31 December 2013). In fact the Group has stabilised the positive cash flow arising from the management of its trade receivables, especially those from public administration, through a rational and constant action of monitoring and optimizing its internal invoicing and collection procedures. More generally, a more rational management was ensured for the components of its working capital (and in particular of **trade payables**). In fact, trade payables came to € 380.8 million at 31 December 2014, with a decrease of € 72.9 million compared to the balance at 31 December 2013 (€ 453.7 million).

The graph below shows the quarterly trends of available cash flow generated from or used by changes in trade receivables and of NWOC, both adjusted to take account of the balance of trade receivables assigned without recourse to factoring companies and not yet collected by these companies on the reporting dates. This trend shows flows that are not initially aligned in time, with benefits deriving from an improvement in collection trends that did not correspond exactly to a reduction in average sales days outstanding. During the third quarter of 2013 and afterwards in the 2014 period, inflows from the collection of debts were substantially stable (even with a different physiological performance during the quarters), so that these benefits could be transferred to the suppliers too. This led to a gradual relaxation of the suppliers' financial tension, which allowed the Group the negotiating room necessary for the required cost reduction targets.

Cash flows from NWOC



	1Q 2013*	2Q 2013*	3Q 2013*	4Q 2013*	1Q 2014	2Q 2014	3Q 2014	4Q 2014
Cash flows from Adjusted Trade Receivables	(18,5)	64,6	39,2	48,4	(11,1)	31,2	56,5	36,0
Cash flows from Adjusted NWOC	(4,2)	55,5	5,7	93,2	(20,6)	(7,3)	32,0	38,1
Adjusted Trade Receivables / ALL-IN Revenues 12m	80%	75%	71%	66%	69%	66%	62%	58%

During the 2014 financial year, therefore, inflows from the collection of receivables contributed € 112.6 million to the Group's NWOC (€ 133.7 million in 2013), which was transferred to consolidated NWOC (and therefore to the Group's suppliers) for € 70.8 million (€ 11.5 million in 2013).

As early as in 2014, a trend towards a reduction in turnover began to emerge in the Group, which partly affects the average amount of trade receivable. Nevertheless, the reduction in this amount is quicker and more obvious than the effects of the financial variable and therefore the ratio between Trade Receivables and annual Turnover shows in any case a significant downward trend. In the course of the last 7 quarters the impact of trade receivables on ALL-IN Revenues reduced by 22%, passing from 80% in the first quarter of 2013 to 58% at 31 December 2014.

The balance of the **other elements in working capital** at 31 December 2014 was a net liability of € 79.6 million, down by € 42.8 million compared to a net liability of € 122.5 million at 31 December 2013.

This decrease in net liability was due to a combination of various factors, mainly including:

- › the recognition of lower net VAT payables for € 20.4 million, mainly as a result of the collections system which significantly reduced the stock of deferred VAT payables;
- › the recognition of higher net receivables for income taxes estimated at €12.6 million for the 2014 financial year, as a result of the lower final taxable bases in the financial statements at 31 December 2014, on which advances were paid during the year which were calculated according to previous years' performance;
- › a decrease of € 4.4 million in the short-term portion of provisions for risks and charges;
- › lower net payables for € 3.9 million for amounts collected on behalf of TJAs (*Associazioni Temporanee di Imprese*, Temporary Joint Associations) in which the Group companies participate in the capacity of agents.

Finally, the financial year saw the transfer of assets held for sale, net of related liabilities for € 5.4 million, related to the investment held in Energyproject S.r.l., which was followed by the recognition of a business segment (mainly made up, from a financial point of view, by inventories of work in progress) held for sale, relating to public lighting operations (carried out by subsidiary SMAIL S.p.A.) for € 5.0 million at 31 December 2014.

It should be noted that the reduction in the components of the MIA Group companies' NWOC prior to the sale carried out before the reporting date has no significant effect on consolidated NWOC. At 31 December 2014 the NWOC flow of the sub-group transferred was positive and could be estimated at € 1.9 million, to which must be added an increase in the net liability relating to the other working capital elements for € 0.6 million.

Other long-term liabilities

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

- › TFR (employee benefits), equal to € 21.2 million and € 27.6 million at 31 December 2014 and 31 December 2013, respectively;
- › long-term portion of provisions for future risks and charges (€ 12.4 million at 31 December 2014 against € 11.7 million at 31 December 2013);
- › deferred tax liabilities of € 11.8 million (€ 12.1 million at 31 December 2013).

Consolidated net financial indebtedness

Details of net financial indebtedness at 31 December 2014 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 2013, as restated to include the effects of changes in accounting standards:

(in thousands of Euro)	31 December 2014	31 December 2013 Restated	Change
A. Cash	36	72	(35)
B. c/a, bank deposits and consortia, non-proprietary accounts	113,346	184,466	(71,121)
D. Cash and cash equivalents (A) + (B) + (C)	113,382	184,538	(71,156)
E. Current financial assets	3,501	13,374	(9,873)
F. . Current bank overdraft	0	57	(57)
G. Current portion of non-current debt	27,158	51,520	(24,362)
H. Other current financial liabilities	1,404	33,539	(32,135)
I. Current financial indebtedness (F)+(G)+(H)	28,562	85,116	(56,554)
J. Current net financial indebtedness (D) + (E) - (I)	(88,321)	(112,796)	24,475
K. Long-term bank debts	370,280	440,137	(69,857)
L. Other non-current financial liabilities	8,671	16,232	(7,561)
M. Derivatives	0	0	0
N. Non-current financial indebtedness (K) + (L) + (M)	378,951	456,369	(77,418)
O. NET FINANCIAL INDEBTEDNESS (J) + (N)	290,630	343,573	(52,943)

The 2014 financial year saw a positive change in the consolidated net financial debt, which passed from € 343.6 million at 31 December 2013 to € 290.6 million at 31 December 2014. 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 € 1.5 million at 31 December 2014 and € 16.4 million at 31 December 2013) would come to € 292.1 million, showing a decrease equal to € 67.9 million compared to € 360.0 million at 31 December 2013.

The main reason for the change is the availability of financial resources from the sale of investments in Energyproject S.r.l. and MIA S.p.A. during the period, totalling € 65.6 million in terms of net financial debt.

