31 December 2018

Draft separate and consolidated financial statements

Registered Offices: Via S. Pietro, 59/B
43019 Castellina di Soragna (PR) – ITALY
Share Capital: Euro 31,809,451 fully paid-up
Tax Code and Register of Companies no.: 08531760158
Certified email: si-servizitalia@postacert.cedacri.it
Tel. +39 0524 598511 Fax +39 0524 598232
www.si-servizitalia.com

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SERVIZI ITALIA S.P.A.

Registered offices in Via San Pietro 59/B — Castellina di Soragna (PR), Italy

Share Capital € 31,809,451 fully paid-up

Tax code and Parma Business Register enrolment No. 08531760158

VAT No. 02144660343

CALLING OF THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

Those entitled to attend the Shareholders' meeting of Servizi Italia S.p.A. (the "**Company**") and to exercise the right to vote are called to an ordinary and extraordinary Shareholders' Meeting convened at the registered offices in Via San Pietro 59/b, 43019 Castellina di Soragna (PR), in first calling on **30 May 2019 at 10.30 a.m.** and, if necessary, in second calling on 31 May 2019, same time and place, to discuss and resolve on the following **agenda**:

ORDINARY PART

1. Separate financial statements as at 31 December 2018; Directors' report; Board of Statutory Auditors Report and Independent Auditors' Report; allocation of the profit for the year; related and consequent resolutions; presentation of the consolidated financial statements as at 31 December 2018.
2. Remuneration policy as per article 123-*ter* of Italian Legislative Decree No. 58 of 24 February 1998; related and consequent resolutions.
3. Authorisation to purchase and to avail of treasury shares and accomplishment of transactions on the same, subject to revocation of the previous resolution, with regard to the unused portion; related and consequent resolutions.

EXTRAORDINARY PART

1. Proposal to amend articles 2, 13, 15 and 20 of the Company's Articles of Association; related and consequent resolutions.

SHARE CAPITAL AND RIGHT TO VOTE

The Company's share capital is equal to Euro 31,809,451.00, divided up into 31,809,451 ordinary shares with a par value of Euro 1 each. Each share assigns the right to one vote. As at 29 April 2019, the Company holds 503,431 treasury shares, in relation to which – pursuant to the law – the voting right is suspended. This number could vary in the period between today's date and that of the shareholders' meeting. Any change in the treasury shares shall be communicated when the business of said meeting commences. The information on the composition of the share capital is available on the website www.si-servizitalia.com (Corporate Governance>2019 Shareholders' Meeting).

ENTITLE TO ATTEND THE SHAREHOLDERS' MEETING

Pursuant to Article 83-*sexies* of Italian Legislative Decree No. 58/98 as amended (the "**Consolidated Finance Act**" or "**CFA**") and Article 13 of the Articles of Association, shareholders are entitled to attend if they have the right to vote and the Company has received the communication from the appointed intermediaries, bearing witness to their ownership of voting rights on the shares on the basis of its accounting records relating to the end of the accounting day of **21 May 2019 (record date)**, corresponding to the seventh open market day prior to the date fixed for the meeting in first calling. Those becoming owners of shares only after the record date will not be entitled to participate and vote during the meeting.

The Company shall receive the intermediary's communication by the end of the third open market day prior to the date set for the first call of the Shareholders' Meeting (i.e. by 27 May 2019); however, the right to attend and vote will remain in place if the communications made by the intermediary will be received by the Company after said term, provided that it is before the beginning of the single call of the meeting.

PROXY VOTING

Pursuant to Article 13.2 of the Articles of Association, each subject with the right to vote who has the right to participate in the meeting, may arrange for themselves to be represented by others via written proxy, in compliance with and within the limits of the

matters laid down by law. The proxy may be granted also electronically or by means of an IT document signed in electronic form as per Article 20, paragraph 1-*bis* of Italian Legislative Decree No. 82 dated 7 March 2005, in accordance with current legislation.
A proxy form is available at the registered offices and on the Company website www.si-servizitalia.com (Corporate Governance>2018 Shareholders' Meeting), as well as care of the qualified intermediaries; the proxy can be sent to the Company by means of forwarding, via certified e-mail, to the following address si-servizitalia@postacert.cedacri.it, together with the communication issued by the appointed intermediaries in compliance with its accounting records.
Any prior notification does not excuse the proxy, at the time of accreditation for accessing the meeting, from the obligation to certify the compliance with the original of the copy notified and the identity of the delegating party. The Company's Articles of Association do not envisage voting procedures by mail or using electronic means.
Pursuant to Article 11.6 of the Articles of Association, the Company does not designate a party to which the shareholders can grant a proxy with voting instructions for participation in general meetings in pursuance of Article 135-*undecies* of the CFA.

RIGHT TO ASK QUESTIONS ON THE BUSINESS PLACED ON THE AGENDA

Pursuant to Article 127-*ter* of the CFA, those who have the right to vote can ask questions on the business placed on the agenda, also before the meeting, by submitting them to the Company by the deadline of 27 May 2019, by means of registered letter sent to the Company's registered offices, or via certified e-mail to the e-mail address si-servizitalia@postacert.cedacri.it. For exercising this right, the Company shall receive a specific communication issued by the intermediaries care of which the shares are deposited. The questions regularly submitted by 27 May 2019 shall be answered at the latest during the meeting, with the faculty of the Company to provide a single answer to questions with the same content. The answer by paper means provided to each of those entitled to vote at the beginning of the meeting is considered to be provided in the meeting.

SUPPLEMENTING OF THE AGENDA AND PRESENTATION OF NEW RESOLUTION PROPOSALS

Pursuant to Article 126-*bis* of the CFA, the Shareholders, which, also jointly, represent at least a fortieth of the Company's share capital, can request, within ten days of the publication of the notice of calling for the meeting (or by 10 May 2019), the integration of the list of business to be discussed, indicating the additional matters they propose in the request, or present new resolution proposals on the business already on the agenda. The request to add to the list of business to be discussed is not permitted for matters on which the Shareholders' Meeting resolves, in accordance with the law, on the proposal of the directors or on the basis of a project or a report prepared by them, other than the one envisaged by art. 125-*ter*, first paragraph, of the CFA. The requests must be presented in writing, forwarded via registered letter with acknowledgment of receipt, to the Company's registered offices, or by means of notification to the certified e-mail address si-servizitalia@postacert.cedacri.it and accompanied by a specific communication issued by the intermediaries care of which the shares owned by the Shareholders are deposited. The Shareholders who request the integration of the agenda must draw up a report which discloses the reason for the resolution proposals on the new business whose discussion they propose, or the reason relating to the additional resolution proposals presented on the business already on the agenda. The report must be delivered to the administrative body by the deadline for submitting the integration request. Disclosure shall be made of any integration of the list of business which the meeting shall have to deal with or the presentation of additional resolution proposals on the matters already on the agenda, in the prescribed forms for the publication of this notice of calling, at least fifteen days before the date fixed for the meeting in first call. At the same time, the administrative body will make the report prepared by the Shareholders available to the public at the registered office, on the Company's website and on the authorized storage mechanism eMarket Storage at www.emarkestorage.com, accompanied by their own assessments. Please note that the person with the right to vote may individually present proposals of resolutions in the Shareholders' Meeting.

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DOCUMENTATION

The illustrative report of the Board of Directors on the points on the agenda, drawn up pursuant to art. 125-ter of the CFA (including, among other things, the resolution proposals on the items on the agenda), is made available to the public today at the registered offices of the Company, on the website www.si-servizitalia.com, in the Corporate Governance section> 2019 Shareholders' Meeting, as well as on the authorized storage mechanism eMarket Storage at www.emarkestorage.com.
As of today, the Annual Financial Report at 31 December 2018, the Reports of the Board of Statutory Auditors and of the Independent Auditors, the annual Report on Corporate Governance and Ownership Structure, the Remuneration Report prepared pursuant to art. 123-ter of the CFA, the Consolidated Non-financial Statement pursuant to Legislative Decree no. 254/16 and the relative report of the Independent Auditors will be made available to the public at the Company's registered offices, published on the Company website

www.si-servizitalia.com, in the section Corporate Governance>2019 Shareholders' Meeting, as well as on the authorized storage mechanism eMarket Storage at www.emarkestorage.com.

The remaining documentation useful for the meeting shall be published by the deadlines provided by law. The shareholders have the faculty to obtain a copy of the deposited documentation at their own expense.

It should furthermore be recalled that, pursuant to Article 125-*quater* of the CFA, the Company's website www.si-servizitalia.com (Corporate Governance>2019 Shareholders' Meeting) provides the following documents or information: (i) documents which will be submitted to the meeting; (ii) the form the Shareholders can use for voting by proxy and the relevant instructions; (iii) information on the amount of Company's share capital with indication of number and categories of shares which it is divided up into.

REQUEST FOR INFORMATION

With regard to any additional information relating to the Shareholders' meeting, and in particular the formalities for exercising the rights, it is possible to consult the Company's website www.si-servizitalia.com, in the section Corporate Governance>2019 Shareholders' Meeting or to write to the Corporate Affairs office at the following certified e-mail address si-servizitalia@postacert.cedacri.it.

This notice of calling is published as of today's date, pursuant to Article 125-*bis* of the CFA and pursuant to article 11 of the Articles of Association, on the Company's website www.si-servizitalia.com (Corporate Governance>2019 Shareholders' Meeting) and is available on the authorised storage mechanism eMarket Storage at www.emarkestorage.com and, in extract form, in the newspaper Italia Oggi of 30 April 2019.

The Shareholders are kindly requested to present themselves at least half an hour before the beginning of the meeting's business for the purpose of facilitating the registration procedures.

Castellina di Soragna, Parma, 30 April 2019.

The Chairman of the Board of Directors
Signed Roberto Olivi

Company officers and corporate information

Board of Directors (in office until approval of the Separate Financial Statements as at 31 December 2020)

Name and Surname	Position
Roberto Olivi	Chairman
Enea Righi	Vice-Chairman and CEO
Ilaria Eugeniani	Director
Michele Magagna	Director
Umberto Zuliani	Director
Antonio Paglialonga	Director
Lino Zanichelli	Director
Antonio Aristide Mastrangelo	Independent Director
Paola Schwizer (1)(2)(3)	Independent Director
Romina Guglielmetti(1)(2)	Independent Director
Chiara Mio(1)(2)	Independent Director

(1) Member of the Nomination and Remuneration Committee; (2) Member of the Control and Risks Committee; (3) Lead Independent Director

Board of Statutory Auditors (in office until approval of the Separate Financial Statements as at 31 December 2019)

Name and Surname	Position
Gianfranco Milanesi	Chairman
Anna Maria Fellegara	Statutory auditor
Simone Caprari	Statutory auditor
Chiara Ferretti	Alternate auditor
Paolo Alberini	Alternate auditor

Supervisory Body (in office until 2 February 2019)

Name and Surname	Position
Veronica Camellini	Chairwoman
Laura Verzellesi	Member
Francesco Magrini	Member

Independent Auditors (in office until approval of the Separate Financial Statements as at 31 December 2023)

Deloitte & Touche S.p.A. - Via Tortona, 25 - 20144 Milan

Registered offices and company information

Servizi Italia S.p.A. Via S. Pietro, 59/b – 43019 Castellina di Soragna (PR) – Italy
Tel.+390524598511, Fax+390524598232, website: www.si-servizitalia.com;
Share Capital: Euro 31,809,451 fully paid-up
Tax Code and Parma Register of Companies no.: 08531760158; Certified email: si-servizitalia@postacert.cedacri.it
Founded: 1986
Stock market listing: Borsa Italiana S.p.A. Mercato Telematico Azionario (MTA, electronic stock market), STAR segment
Ordinary Share ISIN: IT0003814537, BLOOMBERG: SRI IM, REUTERS: SRI.MI
LEI Code: 815600C8F6D5ACBA9F86

Investor Relations

Giovanni Manti (IR) - Innocenti Luigi
e-mail: investor@si-servizitalia.com – Tel. +390524598511, Fax +390524598232

GROUP STRUCTURE

Servizi Italia S.p.A., registered offices in Castellina di Soragna (PR), listed in the STAR segment of the Borsa Italiana S.p.A. MTA stock exchange, is the leading Italian operator in the supply of integrated services for the wash-hire and sterilisation of textile materials and surgical instruments for hospital facilities. With a technologically advanced production platform broken down into laundering facilities, linen sterilisation centres, surgical instrument sterilisation centres and numerous linen storage facilities, the Company and its Italian and overseas subsidiaries forming the Servizi Italia Group, mainly provide their broad and diversified range of services for public and private healthcare facilities in central and northern Italy, in the state of São Paulo in Brazil, in Turkey, India, Albania and Morocco.

As at 31 December 2018, the Servizi Italia Group included the following Companies:

Company name Parent Company and Subsidiaries	Registered office	Share capital		Share of Participation
Servizi Italia S.p.A.	Castellina di Soragna (Parma) - Italy	EUR	31,809,451	Parent Company
SRI Empreendimentos e Participações Ltda	City of São Paulo, State of São Paulo - Brazil	BRL	172,856,582	100%
Steritek S.p.A.	Malagnino (CR)- Italy	EUR	134,500	70%
Se.Sa.Tre. S.c.r.l. in liquidation	Genoa - Italy	EUR	20,000	60%
San Martino 2000 S.c.r.l.	Genoa - Italy	EUR	10,000	60%
Lavsim Higienização Têxtil S.A.	São Roque, State of São Paulo - Brazil	BRL	550,000	100% (*)
Maxlav Lavanderia Especializada S.A.	Jaguariúna, State of São Paulo - Brazil	BRL	2,825,060	65.1% (*)
Vida Lavanderias Especializada S.A.	Santana de Parnaiba, State of São Paulo - Brazil	BRL	3,600,000	65.1% (*)
Aqualav Serviços De Higienização Ltda	Vila Idalina, Poá, State of São Paulo (Brazil)	BRL	15,400,000	100% (*)
SIA Lavanderia S.A.	Manaus, State of Amazonas - Brazil	BRL	9,766,227	100% (*)
Steriliza Serviços de Esterilizaçao S.A.	San Paolo, state of São Paulo - Brazil	BRL	2,000,000	100% (*)
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	Ankara – Turkey	TRY	5,000,000	55%
Ergülteks Temizlik Tekstil Ltd. Sti.	Smyrna - Turkey	TRY	1,700,000	57.5%(**)

(*) *Held through SRI Empreendimentos e Participações Ltda*

(**) *Held through Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi*

The associates and joint ventures companies, measured using the equity method in the consolidated financial statements, are as follows:

Company name Associates and Jointly-controlled Companies	Registered office	Share capital		Share of Participation
Arezzo Servizi S.c.r.l.	Arezzo - Italy	EUR	10,000	50%
PSIS S.r.l.	Padua - Italy	EUR	10,000,000	50%
Ekolav S.r.l.	Lastra a Signa (FI) - Italy	EUR	100,000	50%
Steril Piemonte S.c.r.l.	Turin - Italy	EUR	4,000,000	50%
AMG S.r.l.	Busca (CN) - Italy	EUR	100,000	50%
Iniziative Produttive Piemontesi S.r.l.	Turin - Italy	EUR	2,500,000	37.63%
Piemonte Servizi Sanitari S.c.r.l.	Turin - Italy	EUR	10,000	30% (*)
CO.SE.S S.c.r.l. in liquidation	Perugia - Italy	EUR	10,000	25%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul - Turkey	TRY	10,342,000	51%
Shubhram Hospital Solutions Private Ltd.	New Delhi - India	INR	305,171,720	51%
Finanza & Progetti S.p.A.	Vicenza - Italy	EUR	550,000	50%
Brixia S.r.l.	Milan - Italy	EUR	10,000	23%
Saniservice Sh.p.k.	Tirana – Albania	LEK	2,745,600	30%
Sanitary cleaning Sh.p.k.	Tirana – Albania	LEK	2,798,800	40%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MAD	122,000	51%
Idsmed Servizi Pte. Limited	Singapore – Singapore	SGD	1,000,000	30%

(*) *The 15.05% indirect shareholding held through Iniziative Produttive Piemontesi S.r.l. should be added to this.*

DIRECTORS' REPORT

This Directors' report includes the data regarding the separate and consolidated financial statements as at 31 December 2018. The Group's main financial highlights as at 31 December 2018 are shown below, compared with those of the previous year. The figures were prepared in compliance with IAS/IFRS.