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 2013:

(in thousands of Euro)	31 December 2014	31 December 2013 Restated
Cash and cash equivalents	(113,382)	(184,538)
Current bank overdraft, advance payments and hot money	0	57
Current portion of non-current bank debts	26,333	50,544
Long-term bank debts	0	27,450
Senior Secured Notes	370,280	412,687
Finance lease obligations	2,288	3,359
NET INTEREST BEARING FINANCIAL INDEBTEDNESS	285,519	309,559

The financial indebtedness, as defined above, reported a decrease compared to 31 December 2013, passing from € 309.6 million to € 285.5 million. However, considering the exposure to factoring companies, the financial debt balance would amount to € 287.0 million at 31 December 2014 compared to € 326.0 million at 31 December 2013 (+ € 39.0 million).

The higher cash and cash equivalents that were generated by the Group through actions aimed at a more efficient working capital management were, first of all, used to increase efficiency of the consolidated financial structure, proceeding with the already defined early repayment of long-term loans existing before the bond issue and the buy-back transactions on the open Notes market. The transfers of MIA S.p.A. and Energyproject S.r.l. also brought substantial cash into the Group (a total effect of + € 58.8 million on cash and cash equivalents at 31 December 2014), and this was a further contribution to improving its financial stability.

The change in consolidated Cash and cash equivalents is shown in the table below: the cash flows for the 2014 financial year are compared with the figures for the previous year. Annex IV to the Notes 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 Notes to the Consolidated Financial Statements pursuant to IAS 7.

	2014	2013 Restated
At 1 January	184,538	51,394
Cash flow from current operations	34,217	71,966
Uses of provisions for risks and charges and for employee termination indemnity	(18,279)	(19,021)
Change in adjusted NWOC	36,232	150,197
Industrial and financial capex, net of transfers	42,929	(34,019)
Change in adjusted net financial liabilities	(139,067)	(30,045)
Other changes	(27,188)	(5,934)
AT 31 DECEMBER	113,382	184,538

The overall cash flows mainly reflect the net effect of:

- › a positive cash flow arising from current operations for € 34.2 million (€ 72.0 million in 2013), which includes, among other things, taxes paid on account of advances and settlements on the income produced in the previous financial year for € 28.9 million, against € 20.5 million for 2013;
- › payments linked to the use of provisions for future risks and charges and for employee termination indemnity for € 18.3 million (€ 19.0 million in 2013);
- › a positive cash flow of € 36.2 million (€ 150.2 million in 2013) from changes in adjusted NWOC, mainly resulting from a € 112.6 million inflow of collections for the period (€ 133.7 million in 2013), net of a € 70.8 million decrease in trade payables (against a positive value of € 11.5 million posted in 2013);
- › industrial investments net of disposals for the year amounting to € 25.0 million (€ 34.3 million and € 1.0 million at 31 December 2013);
- › a decrease of € 139.7 million in net financial liabilities (€ 30.0 million at 31 December 2013), mainly as a result of the buy-back of portions of Senior Secured Notes on the open market to a nominal amount of € 45.0 million, the payment of € 11.0 million in July 2014 relating to the Earn-out due to the minority interests of Sicura S.p.A. and the early repayment of long-term loans for a total amount of € 38.0 million;

- › changes in other operating assets and liabilities amounting to a total outflow of € 27.2 million against € 5.9 million at 31 December 2013, which were mainly due, as has been seen, to changes in payments of VAT debt.

The cash flows for the financial year also recorded the effects arising from discontinued operations recognized in the Consolidated Financial Statements at 31 December 2013 in relation to the transfer of Energyproject S.r.l. and Mowbray S.r.l. , totalling € 4.8 million, of which an amount of € 3.9 million had already been collected at 31 December 2014. Furthermore, the financial year saw the transfer of the stake held in Perimetro Gestione Immobiliare S.c.p.a. for € 1.1 million (equal to the book value of the stake itself). Finally, the cash flows also recorded the effects of the transfer of MIA S.p.A. by the end of the 2014 financial year, which contributed net financial resources of € 60.9 million to the Group.

Industrial Capex

In 2014 the Group made net capital expenditures which totalled € 26.8 million (€ 35.5 million in 2013).

<i>(in thousands of Euro)</i>	Year ended 31 December	
	2014	2013 Restated
Purchases of properties	8	781
Purchases of plant and equipment	17,512	21,697
Purchases of plant and equipment under lease	0	2,028
Other capital expenditures in intangible assets	9,276	10,987
INDUSTRIAL CAPEX	26,796	35,493

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 (€ 11.7 million in 2014, against €13.0 million in 2013). Investments in intangible assets for the period amounted to € 9.3 million and mainly related to improvements on the company's IT systems.

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

<i>(in thousands of Euro)</i>	Year ended 31 December	
	2014	2013 Restated
Facility Management	10,780	12,161
Laundering & Sterilization	16,016	23,332
Other	0	0
INDUSTRIAL CAPEX	26,796	35,493

In the 2013 financial year the Laundering & Sterilization segment made investments in the industrial buildings located in Lucca used for linen rental and industrial laundering systems for € 2.0 million, to be considered as non-recurring items.

Finally, disinvestments were recorded for the period equal to € 1.8 million (€ 0.7 million at 31 December 2013), mainly related to some 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 is currently the object of a plan of disposals.

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 2013 Restated	Early repayment	Amortization for the year	Buy-Back of Notes	Transfer of MIA S.p.A.	Other changes	31 December 2014
Repayment of bank loans in the financial year	37,965	(38,000)				35	0
Other bank loans	25,726		(12,720)		(173)	36	12,869
Current bank overdraft, advance payments and hot money	57		(57)				0
Accrued and deferred expenses on loans	14,303		(36,025)	(1,594)		36,725	13,410
Senior Secured Notes	412,687			(45,000)		2,592	370,280
Bank debts	490,738	(38,000)	(48,802)	(46,594)	(173)	39,389	396,558
Finance lease obligations	3,359		(1,071)				2,288
Other financial liabilities	47,388				(6.334)	(32.387)	8,667
Financial liabilities	541,485	(38,000)	(49,873)	(46,594)	(6,507)	7,002	407,513
Current financial assets	(13,374)				566	9,307	(3,501)
Net financial liabilities	528,111	(38,000)	(49,873)	(46,594)	(5,941)	16,309	404,012
Outstanding amount of receivables assigned to factoring companies without recourse	16,437					(14,969)	1,469
ADJUSTED NET FINANCIAL LIABILITIES	544,548	(38,000)	(49,873)	(46,594)	(5,941)	1,340	405,481

The different financial structure that the Group had adopted in recent years supported the early repayment of some medium- and long-term bank loans as early as in the previous financial year, which continued in 2014 with the repayment of the loans from CCFS for a nominal amount of € 18 million and from Monte Paschi di Siena for a nominal amount of € 20 million. Furthermore, the financial year saw the payment of the six-monthly coupons on the Senior Secured Notes of € 36.0 million, in addition to the repayment of instalments for the period on long-term bank loans still in place for € 12.7 million.

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. As the notes purchased were not cancelled, at the moment they are in the securities deposit account and bear interest for the holder. The interest amounted to € 1.6 million in the 2014 financial year. Another accounting effect of this transaction was a € 1.2 million write-off of the amortised cost of the additional issuing costs of the portions purchased, plus € 1.4 million ordinary amortisation.

Finally, it should be noted that, with effect from 30 July 2014, the Parent Company demanded the formal cancellation of the Revolving Credit Facility (R.C.F.), which had been obtained within the bond issue process

from a pool made up of UniCredit S.p.A., J.P. Morgan Chase Bank S.A. Milan Branch, Cassa di Risparmio in Bologna S.p.A. and Mediobanca – Banca di Credito Finanziario S.p.A.. Therefore, the Group accounted for the residual amount to be amortised in relation to the costs incurred for the registration of the line, equal to € 579 thousand, as a financial charge for the period.

As regards other financial liabilities, on 16 July MFM S.p.A. arranged for the payment of the € 10.6 million earn-out as of 31 December 2013 due to transferors of 80% of the quota capital of Gruppo Sicura S.r.l (now merged by incorporation into Sicura S.p.A.), acquired in 2008. As of 31 December 2013, € 8.8 million payables to factoring firms were also reported: these were moneys collected from assigned customers which had to be passed on to the factors. Payments to the assignees were made during the early months of 2014 and the debt had been almost cleared by 31 December 2014 after the programme for the assignment of trade receivables without recourse had been abandoned.

During 2014, total short-term financial assets fell by € 9.9 million mainly owing to the closure of the current account contracts with Banca IMI related to the collection of receivables in the framework of the programmes, already mentioned, for the assignment of receivables without recourse, pledged and thus not included among the Group's cash and cash equivalents (€ 9.5 million at 31 December 2013).

Finally, the transfer of the stakes held in MIA S.p.A. in December 2014 entailed the deconsolidation of net financial liabilities amounting to € 5.9 million, mainly made up of financial payables for amounts due within the framework of corporate acquisitions that had taken place in previous financial years (€ 13.6 million at 31 December 2013 and € 6.8 million at 30 September 2014).

3.3 Financial ratios

The main financial balance sheet ratios as at 31 December 2014, calculated at consolidated level, compared with the ratios recorded for the consolidated Financial Statements restated as at 31 December 2013.

The financial data used for their calculation are on an ALL-IN basis.

Profitability ratios

	2014	2013 Restated
ROE	3.8%	4.4%
ROI	3.7%	4.1%
ROS	4.8%	5.9%

ROE (*Return on Equity*), which provides a summary measurement of the return on capital invested by shareholders, stood at 3.8% in 2014, compared to 4.4% in 2013. The ratio reflects the decline in consolidated Net Profit compared to the previous year, against an increase in the consolidated equity reserves.

ROI (*Return on Investments*), which provides a summary measurement of the operating return on capital invested in the company, stood at 3.7% in 2014, compared to 4.1% in 2013. The drop reflects the higher decrease recorded in proportional terms in EBIT for the year (€ 48.3 million against € 63.9 million, equal to -24%) compared to a decrease in the Group's gross Invested Capital, which passed from € 1,548.9 million in 2013 to € 1,311.7 million in 2014 (-15%).

ROS (*Return on sales*), which provides a summary measurement of the Group's ability to convert turnover to EBIT, stood at 4.8% in 2014 compared to 5.9% in 2013, against, as already illustrated, a fall in the Group's EBIT (-24%) that was more than proportional to the reduction in the volume of revenues (-7%).

Liquidity ratios

	2014	2013 Restated
Current ratio	137.7%	132.6%

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 significant improvement of the ratio reflects a greater efficiency in using available cash. Total liquidity was lower than in the previous financial year but total future outgoings to be met from current liquid assets were also proportionately lower.

Ratios of composition of Assets and Liabilities

	2014	2013 Restated
Rigidity ratio	41.6%	38.5%
Liquidity ratio	57.7%	60.6%
Indebtedness ratio	0.72	0.76
Medium/Long-term Indebtedness ratio	32.3%	32.8%

The *rigidity ratio*, which expresses long-term loans as a percentage of total loans, was equal to 41.6% in 2014 against 38.5% in 2013, as a result of a reduction in invested capital compared to the previous financial year.

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 57.7% in 2014, compared to a ratio of 60.6% in the previous year.

The indebtedness ratio, which is the ratio of net debt to the sum of net debt and own equity, as defined in the explanatory notes to the Consolidated Financial Statements, to which reference should be made, stood at 0.72 compared to 0.76 in the previous year, 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 32.8% in 2013 to 32.3% in 2014, recording a decline that mainly reflects a reduction in medium/long-term loans in the course of the financial year, as a result of the early repayment of some credit lines and the already described transactions for the buy-back of the Notes.

See the section on Consolidated Net Financial Indebtedness for details.

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.

	2014	2013 Restated
Turnover/internal and external personnel costs	146%	155%
Make ratio	56.0%	55.2%

At 31 December 2014 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% (155% at 31 December 2013). The comparison shows a fall in the ratio, affected by lower turnover and overall margins in the 2014 financial year. 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, on the other hand, points to higher trend than in the previous financial year. This represents an organisational preference for producing by greater recourse to internal production factors than to purchasing services from external sources.

3.4 Consolidated added value

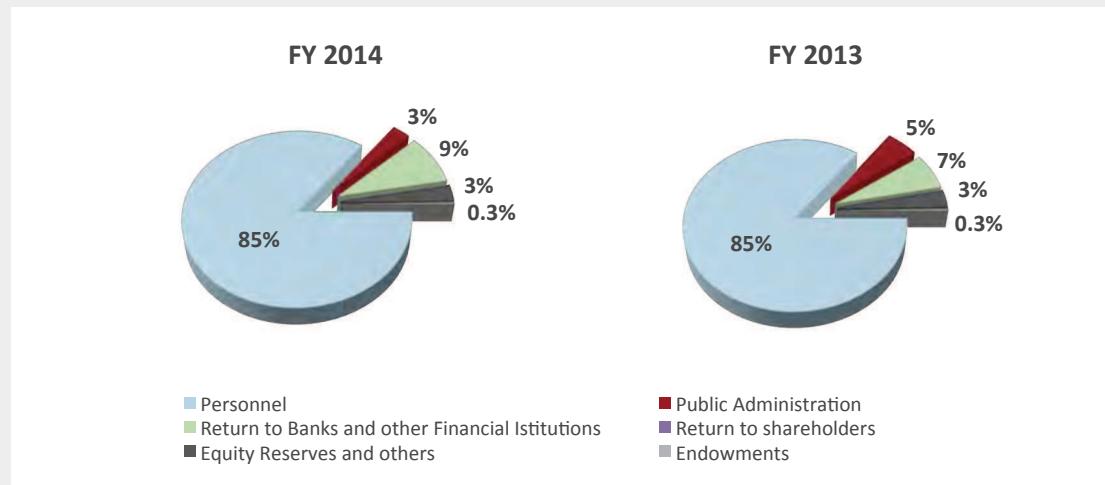
Below is the calculation of consolidated Added Value, which defines the wealth that the Group produced during the year and shows how it is distributed among the main stakeholders.