The consolidated subsidiaries are San Martino 2000 S.c.r.l., Se.Sa.Tre. S.c.r.l. in liquidation, Steritek S.p.A., SRI Empreendimentos e Participações Ltda and corresponding subsidiaries (Lavsim Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A., Aqualav Serviços De Higienização Ltda, Steriliza Serviços de Esterilização S.A. and SIA Lavanderia S.A.) and Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi (parent company of the company: Ergülteks Temizlik Tekstil Ltd. Sti.). In order to allow for a better evaluation of the economic and financial performance, the following summary tables show some "Alternative performance indicators", not provided by the IFRS International Accounting Standards. The footnotes of said tables indicate the calculation method used and the composition of these ratios, in line with the guidelines of the European Securities and Market Authority (ESMA).

SERVIZI ITALIA S.p.A.

The separate financial statements of Servizi Italia S.p.A. disclose a shareholders' equity of Euro 139,600 thousand. The profit for the year was equal to Euro 11,214 thousand, recognised after current and deferred taxes for Euro 54 thousand and Euro 42,783 thousand for amortisation, depreciation, impairments and provisions.

1 Main income statement figures

The table below shows a comparison of the main 2018 income statement figures with the results for 2017 (in thousands of Euros):

(thousands of Euros)	31 December 2018	31 December 2017	Change	Change % on turnover
Revenues	212,501	211,199	1,302	0.6%
Ebitda[a]	53,312	56,536	(3,224)	-1.5%
EBITDA %	25.1%	26.8%		
Operating profit (EBIT)	10,529	13,532	(3,003)	-1.4%
Operating profit (EBIT)%	5.0%	6.4%		
Profit before tax	11,159	16,270	(5,111)	-2.4%
Profit before tax %	5.3%	7.7%		
Net profit	11,214	13,822	(2,608)	-1.2%
Net profit %	5.3%	6.5%		

[a] The Company management has defined EBITDA as the difference between the value of sales and services and operating costs before depreciation, amortisation, write-downs, impairment and provisions.

2 Main statement of financial position figures

The table below shows a comparison of the main 2018 statement of financial position figures with the figures for 2017 (in thousands of Euros):

(thousands of Euros)	31 December 2018	31 December 2017	Change	Change %
Net operating working capital[(a)]	5,615	8,201	(2,586)	-31.5%
Other current assets/liabilities[(b)]	(12,661)	(11,801)	(861)	7.3%
Net working capital	**(7,046)**	**(3,600)**	**(3,447)**	**95.8%**
Non-current assets - medium/long-term liabilities	225,948	222,316	3,632	1.6%
Net invested capital	**218,902**	**218,716**	**185**	**0.1%**
Shareholders' equity (B)	139,600	142,427	(2,827)	-2.0%
Net financial debt[(d)] (A)	79,302	76,289	3,013	3.9%
Net invested capital[(c)]	**218,902**	**218,716**	**186**	**0.1%**
Gearing [A/(A+B)]	**36.2%**	**34.9%**		
Debt/Equity (A/B)	**56.8%**	**53.6%**		

[(a)] Net operating working capital is not an accounting measurement under the IFRSs endorsed by the European Union. The Company management has defined net operating working capital as the algebraic sum of inventories, trade receivables and trade payables.

[(b)] Other current assets/liabilities are calculated as the difference between other current assets, current tax receivables, current tax payables and other current liabilities.

[(c)] The Company management has defined net invested capital as the sum of Shareholders' equity and net financial debt.

[(d)] The management of the Company has defined net financial debt as the sum of amounts Due to banks and other lenders net of Cash and cash equivalents and Current financial receivables.

3 Main cash flow figures

The table below presents a comparison between the main separate cash flow figures as at 31 December 2018 and as at 31 December 2017 (in thousands of Euros):

(thousands of Euros)	31 December 2018	31 December 2017	Change
Cash flow generated (absorbed) by operations	52,560	55,581	(3,021)
Net cash flow generated (absorbed) by investment activities	(48,903)	(47,779)	(1,124)
Net cash flow generated (absorbed) by financing activities	(3,500)	(7,834)	4,334
Increase/(decrease) in cash and cash equivalents	157	(32)	189
Opening cash and cash equivalents	1,514	1,546	(32)
Closing cash and cash equivalents	1,671	1,514	157

SERVIZI ITALIA GROUP

The consolidated financial statements as at 31 December 2018 present Group shareholders' equity of Euro 136,075 thousand and shareholders' equity attributable to non-controlling interests of Euro 2,163 thousand. The result for the year was a profit of Euro 12,120 thousand. This result was achieved after current and deferred tax for Euro 558 thousand and Euro 50,069 thousand for amortisation, depreciation, impairments and provision.

The companies, consolidated line-by-line in the financial statements for the period ended 31 December 2018, were as follows:

Consorzio San Martino 2000 S.c.r.l., a consortium company established in 2003, with its registered office in Genoa, for the management of the contract relating to the San Martino hospital in Genoa, 60% of which pertaining to Servizi Italia S.p.A., operates exclusively as intermediary between the customer and the consortia companies without generating its own profits.

Consorzio Se.Sa.Tre. S.c.r.l. in liquidation, a consortium company established in 2008 and in liquidation as of 1 January 2018, with its registered office in Genoa, for the management of the contract relating to the Treviso Local Healthcare Provider No. 9, 60% of which held by Servizi Italia S.p.A., operates as intermediary between the customer and the consortia companies without generating own profits.

Steritek S.p.A., a joint-stock company established in 1999 with its registered office in Malagnino (CR), the leading Italian supplier of system validation and control services for sterilization processes and surgical instrument washing systems. The consolidation of Steritek S.p.A. generated sales revenues for Euro 2,925 thousand, an EBITDA of Euro 653 thousand, an EBIT of Euro 583 thousand and a profit pertaining to the Group of Euro 265 thousand.

SRI Empreendimentos e Participações Ltda, a company wholly owned by Servizi Italia S.p.A., owns:

- as from 19 July 2013, a shareholding of 50.1% in the share capital of Maxlav Lavanderia Especializada S.A. with its registered office in Jaguariùna, State of São Paulo (Brazil), now equal to 65.1% due the exercise, on 9 October 2018, of pre-emption rights on a 15% non-controlling interest;
- as from 19 July 2013, a shareholding of 50.1% in the share capital of Vida Lavanderias Especializada S.A., with headquarters in Santana de Parnaiba, State of São Paulo (Brazil), now equal to 65.1% due to the exercise, on 9 October 2018, of pre-emption rights on a 15% non-controlling interest;
- as from 20 January 2015, a shareholding of 100% in the share capital of Lavsim Higienização Têxtil S.A., a Brazilian company with headquarters in São Roque, State of São Paulo (Brazil), already controlled as from 2 July 2012 by SRI Empreendimentos e Participações Ltda;
- as from 23 December 2015, a shareholding of 100% in the share capital of the company, under Brazilian law, Aqualav Serviços De Higienização Ltda, with headquarters in Vila Idalina, Poá, State of São Paulo (Brazil).
- As from 28 December 2018, a shareholding of 100% (up from the previous 50%) in the share capital of Steriliza Serviços de Esterilização S.A., a company incorporated under Brazil law in 2018, due to be placed in liquidation in 2019.
- As from 28 December 2018, a shareholding of 100% (up from the previous 50%) in the share capital of SIA Lavanderia S.A., a company incorporated under Brazil law in 2018, due to be placed in liquidation in 2019.

The companies are involved in the supply of laundry services in the health sector in the State of São Paulo and the different brands meet the requirements in terms of textile processing services for hospitals and healthcare facilities. The consolidation of the companies in the Brazil perimeter generated sales revenues for Euro 29,195 thousand, EBITDA for Euro 6,925 thousand and EBIT for Euro 1,403 thousand and a loss pertaining to the Group for Euro 349 thousand.

Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, a company in which Servizi Italia S.p.A. holds a 55% stake, with the subsidiary (with a 57.5% stake) Ergülteks Temizlik Tekstil Ltd. Sti. with registered office in Smyrna, is a leading company subject to Turkish law, based in Ankara and active through the brand “Ankara Laundry” in the laundry washing sector for healthcare facilities mainly located in central-western Turkey. The consolidation of the companies of the Turkish perimeter generated sales revenues for Euro 6,588 thousand, EBITDA for Euro 1,968 thousand and EBIT for Euro 1,626 thousand and a profit pertaining to the Group for Euro 347 thousand.

1 Statement of reconciliation between separate and consolidated financial statements

The reconciliation between the shareholders' equity and the net income for the year of Servizi Italia S.p.A. and the corresponding consolidated figures of the Servizi Italia Group is as follows:

(thousands of Euros)	2018 profit (loss)	2018 shareholders' equity	2017 profit (loss)	2017 shareholders' equity
Profit (loss) and shareholders' equity of the parent company	**11,214**	**139,600**	**13,822**	**142,427**
Profit (loss) and shareholders' equity of the subsidiaries	1,433	50,216	1,423	48,225
Elimination of equity investments in consolidated subsidiaries	(263)	(68,106)	(1,057)	(69,509)
Consolidation differences due to goodwill	-	23,351	-	28,209
Other surplus value emerging at the time of acquisition	147	154	68	8
Registration of options on non-controlling interests	(454)	(4,430)	(531)	(5,688)
Associated and joint ventures companies measured with the equity method	43	(2,547)	639	(2,033)
Consolidated profit (loss) and shareholders' equity	**12,120**	**138,238**	**14,364**	**141,439**
Allocation of non-controlling interests profit (loss) and shareholders' equity	(520)	(2,163)	(594)	(2,564)
Group profit (loss) and shareholders' equity	**11,600**	**136,075**	**13,770**	**139,075**

2 Main consolidated income statement figures

The table below shows a comparison of the main figures of 2018 consolidated Income Statement with those of 2017 consolidated Income Statement (in thousands of Euros):

(thousands of Euros)	31 December 2018	31 December 2017	Change	Change % on turnover
Revenues	250,908	252,102	(1,194)	-0.5%
Ebitda[(a)]	64,423	69,829	(5,406)	-2.1%
EBITDA %	25.7%	27.7%		
Operating profit (EBIT)	14,354	16,376	(2,022)	-0.8%
Operating profit (EBIT)%	5.7%	6.5%		
Profit before tax	12,678	17,761	(5,083)	-2.0%
Profit before tax %	5.1%	7.0%		
Net profit	12,120	14,364	(2,244)	-0.9%
Net profit %	4.8%	5.7%		

[(a)] The Group management has defined EBITDA as the difference between the value of sales and services and operating costs before depreciation, amortisation, write-downs, impairment and provisions.

3 Main consolidated statement of financial position figures

The table below presents a comparison of the main consolidated statement of financial position figures as at 31 December 2018 with the figures as at 31 December 2017 (in thousands of Euros):

(thousands of Euros)	31 December 2018	31 December 2017	Change	Change %
Net operating working capital[(a)]	7,957	10,934	(2,977)	-27.2%
Other current assets/liabilities[(b)]	(13,102)	(12,000)	(1,102)	9.2%
Net working capital	**(5,145)**	**(1,066)**	**(4,079)**	**382.6%**
Non-current assets - medium/long-term liabilites	225,578	218,353	7,225	3.3%
Net invested capital	**220,433**	**217,287**	**3,146**	**1.4%**
Shareholders' equity (B)	138,238	141,639	(3,401)	-2.4%
Net financial debt[(d)] (A)	82,195	75,648	6,547	8.7%
Net invested capital[(c)]	**220,433**	**217,287**	**3,146**	**1.4%**
Gearing [A/(A+B)]	**37.3%**	**34.8%**		
Debt/Equity (A/B)	**59.5%**	**53.4%**		

[(a)] *Net operating working capital is not an accounting measurement under the IFRSs endorsed by the European Union. The Group management has defined net operating working capital as the algebraic sum of inventories, trade receivables and trade payables.*

[(b)] *Other current assets/liabilities are calculated as the difference between other current assets, current tax receivables, current tax payables and other current liabilities.*

[(c)] *The Group management has defined invested capital as the sum of Shareholders' equity and net financial debt.*

[(d)] *The Group management has defined net financial debt as the sum of amounts Due to banks and other lenders net of Cash and cash equivalents and Current financial receivables.*

4 Main consolidated cash flow figures

The table below presents a comparison between the main consolidated cash flow figures as at 31 December 2018 and as at 31 December 2017 (in thousands of Euros).

(thousands of Euros)	31 December 2018	31 December 2017	Change
Cash flow generated (absorbed) by operations	61,376	67,267	(5,891)
Net cash flow generated (absorbed) by investment activities	(61,404)	(54,315)	(7,089)
Net cash flow generated (absorbed) by financing activities	(6)	(9,695)	9,689
Increase/(decrease) in cash and cash equivalents	(34)	3,257	(3,291)
Opening cash and cash equivalents	7,999	5,463	2,536
Effect of exchange rate fluctuations	962	721	241
Closing cash and cash equivalents	7,003	7,999	(996)

Performance of the turnover of Servizi Italia S.p.A. and Servizi Italia Group

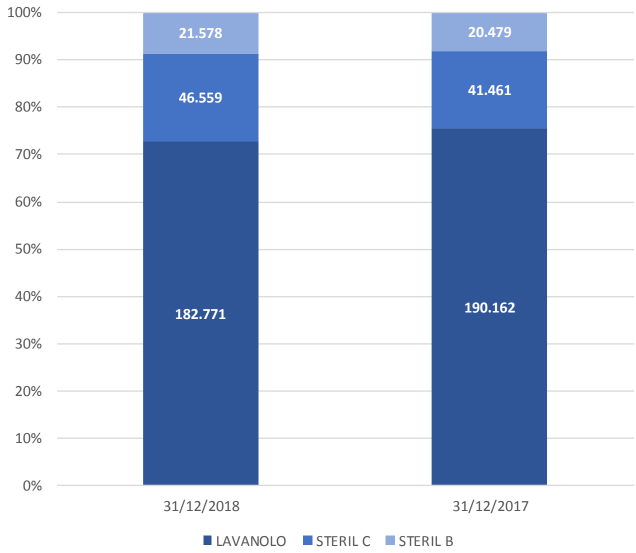
Servizi Italia S.p.A.'s business performance recorded revenues from sales and services in 2018 of Euro 212,501 thousand in total.

The consolidated turnover of the Servizi Italia Group was equal to Euro 250,908 thousand, with a 0.5% decrease with respect to 2017. The performance by sector and for region was as follows:

- Revenues from wash-hire service went from Euro 190,162 thousand in 2017 to Euro 182,771 thousand, with a 3.9% decrease, mainly due to a slowdown in turnover from wash-hire services in Italy and the unfavourable exchange rate effect on revenues realised in Brazil (an area which, however, recorded natural positive growth in local currency). In relative terms, the wash-hire as at 31 December 2018 was 72.8% of the total amount of sales and services, down with respect to the 75.4% as at 31 December 2017;

- Revenues from linen sterilisation services (which account for 8.6% of the revenues of the Group in absolute terms) went from Euro 20.479 thousand for the year ended as at 31 December 2017 to Euro 21.578 thousand for the year ended as at 31 December 2018 with a 5.4% increase;

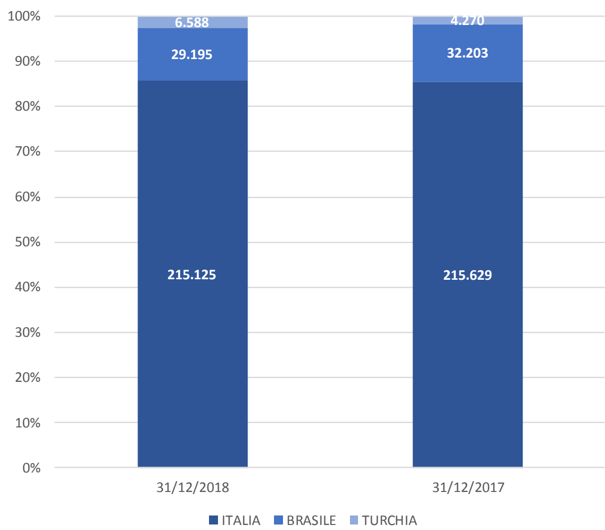
- Revenues from surgical instrument sterilisation (which account for 18.6% of the revenues of the Group in absolute terms) went from Euro 41,461 thousand for the year ended as at 31 December 2017 to Euro 46,559 thousand for the year ended as at 31 December 2018, with a 12.3% increase. 2018 turnover of this line was positively affected by the starting of services provided to some customers, as well as by the consolidation for the entire year of the net income of the subsidiary Steritek S.p.A. Given the same consolidation perimeter, the turnover of the line would have been up by 8.4%.