(in thousands of Euro)	31 December 2014	31 December 2013
A) Value of Production		
+ Revenues from sales and services (less revenue adjustments)	1,000,103	1,069,036
+ Change in contract work in progress	(1,967)	390
+ Other revenue and income	2,645	908
Total Revenues from Ordinary Operations	1,000,782	1,070,333
Revenues from non-ordinary production (on a time and materials basis)	0	1,838
Total Value of Production	1,000,782	1,072,171
B) Intermediate production costs		
- Consumption of raw materials, consumables and goods	(143,207)	(173,102)
- Costs for services	(340,998)	(356,934)
- Costs for use of third-party assets	(22,972)	(26,304)
- Provision for risks	(7,296)	(11,105)
- Sundry operating expenses	(3,643)	(4,162)
Total Intermediate Production costs	(518,116)	(571,607)
GROSS ADDED VALUE FROM ORDINARY OPERATIONS (A – B)	482,666	500,564
C) Non-core and non-recurring operations		
12. Balance of Non-core Operations	7,812	5,296
+ Additional revenues	8,501	6,104
- Additional costs	(689)	(808)
13. Balance of Non-recurring Operations	9,562	(1,555)
+ Non-recurring revenues	23,580	11,625
- Non-recurring costs	(14,018)	(13,180)

(in thousands of Euro)

	31 December 2014	31 December 2013
Total Non-core and non-recurring operations	17,374	3,741
GROSS TOTAL ADDED VALUE	500,039	504,305
- Amortisation/depreciation of operations for homogeneous groups of assets	(33,541)	(34,390)
NET TOTAL ADDED VALUE	466,498	469,915

Below is the breakdown of the Group's consolidated Added Value distributed to stakeholders in the 2014 and 2013 financial years:



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.

It should be noted that the application of newly-issued IFRS, and specifically of *IFRS10 Consolidated Financial Statements* and *IFRS 11 Joint Arrangements* has not entailed any effects on the separate financial statements of the parent company MFM S.p.A..

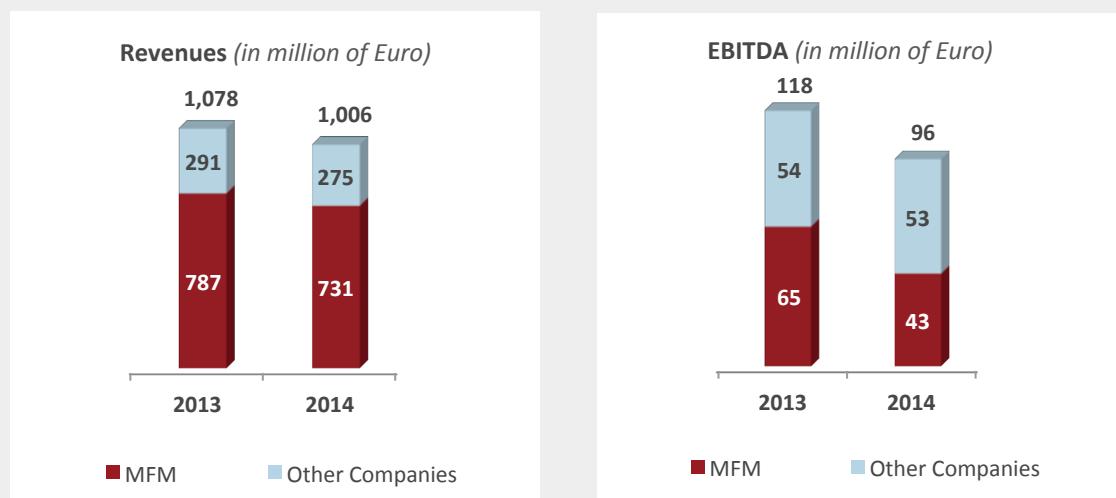
4.1 Economic results

The main income data of the Parent Company MFM S.p.A. for the year ended 31 December 2014, are shown below, as well as a comparison with the figures from the previous year.

<i>(in thousands of Euro)</i>	Year ended 31 December		Change	
	2014	2013	Euro/000	%
Total revenues	731,142	789,694	(55,720)	-7.1%
Total costs of production	(688,555)	(722,149)	33,594	-4.7%
EBITDA	42,587	64,713	(22,126)	-34.2%
EBITDA %	5.8%	8.2%		
Amortization, depreciation, write-downs and write-backs of assets	(12,037)	(24,676)	12,639	-51.2%
Accruals and reversal of provisions for risks and charges	(5,784)	(6,323)	539	-8.5%
Operating Income	24,766	33,714	(8,949)	-26.5%
Operating Income %	3.4%	4.3%		
Income (charges) from investments	12,619	13,042	(423)	-3.2%
Net financial charges	(28,595)	(23,977)	(4,618)	+19.3%
Profit before taxes	8,790	22,779	(13,990)	-61.4%
Profit before taxes %	1.2%	2.9%		
Income taxes	(3,433)	(17,430)	13,986	-80.2%
Profit from continuing operations	5,347	5,350	(2)	
Profit (loss) from discontinued operations	7,585	0	7,585	
NET PROFIT	12,932	5,350	7,583	
NET PROFIT %	1.8%	0.7%		

In 2014 revenues for MFM S.p.A. stood at € 731.1 million, showing a decrease of € 55.7 million compared to € 786.9 million in 2013.

The Parent Company MFM S.p.A. guarantees the Group a sizeable portion of the consolidated results (about 73% 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 2014 EBITDA came to € 42.6 million against € 64.7 million in 2013, with a considerable fall in terms of margins, which passed from 8.2% at 31 December 2013 to 5.8% in 2014. At 31 December 2014 the Parent Company contributed 44% of consolidated ALL-IN EBITDA (55% for the financial year ended 31 December 2013): the remarks concerning the Group's income performance, in fact, are fully borne out in MFM S.p.A. since the falls in 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.