The table below shows revenues from sales and services of the Servizi Italia Group, broken down by region, for the years ending on 31 December 2018 and 2017:

(thousands of Euros)	31 December 2018	%	31 December 2017	%	Changes
Revenues - Italy	215,125	85.7%	215,629	85.5%	-0.2%
Revenues - Turkey	6,588	2.6%	4,270	1.7%	54.3%
Revenues - Brazil	29,195	11.6%	32,203	12.8%	-9.3%
Sales revenues	**250,908**	**100.0%**	**252,102**	**100.0%**	**-0.5%**

It should be noted that the revenues of the Brazil region were characterised by positive growth in local currency, equal to 8.4%. Revenues were however negatively affected by a 19.5% devaluation of the average Brazilian Real/Euro exchange rate with respect to the previous year.



Servizi Italia Group investments

Group investments in 2018 amounted to around Euro 60 million, up compared with approximately Euro 50 million in 2017.

Purchases of linen and technical fabrics went from Euro 35.0 million in 2017 to Euro 37.3 million in 2018, about 62% of the total investments made. The increase was mainly due to the increase in equipment for the Italian region, in particular for the facilities in Liguria.

At business line level, in the Italian region, wash-hire segment reported higher investments (Euro 54.2 million) due to the increase in linen supplied with integrated tracking systems, the systems necessary for reading this new equipment and the investments related to the new hotel business line. A portion of the investments have included intangible and tangible assets that have benefited, on the domestic area, from the deduction of the so-called "super and iper depreciation" as provided for by the 2017 Budget Law (Law 232/2016). In particular, the facilitated investments were made:

- at the production site of Castellina di Soragna (Parma), where a MES software system has been installed. This software allows, among other things: (i) interconnection to factory IT systems with remote loading of instructions and/or part program; (ii) oversees production management in terms of production launch management; (ii) the automatic preparation of the machines according to the processes to be performed, in particular with the new investment in the highly automated ironing system; (iii) to record machine, labor, raw material and consumption times directly from the machines and from the operators' declarations, while enabling the efficiency, productivity and consumption analysis over a period of time;
- in places given in use by customers for the supply of the wash-hire service, where is required an automated integration with the logistics system of the factory and with other machines of the textile handling cycle equipped with passive RFID technology. The textiles rented to the customers must be reconditioned in the industrial laundry, then returned (or withdrawn) to the places of use and also distributed through systems/cabinets distributors and "intelligent warehouses" always interconnected by Company’s hardware and software applications.

The investments related to the line of the sterilization of surgical instruments were around Euro 4.0 million, down with respect to 2017 (Euro 4.7 million). There were in particular higher structural investments on Busto Arsizio facility and on Columbus facility in Milan, and lower investments in surgical instruments. The value of the investment in surgical instruments in 2017 had been in fact affected by the purchases related to the surgical instrument sterilization facilities at the DEAS of the Careggi Hospital in Florence and at the Filippo del Ponte Hospital in Varese.

Business performance

Servizi Italia S.p.A.

The separate **EBITDA** went from Euro 56,536 thousand in 2017 to Euro 53,312 thousand in 2018, with a 25.1% incidence on revenues, down with respect to 26.8% in the previous year. Despite a substantial reduction in the operating costs related to logistics and to consortium costs, there were increases in personnel and raw material costs (in particular, at the surgical instrument sterilization facilities, where activities started in the second half of 2017) and for surgical instrument maintenance at some customers of the North-East area.

There were also increases in energy costs (notably related to the cost of gas, the price of which increased by 4% with respect to the previous year) and in the cost of services provided by third parties, related in particular to the management of some warehouses.

The operating profit (**EBIT**) went from Euro 13,532 thousand as at 31 December 2017 to Euro 10,529 thousand as at 31 December 2018, down in terms of incidence on turnover from 6.4% to 5.0%.

With regard to the 2018 turnover, the incidence of the item related to amortisation/depreciation and impairment fell with respect to the incidence on the turnover of the previous year, recording a slight improvement (0.3%). However, within the item there were some changes that offset each other. In particular, with respect to the year ended as at 31 December 2017, there were the reductions of the amortisation relating to the customers' portfolios, to the non-competition agreement signed with the previous CEO, to the effects of placement into liquidation of Se.Sa.Tre. S.c.r.l. and simultaneous transfer of ownership of plants, machinery and surgical equipment to the ULSS Hospital Centre No. 2 Marca Trevigiana by virtue of the awarding and start from January of the new contract. These reductions were offset by the increase in the depreciation related to the purchase of linen resulting from the gradual shift to linen equipped with integrated tracking systems and from new initial equipment, in particular on the Liguria region.

Profit before tax went from Euro 16,270 thousand to Euro 11,159 thousand down, in terms of incidence on revenues, by 2.5%. The financial management has shown a reduction in financial income and income from equity investments, which were higher in 2017 for Euro 339 thousand for the exchange rate profits recognised following the definition of the final price for the purchase of the Ankateks group and for Euro 1,212 thousand for proceeds from the re-measurement at fair value of the 40% interest in the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, with respect to the value at cost previously recognised, due to the acquisition by steps of the control. The financial charges were basically unchanged due to the reduction of the borrowing costs, offset by the increase with respect to the same period of the previous year of the exchange rate loss related to the loan in Turkish Lira to the Ankateks group. There were also in the item write-down by equity investments, the impacts related to the agreements for the rescission of the partnership with the Bringel Group, which have involved the recognition of a one-off cost for Euro 869 thousand.

The separate financial statements as at 31 December 2018 closed with a **net profit** equal to Euro 11,214 thousand with respect to Euro 13,822 thousand realised in 2017, with a 1.2% decrease, in terms of incidence on revenues. The recovery with respect to the relative decrease reported for the pre-tax profit was basically due to the significant benefit deriving from the deduction from the taxable income of the so-called "super and hyper-depreciation", as set forth in the Budget Law of 2017 (Law 232/2016).

Servizi Italia Group

The consolidated **EBITDA** went from Euro 69,829 thousand in 2017 to Euro 64,422 thousand in 2018, with a 25.7% incidence on revenues, down by 2 percentage points with respect to the value of the previous year.

Despite a substantial reduction in the operating costs related to the logistics, the value of the ratio was affected in particular by higher personnel costs in the Italian region, also due to the consolidation of the subsidiary Steritek S.p.A., and within the Turkish region due to the different consolidation period of the subsidiary Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi. Within the Brazilian area, there was instead a decrease in labour costs, mainly due to the devaluation of the Real/Euro exchange rate.

There were also increases in energy costs (notably in Italy related to the cost of gas, the price of which increased by 4% with respect to the price of the previous year) and in the cost of services provided by third parties, related in particular to the management of some warehouses.

The consolidated **operating profit (EBIT)** went from Euro 16,376 thousand to Euro 14,354 thousand after recognising depreciation, amortisation, and write-downs for Euro 50,069 thousand, with a corresponding incidence equal to 20%, down with respect to 21.2% in the previous year.

With regard to the 2018 turnover, the incidence of the item related to amortisation/depreciation and impairment fell with respect to the incidence on the turnover of the previous year, recording a 1.2% improvement. In particular, with respect to the year ended as at 31 December 2017, there were decreases due to amortisations of client portfolios, the non-competition agreement signed with the previous CEO, the effects of the placement into liquidation of Se.Sa.Tre. S.c.r.l. and to the simultaneous transfer of ownership of plants, machinery and surgical equipment to the ULSS Hospital Centre No. 2 Marca Trevigiana by virtue of the new contract, awarded and active from January.

Profit before tax went from Euro 17,761 thousand to Euro 12,678 thousand, down by 2.0% in terms of incidence on revenues. As for the financial management, there was a reduction in the income from equity investments, due in particular to the presence, in the 2017 comparison figures, of the effects, equal to Euro 1,212 thousand, of the re-measurement at fair value of the 40% interest in the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, with respect to the value previously recognised, due to the acquisition by steps of the control. Financial charges were up by 0.3% with respect to the same period of the previous year, mainly due to the consolidation of the Turkish companies (consolidated line-by-line from the second half of 2017 and the Turkish financial market was also affected during the year by a significant increase in interest rates) and to higher foreign exchange losses recognised in particular on foreign currency receivables for Euro 285 thousand. There were also in the item write-down by equity investments, the impacts related to the agreements for the rescission of the partnership with the Bringel Group, which have involved the recognition of a one-off cost for Euro 869 thousand.

The consolidated financial statements as at 31 December 2018 closed with a **net profit** equal to Euro 12,120 thousand with respect to Euro 14,364 thousand realised in 2017, with an incidence on revenues that fell from 5.7% in 2017 to 4.8% in 2018. The recovery with respect to the corresponding decrease reported for the pre-tax profit was basically due to the substantial benefit deriving from the deduction from business income of so-called “super and hyper-depreciation”, as required by the 2017 Budget Law (L. 232/2016).

Significant events and transactions

On 19 January 2018 and on 31 January 2018, Servizi Italia S.p.A. announced the resignations of, respectively, a Director and a Manager with strategic responsibilities.

On 29 March 2018, Servizi Italia S.p.A. announced the establishment under Brazil law of the company Sia Lavanderias S.A., a joint venture with a local business partner offering diversified services on the Brazilian health market, to provide wash-hire services to public and private health facilities in the State of Amazonas, with the strategic goal of further consolidating the Group's presence in new geographic areas in Brazil. At the establishment of the joint venture, Servizi Italia S.p.A. held a 51.0% interest in Sia Lavanderias S.A. through the subsidiary SRI Empreendimentos e Participações Ltda.

On 20 April 2018, the Shareholders’ Meeting:

- approved the financial statements as at 31 December 2017 and the distribution of a gross single dividend of Euro 0.17 per share outstanding on the coupon date, excluding treasury shares. The dividend was paid as from 3 May 2018, with ex-dividend date on 30 April 2018 (2 May 2018), to the shares that were in circulation as of the ex-dividend date;

- appointed the members of the Board of Directors for the years 2018-2019-2020, and established the related remuneration;

- authorised the Board of Directors to purchase and sell treasury shares, subject to revocation of the resolution dated 20 April 2017.

The Board of Directors' meeting, held on 20 April 2018, appointed the Deputy Chairman and CEO of Servizi Italia S.p.A., as well as the members of the Control and Risks Committee and the Nomination and Remuneration Committee, the Lead Independent Director and the Head of the internal control and risk management function. The Board of Directors further resolved to launch, on 23 April 2018, a program for the purchase of treasury shares, aimed at setting up a "stock of securities", to implement the resolution of the Ordinary Shareholder's Meeting.

On 19 June 2018, Servizi Italia S.p.A. reached an agreement with the Asian group IDS Medical Systems Group Ltd. for the establishment of a corporate vehicle with registered office in Singapore under the name of IdsMED Servizi Pte Ltd. This will identify and develop new business opportunities in sterilisation and wash-hire services for healthcare facilities in the Asia-Pacific area.

On 16 July 2018, Servizi Italia S.p.A. announced the acquisition of a 40.0% stake in Sanitary Cleaning Sh.p.k., an Albanian company that provides laundry and cleaning services for the public and private sector, hospitals and hotels in Albania.

On 3 September 2018, Servizi Italia S.p.A. announced a pre-agreement with Lavanderia Bolognini M&S S.r.l., a company that offers wash-hire services to private hotel, restaurant and tourism facilities, mainly in North-West Italy, for the acquisition of a business unit that provides to the parties multiple benefits due to the localisation of the activities of the Servizi Italia Group in Trentino Alto Adige, both in terms of social sustainability and diversification of the activities in the sector of the wash-hire for private hotel, restaurant and tourism facilities.

On 9 October 2018, the Servizi Italia Group acquired an additional 15% interest in Maxlav Lavanderia Especializada S.A. and Vida Lavanderia Especializada S.A, for Euro 1.34 million, as provided in the contractual agreements already concluded. Therefore the equity investment currently held by Servizi Italia in these companies, through SRI Empreendimentos e Participacoes Ltda, is equal to 65.1%.

On 31 December 2018, Servizi Italia S.p.A. announced that it had withdrawn, through a settlement agreement, from the partnership started with a local group and concerning two joint ventures, in which the Servizi Italia Group had a 51% interest through its Brazilian subsidiary SRI Empreendimentos e Participações Ltda. This decision was taken by the Board of Directors, in compliance with the Code of Ethics of the Servizi Italia Group, after learning, through the press, of an investigation, still ongoing, in Brazil, against personnel and directors of the Brazilian partner, for alleged unlawful conduct to which the Servizi Italia Group (including its Brazilian subsidiaries, its directors and employees) is entirely extraneous. The partnership had been created for the execution of two projects:

- Project a): announced to the market on 29 March 2018, this has seen the establishment of a start-up, SIA Lavanderias S.A. (“SIA”), for the “green-field” creation, in the city of Manaus in the State of Amazonas, of an industrial laundry production site for the development of wash-hire service in the local market. This first project consisted in: (i) definition of a lease agreement of the property used as laundry, investment which was paid by the Brazilian partner alone and (ii) purchase of plants and machinery, still partly to be installed. The interruption of the project took place through the acquisition by the Brazilian subsidiary SRI Empreendimentos e Participações Ltda of the remaining 49% of SIA that will be placed in liquidation. Part of the plants and machinery were allocated to the operating companies of the SRI Group, thus encouraging its growth, innovation, production and operation efficiency. We also note that a five-year non-competition agreement had been concluded with the counterparty, for the laundry activities that should have been originally carried out by SIA, having as perimeter the Brazilian territory.
- Project b) establishment of a start-up, Steriliza Serviços de Esterilizaçao S.A. (“STERILIZA”) for the analysis and execution of sterilization services in the state of São Paulo, not yet operational, as the necessary authorisations to the exercise of the business activity had not yet been issued by the relevant authorities. The interruption of the project b) took place through the acquisition by SRI Empreendimentos e Participações Ltda of the remaining 49% of STERILIZA that will be placed in liquidation. A five-year non-competition agreement had also been concluded with the counterparty concerning sterilization activities for the entire Brazilian territory, with the exception of the South-East of the country, where the strategy of development of the sterilization services of the Servizi Italia Group remains in any case confirmed, given the potential and prospects of the market in the state of São Paulo.

For further information on these events, reference should be made to the documentation available on Company's website.

The main characteristics of the contracts awarded in Italy, which have an annual contract value of more than Euro 50 thousand, are provided below:

Customer	Service provided	Duration years	Contract value per year (thousands of Euros)
Kos Care S.r.l.	Linen and professional garment wash-hire services	3.5	2,800
ASL ROMA 4 and 5	Supply of Reusable Technical Textile sterile sets	1	812
Terme di Comano (TN) (awarded as part of a temporary joint consortium)	Laundry service	1	117
ULSS 7 Bassano del Grappa (awarded as part of a temporary joint consortium)	Rental of surgical instruments and sterilisation accessories, management and maintenance of medical devices and accessories	9	199
San Raffaele Hospital (Milan)	Wash-hire service	1	1,600
ASL Viterbo (awarded as part of a temporary joint consortium)	Sterilization service with supply-rental of surgical instruments and related activities	3	573
ASL Novara – Borgomanero (awarded as part of a temporary joint consortium)	Laundry service and rental of personal protection equipment	6	275
Hospital Ospedali Riuniti Villa Sofia Cervello di Palermo	Sterilization and related services. Supply of sterile sets in TTR/TNT for operating rooms	1	435
A.S.C.A. Azienda Speciale Consortile Agordina	Wash-hire service	2	67
PO Prato (through GE.SAT. S.c.a r.l.)	Wash-hire service	5	1,120
PO Prato (through GE.SAT. S.c.a r.l.)	Sterilization service	5	700
PO Pistoia (through GE.SAT. S.c.a r.l.)	Wash-hire service	5	846
Trenitalia	Washing service for uniforms	1	89

IRCCS Istituto Ortopedico Galeazzi	Linen wash-hire service	3	230
ASST Vimercate	CSSD Management, logistics and maintenance of surgical instruments and other reusable MDs	1.5	427
Azienda Sanitaria P.A. Bolzano	Supply of disposable sets made of Non-Woven Textile	5	127

Treasury shares

The information on treasury shares provided in Article 2428, paragraph 3 of the Italian Civil Code is included in the explanatory notes to the separate financial statements, sections 6.15 and 10.