In fact revenues during the financial year fell faster and more significantly than the related operating costs: the decreasing trend in volumes (the immediate effect of which is an average reduction in fees as a result of pressure on prices in the Group's market) is accompanied by a necessary cost efficiency process that requires a review and a revision of the model for providing services and of production facilities, which, on the other hand, will take longer to come into effect. During 2013 the company provided services in the framework of the Telecom Italia contract as a third-party provider for subsidiary Manutencoop Private Sector Solutions S.p.A. and, therefore, a difference in turnover of € 53 million was recognised in 2014 as a result of the renegotiation of this contract.

As has already been mentioned, the business segment which the subsidiary used to perform this work was spun off on 1 October 2014 and then contributed to MFM S.p.A., in order to rationalise and simplify production processes.

At EBIT level, which stood at € 24.8 million in 2014, a decrease of € 8.9 million was recorded compared to the previous year. The result in terms of EBIT was better than EBITDA, mainly as a result of the recognition of 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 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, note *write-downs of equity investments* of € 3.2 million (€ 13.1 million at 31 December 2013, including the write-down of MIA S.p.A.), which were mainly connected to the subsidiaries operating in the building and public lighting segments, for which the future now holds a gradual exit from the markets for these activities.

In 2014 amortisation/depreciation amounted to € 9.0 million (€ 9.8 million at 31 December 2013), 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 € 1.6 million (€ 1.8 million at 31 December 2013).

Lastly, as at 31 December 2014 there were provisions allocated (net of any transfers) for € 5.8 million (€ 6.3 million at 31 December 2013). A provision of € 4.6 million for corporate restructuring was recognised under the same in 2014, being the estimated future costs of measures to improve the efficiency of the operational structures in terms of staff reductions, which the management deemed necessary in order to revitalise business on a sounder and more profitable basis.

To EBIT must be added dividends and net income from equity investments amounting to € 12.5 million, compared to € 13.0 million in the previous year.

The income reflects, among others, dividends from subsidiaries for € 10.8 million (the same value as at 31 December 2013), in addition to € 1.7 million from associated companies and minority interests (€ 2.3 million at 31 December 2013), as summarised below:

<i>(in thousands of Euro)</i>	Year ended 31 December	
	2014	2013
Servizi Ospedalieri S.p.A.	1,880	4,920
Telepost S.p.A.	4,376	4,237
Sicura S.p.A.	1,600	1,600
Roma Multiservizi S.p.A.	1,510	1,727
Manutencoop Private Sector Solutions S.p.A.	2,952	0
Other minors	219	558
DIVIDENDS	12,537	13,042

Finally, the Parent Company recognised net financial costs of € 28.6 million (€ 24.0 million in 2013), thus obtaining a profit before taxes equal to € 8.8 million in 2014 (€ 22.8 million in 2013).

In 2014 *financial income* amounted to € 13.9 million, up by € 7.0 million compared to € 6.9 million in 2013. The main item recorded in the financial year related to the capital gain of € 3.4 million achieved in the course of the last quarter from the buy-back of portions of bonds on the open market for a total of € 45 million. Furthermore, the Parent Company also recognised higher interest income on non-proprietary accounts and loans to Group companies for € 2.6 million.

Financial costs for the financial year ended 31 December 2014 amounted to € 42.5 million, with an increase of € 11.6 million compared to € 30.9 million in the financial year ended 31 December 2013. In fact, the 2014 financial year saw the full recognition of the financial costs accrued on the (8.5% p.a.) fixed-coupon bonds that had been issued for a nominal amount of € 425 million in August 2013 (€ 36.0 million), which had been accounted for starting on 2 August 2013 only (with an impact of € 15.0 million). As has been seen, the buy-back of Notes in the market entailed accrued interest income of € 1.6 million on the portions purchased and held in the portfolio and non-recurring financial costs of € 1.2 million, linked to the write-off of the portion of the related amortised cost, which was recognized in accordance with IFRS as at the date of issue. Furthermore, the Parent Company's income statement include the costs of the write-off of the remaining amount to be amortised of the costs of taking out (€ 0.6 million) the Revolving Credit Facility (R.C.F.), obtained during the 2013 bond issue process and cancelled in July 2014. Finally, it should be noted that no

trade receivables have been assigned without recourse from 2013 onwards and there were no interest discount costs during 2014, equal to € 2.3 million in the previous year.

From the profit before taxes must be deducted taxes of € 4.5 million (€ 17.4 million at 31 December 2013), thus obtaining a *net profit from continuing operations* of € 4.3 million. The 2014 financial year also recorded a *Profit (loss) from discontinued operations* of € 7.6 million, relating to the transfer of the investment in MIA S.p.A, showing a net positive profit for the year of € 11.8 million (€ 5.3 million at 31 December 2013).

The tax rate (i.e. the tax burden on the *Net profit for the year*, including the *Profit/(loss) from discontinued operations*) would amount to 28%. In the 2014 financial statements the Parent Company reported revenues from tax paid in previous periods after the presentation of a supplementary declaration to the 2014 Modello Unico tax return. In the light of the recent explanations in Ministerial Circular Letter 31/E of 24 September 2013, costs sustained in other financial periods previously reallocated to taxable income were deducted. Net of these revenues, the normalised tax rate for 2014 would be 44% (77% at 31 December 2013), with a considerable decrease attributable to the recognition of capital gains and revaluations on the sale of equity investments (a total of € 14.0 million) on which IRES tax under the participation exemption regime is 5% of the taxable base, with a tax effect of € 0.1 million.

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 2014 is shown below, compared with the figures for year ended 31 December 2013.

(in thousands of Euro)	31 December 2014	31 December 2013	Change
USES			
Trade receivables and advances to suppliers	436,044	521,080	(85,036)
Inventories	1,172	1,514	(342)
Trade payables and advances from customers	(267,893)	(331,718)	63,825
Other elements of working capital	(73,939)	(97,768)	23,829
Net working capital	95,384	93,108	2,276
Property, plant and equipment	11,186	13,939	(2,754)
Intangible assets	314,926	311,626	3,300
Investments	145,231	154,893	(9,662)
Other non-current assets	89,773	76,616	13,157
Fixed assets	561,115	557,074	4,041
Non-current liabilities	(30,219)	(30,966)	747
NET INVESTED CAPITAL	626,281	619,216	7,065
SOURCES			
Shareholders' equity	342,360	330,091	12,270
Net financial indebtedness	283,920	289,125	(5,205)
TOTAL FINANCING SOURCES	626,281	619,216	7,065

Net working capital

Net working capital (NWC) totalled € 95.4 million as at 31 December 2013, in line with the value posted at 31 December 2013 (€ 93.1 million). Net commercial working capital (NWOC), composed of trade receivables and inventories, net of trade payables, stood at € 169.3 million as at 31 December 2014, reporting a decrease in absolute terms equal to € 21.6 million compared to the value posted at 31 December 2013 (€ 190.9 million). The Parent Company also recognised “off balance sheet” receivables (i.e. receivables assigned without recourse to factoring companies and not yet collected by the latter) for € 1.1 million (€ 13.4 million as at 31 December 2013): in consideration of these, the balance of NWOC would record an additional significant total decrease, equal to € 33.9 million, as a result of the acceleration in average collection times that has been described above in relation to the changes in consolidated NWOC. As has already been seen, a part of this benefit was transferred to Group suppliers, the debt balance of which passed from € 331.7 million at 31 December 2013 to € 267.9 million at 31 December 2014.