Research & Development activities

During the year under review, as in previous years, the Company did not incur any charges, which could be linked in any way to said activities.

Transactions with parent companies and associates

Servizi Italia S.p.A.'s transactions with subsidiaries, associates, joint ventures companies and parent companies mainly relate to: (i) dealings associated with commercial service agreements; (ii) financial dealings, represented by loans. These transactions are described in detail in the explanatory notes to the Financial Statements, in section 8.

It should also be noted that, in addition to the Regulations adopted by Consob by means of resolution No. 17221 dated 12 March 2010, as amended, on 24 November 2010, the Board of Directors approved the Regulations for related party transactions, subsequently updated on 13 November 2015 and 12 May 2017, which are both posted on Company's website.

Significant events after the end of the year

On 28 January 2019, the Company announced to have signed an agreement for the acquisition of a majority interest in the company Wash Service S.r.l., operating mainly in Northern Italy in the offer of wash-hire services of flat linen, guest linen and staff lothing of hospital facilities, nursing homes and retirement facilities.

On 7 March 2019, the Company promptly announced that in February an exceptional malfunction occurred within the primary data center, located at the facilities of the data hosting and network connectivity service provider. This made unavailable part of the Group's accounting information system (hereinafter the "IT Incident"), also determining the loss of part of the accounting records for the 2018 financial year. The restore procedures subsequently launched presented a series of technical problems that prevented the timely restoration of the machines involved in the IT Incident. Furthermore, the disaster recovery procedure from the secondary site, located in a different structure of the data hosting service provider, also did not work properly.

The Company, through the Director in charge of the internal control and risk management system, the Financial Reporting Manager and the Information Technology Managers, promptly initiated all the necessary procedures for recovering and restoring the compromised machines. Meanwhile, technical and control tasks have been entrusted to qualified third parties and providers of network infrastructures and services are currently under control in order to identify the causes of the malfunction. This also entailed the review of the risk assessment and management processes by the Management, with the support of the Control and Risk

Committee and the Board of Statutory Auditors, to identify and implement the remedial actions for the disaster recovery procedures and to check the integrity of information systems and accounting data, aimed at preventing the repetition of similar events. It should also be noted that the IT incident in no way detracted from the ordinary operations of the Group and the services provided to customer structures.

The Company carried out the activities of restoring the information system and reconstructing the accounting information with data available on management and auxiliary systems that were not affected by the event occurred, also having the possibility of comparing the data restored with the accounting situation as of 31 December 2018, drafted prior to the date of the IT Incident.

Pending the restoration activities, the Board of Directors of Servizi Italia S.p.A. has deemed it necessary to postpone the approval of the separate and consolidated financial statements as at 31 December 2018 within the broader terms set by current legislation.

As of the date of publication of this document, the aforementioned restoration procedures have been successfully completed.

On 21 March 2019, Servizi Italia announced to have signed a binding agreement for acquiring the 25% of StirApp S.r.l., by subscribing a reserved capital increase in one or more tranches. StirApp (www.stirapp.it) is an innovative start-up mainly active in app/websites design and management dedicated to the booking and managing of laundry and ironing services both for private citizens (through B2C channel) and corporate companies (through B2B and B2B2C channels). In this compound, it has recently signed service contracts with some important companies of industrial and financial segments.

On 9 April 2019, the Shareholders' Meetings of the Brazilian companies SIA Lavanderias S.A. and Steriliza Serviços de Esterilizaçao S.A. took place and resolved for their liquidation.

On 18 April 2019, the Company announced to have called the Board of Directors for the approval of the draft of the separate financial statements and the consolidated financial statements as at 31 December 2018 for 29 April 2019. It also announced that the Shareholders’ Meeting will take place on 30 May 2019 (First Call) and 31 May 2019 (Second Call).

Business outlook

In 2019, the Group expects to confirm the economic and financial estimates and forecasts and to strengthen its positioning in the countries in which it operates; to record a favourable revenue trend through the diversification of the services/customer base; to record favourable trends for the main performance indicators. These objectives shall be reached through investments designed to achieve external growth, to increase production capacity and therefore to promote organic growth, pursuing the constant focus on management and organisational execution.

Derivatives

As at 31 December 2018 and 31 December 2017, the Group held no derivatives.

Company Headquarters

The operational headquarters of the Company where its activities are carried out are as follows:

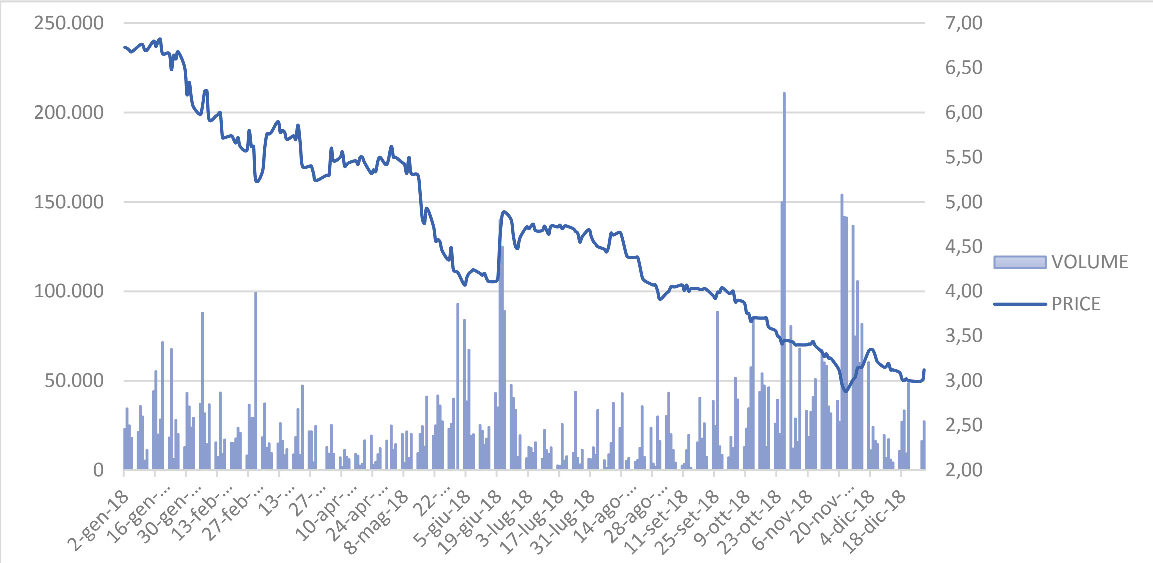
City	Address	City	Address
Arco (TN)	Via Linfano, 6	Palermo (PA)	Piazza Nicola Leotta, 4
Ariccia (RM)	Via Nettunense Km 8, 100	Pavia di Udine (UD)	Viale Grado, 51
Ariccia (RM)	Via Quarto Negroni, 58	Piacenza (PC)	Via Machiavelli, 29
Barbariga (BS)	Strada Statale Quinzanese, 2	Podenzano (PC)	Via Primo Maggio, 123
Bergamo (BG)	Piazza Org. Mond. Sanità, 1	Prato (PO)	Via Ugo Foscolo, 7
Brescia (BS)	Piazzale Spedali Civili, 1	San Daniele del Friuli (UD)	Viale Trento Trieste, 2
Cividale del Friuli (UD)	Piazzale dell'Ospedale, 2	San Dorligo della Valle (TS)	Via Travnik, 20
Crema (CR)	Via Largo Ugo Dossena, 2	Sarzana (SP)	Via Cisa SN
Ferrara (FE)	Via Aldo Moro, 8	Travagliato (BS)	Via Sambrioli, 1
Florence (FI)	Lungo Rio Freddo, 15	Treviso (TV)	Via Concordia, snc
Genoa (GE)	Largo Rosanna Benzi, 10	Treviso (TV)	Piazza Hospital, 1
Genova Bolzaneto (GE)	Via Albisola, snc	Udine (UD)	Piazzale Maria della Misericordia, 15
Lastra a Signa (FI)	Via Livornese, 68	Varese (VA)	Via Luigi Borri, 57
Messina (ME)	Via Consolare Valeria, 1	Varna (BZ)	Via Forch, 11
Modena (MO)	Via Giardini, 1355	Zibido San Giacomo (MI)	Via Castoldi, 5
Montecchio Precalcino (VI)	Via Palugara, 22	Zibido San Giacomo (MI)	Via Castoldi, 11