A further reduction in the debt balance of the other components of net working capital is added to these changes (€ 23.8 million). The decrease in net liabilities is attributable to a combination of various factors, mainly including:

- › the recognition of lower net VAT payables for € 14.7 million, mainly as a result of the collections system which affected the stock of deferred VAT payables;
- › an increase of € 2.9 million in the net liability arising from receivables to/payables from employees and the related payables to/receivables from social security institutions and the tax Office for withholdings. The main reason for this was the higher number of employees (+ 1,043) than in 2013, which, in turn, was due to amendments to the regulations governing contract changes, particularly involving engagements of staff in connection with new CONSIP agreements;
- › the recognition of higher net credit of € 11.8 million for estimated income tax for the 2014 financial year owing on one hand to the lower taxable base in the financial statements at 31 December 2014 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 € 1.9 million;
- › lower net payables of € 4.5 million for sums collected on behalf of the Temporary Joint Ventures in which the Parent Company acts as representative.

Net financial indebtedness

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

<i>(in thousands of Euro)</i>	31 December 2014	31 December 2013	Change
Long-term financial liabilities	370,280	439,993	(69,713)
Bank borrowings and current portion of long-term debt	44,411	95,503	(51,092)
GROSS FINANCIAL INDEBTEDNESS	414,691	535,495	(120,804)
Cash and cash equivalents	(92,641)	(149,834)	57,193
Other current financial assets	(38,129)	(96,535)	58,406
NET FINANCIAL INDEBTEDNESS	283,921	289,124	(5,204)
Outstanding amount of receivables assigned to factoring companies without recourse	1,053	13,404	(12,351)
ADJUSTED NET FINANCIAL INDEBTEDNESS	284,974	302,529	(17,555)

The reduction in Gross Financial Indebtedness arises from the transactions already described, whereby portions of bonds were bought back on the open market (equal to € 43.8 million, net of the related write-off of the portion of amortised cost), as well as from the early repayment of the long-term loans disbursed, in the year, by MPS and CCFS for a total of € 38.0 million. Further, the financial year also saw the repayment of instalments of € 12.7 million of the outstanding loans (Banca Popolare di Vicenza).

Furthermore, current financial assets reduced by € 58.4 million, as a result of a reduction in the credit balances of loans granted to subsidiaries. As of 31 December 2013, this item also included the balance of the pledged current account to which were credited the receipts from the programme of assignment of trade receivables without recourse to Banca Intesa, in which the Parent Company acted as servicer in managing the customers concerned (€ 8.8 million). This account was cancelled during 2014 after an agreement to buy back the outstanding amount of the receivables previously assigned and the consequent termination of the programme.

To the net financial indebtedness must be added an amount of € 1.1 million of the balance of receivables assigned without recourse for the programme still in place with Crédit Agricole Corporate & Investment Bank (a total of €13.4 million at 31 December 2013).

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 2014		31 December 2013 Restated	
	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	12,932	342,360	5,350	330,091
- Elimination of consolidated equity investment values	(552)	(137,210)	0	(159,113)
- Accounting of Shareholders' Equity to replace the values eliminated	(13)	50,351	913	67,203
- Allocation to consolidation difference	0	62,438	0	62,787
- Allocation of tangible assets	(4)	75	(4)	78
- Recognition of financial income/costs on PUT options	(484)	(484)	311	311
- Dividends distributed to Group companies	(4,596)	0	(10,757)	0
- Profit generated by consolidated companies	8,474	8,474	3,976	3,976
- Valuation of non-consolidated companies using the equity method	(162)	5,225	983	6,394
- Tax effects on consolidation adjustments	(55)	(336)	90	(277)
- Reversal of statutory write-downs	(3,213)	3,551	12,971	12,971
- Other consolidation adjustments	26	(223)	(86)	(120)
Total consolidation adjustments	(579)	(8,148)	8,397	(5,790)
Shareholders' equity and profit (loss) for the year pertaining to the Parent Company	12,354	334,223	13,747	324,301
Shareholders' equity and profit (loss) for the year pertaining to Minority Interests	273	683	344	1,954
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS	12,627	334,906	14,091	326,255

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

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

Financial risks

Concerning financial risks (liquidity, credit, interest 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 2014 significant changes were made to the legislation concerning the legal rules affecting the scope of application of Legislative Decree 231/2001.

Specifically, as provided for in Legislative Decree no. 39 of 4 March 2014, which was published in the Official Gazette on 22 March 2014, on 6 April 2014 Article 609-*undecies* of the Italian Criminal Code introduced the criminal offence of "Solicitation of minors" among the cases of crimes referred to in Article 25-*quinquies*, paragraph 1 (c) on "Crimes against the person". This criminal offence punishes persons who practise arts of seduction with a view to the abuse or sexual exploitation of minors under the age of sixteen, also through remote means of communication. Both the General and the Special Parts of the Group's Model, regarding crimes of association, were amended accordingly.

The text of Article 416-*ter* of the Italian Criminal Code on "Trading votes for favours with criminal gangs", already referred to in Article 24-*ter* of Legislative Decree no. 231/2001, was amended by Article 1, paragraph 1, of Law no. 62 of 17 April 2014.

The text of the Article in the Model and the penalties attached were amended.

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 10 July 2014 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 18 July 2014.

At 31 December 2014, the “ODV”, which had been appointed on 29 April 2013, was made up as follows:

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

The representative from the Legal Affairs department resigned early in 2015 and has been replaced by another outside member.

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

In 2014 the “ODV” formally met five times (1 April, 28 May, 10 July, 23 September and 10 December 2014).

As regards audit activities, at the first meeting in 2014, the ODV approved the proposed audit plan for 2014, 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 15,922 workers (at 31 December 2013: 15,282 units), including personnel on lease from the Parent Company Manutencoop Società Cooperativa to Group companies, equal, at 31 December 2014, to 567 units (31 December 2013: 581 units).

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

	31 December 2014	31 December 2013
Executives	58	61
Office workers	1,462	1,667
Manual workers	14,402	13,554
EMPLOYEES	15,922	15,282

Prevention and protection

Some job orders were checked on a sample basis by the certifying body 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 2014 the Prevention and Protection Service conducted 49 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.

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 2014 financial year 5,335 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:

	2014	2013	2012
Impact (no. of accidents x 1,000/no. of employees)	85.60	90.22	98.18
Frequency (no. of accidents x 1,000/no. of worked hours)	72.04	75.80	93.21
Severity (days of accident x 1,000/ no. of worked hours)	1.68	1.74	1.68

There are currently 20 Workers' Safety Representatives at MFM S.p.A. distributed throughout the areas of Operations. In 2014 they were involved in a training/education plan on occupational safety.

During the financial year there was a different trend in brokerage, which considerably increased: there is now a constantly rising number of clients which decide to ask a third party to manage their waste. This leads to greater complexity in this field, above all in the phases of stipulating contracts and agreeing procedures with clients. In 2014, therefore, a pilot project was started in the Emilia and Cross Roma areas in order to make improvements to the present waste management software, to authorisation procedures and to the choice of suppliers. If the outcome of the project is successful, it will be extended to all areas of Operations before the end of 2015.

Also during 2014 MFM S.p.A. asked external advisors to audit its work in order to assess the applicability of regulations regarding the road haulage of hazardous materials (ADR, *Accord pour le transport de matières Dangereuses par Route*).

Finally, the regulatory body only found one case of an environmental risk during the period, arising from an infringement committed in 2013 by a waste disposal firm which is an occasional Group supplier. As of 31 December 2014 the Manutencoop Group had not been found to have committed any infringements

Training

In the course of the 2014 financial year 995 training sessions were held, which involved 12,420 participants for a total of 112,327 training hours (+58% compared to the previous year).

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

Subject	2014				2013			
	Courses	Editions	Participants	Hours	Courses	Editions	Participants	Hours
Safety	38	773	10,405	87,253	35	434	5,222	42,304
Technical-professional	76	177	1,434	15,242	27	96	550	6,158
IT	1	3	38	608	5	16	224	1,643
Quality and Environment	8	19	277	988	19	67	833	1,848
Management	12	23	266	8,234	33	72	689	13,564
Total	135	995	12,420	112,327	112	685	7,518	65,517

In 2014 recourse to financing to cover training costs increased, and in particular the use of the Formatemp Fund (for agency workers) trebled compared to 2013.

MFM S.p.A. also responded to a Foncoop scheme for Safety, Technical and Vocational training for staff taken on with the Consip Scuole agreement with a saving of about € 200 thousand on training costs:

CONSIP	Editions	Participants	Training hours per edition	Training hours per participant
First Aid – Consip	72	1,471	908	18,599
Basic Course on Safety at Work (Decree Law 81_08) Consip	84	1,411	672	11,288
Wall painting – Windows and Shutters Maintenance	34	298	417	3,678
TOTAL	190	3,180	1,997	33,565

Furthermore, the utilisation of the Foncoop Corporate Training Account covered about 50% of the costs sustained during the 2014 financial year. The finance, in detail, covered 40% of the Safety training costs, 56% of the Technical and Vocational training costs and 98% of the management training costs.

As regards Safety training, during the period MFM S.p.A. expanded the scope of obligatory training, involving more than 10,000 employees, double the number of those attending training in 2013. The Company also completed the obligatory Safety training scheme for Executives and began the obligatory training of Supervisors.

As regards Technical and Vocational training, MFM S.p.A. continued training staff to obtain vocational certificates, also including a Certificate for fire protection maintenance technicians in the catalogue and certifying the first seven employees.

After it became obligatory with effect from 1 January 2014 to give training to professionals enrolled in the Council of Architects and Engineers, the Company began the training necessary for the professionals in the organisation to keep up their registration (at least 15 credits each year until 2016). Themes of general interest to the Company were dealt with at these training sessions: regulations on energy efficiency, building and town planning.

In line with corporate growth targets, about 40 employees throughout the country started to attend English language courses.

Various Management training projects were carried out:

- › training on the guidance continued on relations with collaborators with the involvement of the Services Managers and Contract Managers in the Operations Department;
- › attention was given to the requests that emerged from the compilation of Training Needs Questionnaires and the subsequent conversations with the various Managers involved. Courses were opened in Time Management, Customer Relations Management and Effective Communication; some individual Coaching sessions were also held and in some editions a new training method was adopted based on the alternation of classroom learning and carrying out individual online tasks.

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

8. ENVIRONMENT AND QUALITY

In 2014 MFM S.p.A. passed the audits for maintaining the following systems:

- › 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)
- › UNI CEI 11352:2014 - Energy Management - Companies providing energy services (ESCO)
- › BS OHSAS 18001:2007 – (Occupational Health and Safety Management System).

Furthermore, the Company obtained once again the SA8000:2008 certification (Social Accountability System) and the ANMDO CERMET standard for the voluntary accreditation of suppliers of hospital cleaning and sanitation services.

In 2014 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.

Furthermore, the 11352 certification was converted from the previous 2010 version into the 2014 version.

MFM also worked to achieve certification or uphold requirements for the following Group companies:

<i>SMAIL S.p.A.</i>	Maintenance according to the UNI EN ISO 14001:2004 standard (Environmental Management System). Maintenance according to the UNI EN ISO 9001:2008 standard (Quality Management System). Maintenance of the Social Accountability System according to the requirements of the SA8000:2008 standard.
<i>MACO S.p.A.</i>	Maintenance according to the UNI EN ISO 9001:2008 standard (Quality Management System).
<i>MIA S.p.A. (transferred on 30 December 2014)</i>	Maintenance of UNI EN ISO 9001:2008 Certificate (Quality Management System). Extension of the system to Attachment XIII – Total Quality Guarantee provided for under Presidential Decree no. 162 of 30/04/1999 as amended and supplemented. Maintenance according to the BS OHSAS 18001:2007 standard – Occupational Health and Safety Management System
<i>Manutencoop Private Sector Solutions S.p.A.</i>	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
<i>Telepost S.p.A.</i>	Maintenance according to the UNI EN ISO 9001:2008 standard (Quality Management System). Certification according to the UNI EN ISO 14001:2004 standard (Environmental Management System).
	In 2014, no environmental damage was reported for which the Company was found responsible, nor were any definitive fines or penalties imposed on the company for environmental offences or damages.

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 2014 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 2014, 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.

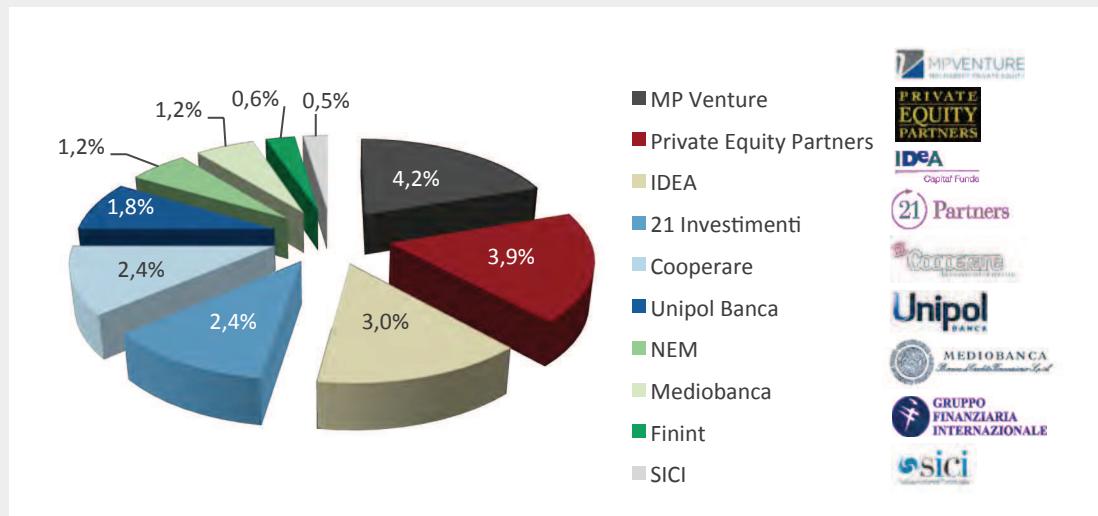
11. SHARE CAPITAL

Ordinary shares issued by the MFM Group and fully paid up at 31 December 2014 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.

At 31 December 2014, the remaining stake was held by a pool of Private Equity investors:



12. RESEARCH AND DEVELOPMENT

In 2014, the MFM Group companies did not capitalise 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 2014, 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

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 itaian 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.r.l. in liquidation
- › SI.MA.GEST 2 Soc. Cons. a r.l. in liquidation
- › Società Manutenzione Illuminazione S.p.A. (SMAIL S.p.A.)
- › Manutencoop Private Sector 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.

The companies Sicura S.p.A., Evimed S.r.l., Protec S.r.l. and Leonardo S.r.l. exercised the tax consolidation option for the three-year period 2014-2016 on 13 June 2014.

After MFM's S.p.A. sale of its equity investments in MIA S.p.A. and Energyproject S.r.l., they were excluded from the Tax consolidation owing to the loss of the control requirement.

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 17 February 2015 MFM S.p.A. signed an agreement with Facilicom Facility Solutions, A Dutch company which operates in the facility management market, for the transfer of a stake held in in UFS (United Facility Solutions S.A.), equal to 33.33% of the share capital of the same.

18. OUTLOOK

Performance in the last quarter of 2014 confirmed the outlook that had already been taking shape during the previous quarters: the portfolio of newly acquired business ended below forecast in terms of both expected volumes and margins with a persistent price pressure that led the Group Management to take swift cost rationalisation measures.

In the coming months no substantial changes are expected to take place in the market, which, on the contrary, appears to be remaining difficult and practically motionless (not many tenders called, long waits for awards), while the macroeconomic scenario shows no obvious prospects of a sustained economic recovery strong enough to drive the Group's relevant market.

The stabilisation of Public Administration cash flow and the substantial revenues from corporate finance transactions, on the other hand, meant that the Group's equity and financial performance was not only effective but also highly satisfactory, laying the foundations for investments of financial resources in big commercial development projects and, more generally, in the management of its business operations.

Now the Group is reviewing its operating costs above all: wide-ranging cost-cutting processes were started in the last quarter of 2014, especially involving the reduction of overheads. These processes have led, among other measures, to starting a rationalisation plan which already has the short-term objective of dealing effectively with falling profit margins. At the same time a process of rethinking the business model has started which is going in the direction of the enhancement of production efficiency and greater customer orientation. One of the forms this process will take is the reorganisation of the Group in the centre and on the periphery.

A key point in the Group's business plan for the coming financial years is to refocus its objectives on its core business and the specialist services that are of greatest strategic value for growth in order to resume its process of sustainable development in the shortest possible time. In the 2014 financial year this process already started to take the form of giving up activities which the management did not feel it would develop further in the future, i.e. in the sector of services rendered to PV plants, building and public lighting maintenance. The sale of MIA S.p.A. also falls within this refocusing process: with this transaction the Management seized an opportunity to create value through the market from an asset that it now no longer considers strategic, at the same time releasing a substantial amount of invested funds.

The present and future resources that become available from this course of action may be channelled to sectors and markets that are more attractive given the know-how that the Group has built up in Italy during the past decades. Hence the Group is paying more attention to working on projects in foreign countries and in 2014 this already led to the inception of a contract for the sterilisation of surgical instruments in Turkey by special purpose companies formed by Servizi Ospedalieri S.p.A.. The main targets of these projects will be newly developing countries or markets that appear to be very receptive to proposals for outsourcing services and raising the efficiency of their operating costs.

From the point of view of financial planning, the Group expects to continue with the trend to reduce working capital. Funds have already come to hand as a result of Government decrees (Decree Laws nos. 35/2013, 102/2013 and 66/2014) regarding Public Administration's payment of their debts to contractors and it is reasonable to believe that further Government decisions will result in additional resources becoming available from these sources (Euro 20 billion against Euro 36 billion already disbursed); at the same time the procedures for digital invoicing to the public sector will start to be operational in the first half of 2015. It may be presumed, therefore, that the process of deleverage which began in the second half of the 2013 financial year will be consolidated.

19. ALLOCATION OF THE PROFIT FOR THE YEAR

In concluding the report on 2014, the Directors invite you to approve the Financial Statements of Manutencoop Facility Management S.p.A. for the year ended 31 December 2014 and allocate the year-end profit of € 12,932,435.42 as follows:

- › € 646,621.77 to the legal reserve
- › € 12,285,813.65 to the extraordinary reserve.

Zola Predosa, 24 March 2015

The Chairman and CEO

Claudio Levorato