Servizi Italia and the financial markets

The Company shares have been traded in the STAR segment of the Mercato Telematico Azionario (MTA) managed by Borsa Italiana S.p.A. since 22 June 2009. The main share and stock exchange data for 2018 is provided below, together with share volume and price trends:

(thousands of Euros)	2018
No. of shares making up the share capital	31,809,451
Price at IPO: 04 April 2007	8.50
Price as at 31 December 2018	3.12
Maximum price during the period	6.82
Minimum price during the period	2.88
Average price during the period	4.67
Volumes traded during the period	7,276,798
Average volumes during the period	28,992

Share volumes and prices as at 31 December 2018



In 2018, the Investor Relations Team held several individual and group meetings with analysts and investors and also organised guided tours of the sterilisation centres and industrial laundering sites for shareholders and potential investors who so requested. In 2018, the Company met with investors at the "STAR Conference" events in Milan and London organised by Borsa Italiana and also appointed Midcap Partners (Appointed rep by Louis Capital Markets UK, LLP) to conduct a research study, published on the Company's website together with that of Specialist Intermonte SIM.

Report on corporate governance and ownership structure

Information on ownership set-ups and corporate governance is contained in the specific report drawn up in accordance with Article 123 bis of the CFL, which forms an integral part of the financial statement documentation and which will be published in accordance with the matters envisaged by current legislation.

Servizi Italia S.p.A. is not subject to the management and co-ordination activities of either the direct parent company Aurum S.p.A. or the indirect parent company Coopservice S. Coop. p. A., since the following indices of probable subjection to third party management and co-ordination activities do not exist, such as the issue of directives pertaining to the financial and lending policy, the establishment of group operating strategies, the concentration of cash management relationships with the same. The Company in fact operates under conditions of corporate and entrepreneurial autonomy and operates autonomously in commercial dealings with its customers and suppliers. Furthermore, Servizi Italia - in compliance with the matters envisaged by Italian Law No. 262 dated 28 December 2005 - has adopted all the necessary measures (such as, for example, the appointment of the Control and Risks Committee, the Lead Independent Director and the adoption of internal regulations regarding transactions with related parties) which permit it not to be subject to management and co-ordination activities.

Report on the remuneration of the directors and the executives with strategic responsibilities

The information on the remuneration of the directors and the executives with strategic responsibilities is contained in a specific report drawn up in accordance with the format No. 7-bis, of Article 123-ter of the CFL, which forms an integral part of the financial statement documentation and which will be published in accordance with the matters envisaged by current legislation.

Consolidated non-financial disclosure: 2018 sustainability report

The consolidated non-financial disclosure of Servizi Italia S.p.A., drafted pursuant to Italian Legislative Decree 254/16, constitutes an independent report (Sustainability Report) as required by Art. 5 paragraph 3(b), Italian Legislative Decree 254/16, and is available at the website www.si-servizitalia.com, under the section "Sustainability".

Risk management information

The Group has developed a model based on an integrated and adequate risk management and internal control system. All main risks arising from the "core business" were identified, measured and managed, using the process of analysis of the risks according to the principles of the new *COSO-ERM framework (Committee of Sponsoring Organization of the Treadway Commission) - (Enterprise Risk Management):*

- Risk governance and risk culture;
- Strategy and definition of risk targets;
- Risk analysis;
- Risk information, communication and reporting;
- Monitoring of the performance of the risk model.

The model adopted by the Group is meant to ensure the Company's continuity and the adequacy of its processes, activities and services in terms of:

1. Business objectives:

- achievement of objectives set within company strategies;
- effective and efficient use of organisational resources.

2. Governance objectives:

- ensuring the reliability, accuracy, trustworthiness and timeliness of financial reporting;
- preservation of the company assets;
- compliance with laws, regulations, contracts and ethical and company standards;
- ethical and social responsibility.

The Board of Directors, through the Manager of the internal control and risk management system and the Head of Internal Audit, has implemented special processes to identify the responsibilities for the control of the risk, so as to ensure the soundness and the continuity of the business in the long term. It has therefore acquired an internal control system aimed at controlling and monitoring the risks related to the activities carried out.

In particular, this control system has been reflected in the internal regulations of the Group and the different companies subject to the coordination and control (as, for example, the Model 231/01, Code of Ethics, Group Policy).

The internal control system of the risks of the Servizi Italia Group is articulated on three levels:

1. **first level**: the operating units identify, assess, monitor, mitigate and report the risks deriving from the ordinary business activity, ensuring that operations are in line with the risk limits and targets assigned;
2. **second level**: the director in charge of the internal control system is responsible for the control of all categories of risk and must provide a clear representation to the Control and Risks Committee or to the Board of Directors of the risk profile of the Group as a whole and its soundness;
3. **third level**: the Internal Auditing function, which reports directly to the Board of Directors, assesses the suitability of the internal control system as a whole to ensure the effectiveness and efficiency of the processes, the safeguard of the assets of the company and the investors, the reliability and the integrity of the accounting and management data, the compliance with internal and external provisions and to the guidelines of the management.

For the performance of its activities, the Internal Auditing submits to the Board of Directors, a plan of the activities, which describes the audits planned in line with the risks associated to the activities aimed to the achievement of the business objectives.

The results of the activities carried out, every six months, are brought to the attention of the Board of Directors and the Board of Statutory Auditors, after review by the Control and Risks Committee; the areas of concern recognised during the audit are, instead, promptly reported to the business units in charge of the implementation of improvement initiatives.

The Servizi Italia Group, aware of its mission and corporate policy, pursue the objective of monitoring correctly the risks identified in all activities, which is an essential condition to preserve the trust of the stakeholders and to ensure the sustainability of the business over time.

The risk management process is common to all control functions, in line with the reference best practice; the different categories of risk are defined within the Group Risk Policy, which is updated at least once a year. The Risk Policy represent the Risk Appetite Framework (below, also “RAF”) of the Group, or, the key instrument with which the Board of Directors defines the propension to risk, the tolerance thresholds, the risk limits, the risk management policies and the framework of the corresponding organisational processes. The RAF, the Risk Policy and, therefore, the internal regulations on risk management also consider aspects related to the management of the risks of a social, environmental and economic nature (ESG).

1 Risk Factors

The Group, in order to minimise different types of risks to which it is exposed, has adopted time scales and control methods, which allow the Company's management to monitor risks and to appropriately inform the Director in charge of the internal control system and (also through him) the Board of Directors.

Without prejudice to the principle of continuous monitoring and considering the characteristics of the Group’s activities, a review of the risk assessment indicates that the Group has been able to achieve the desired mitigation of the primary operational, financial, strategic and compliance risks identified by taking the planned organisational and operating measures and implementing and documenting control points within company processes.

1.1 Strategic and policy risks

Market risk and sector competition

The activities of the Group are affected by the general conditions of the economy in the markets in which it operates. A period of economic crisis, with a consequent slowdown in consumption, may have a negative impact on the sales of the Group, with a subsequent decline in production volumes. The current macro-economic scenario causes a significant uncertainty on forward-looking statements with the consequent risk that a more modest performance may impact, in the short term, the margins. To mitigate the possible negative impact that a lower demand may have on its profitability, the Group plans to pursue a strategy of diversification of the services/clients increasing the offer; moreover, it has set up a managing structure that, through project management and project control activities, pursues objectives of organisational and operational efficiency in order to maintain the levels of margins and profitability of the business in general.

Country risk

The Group provides its services in several countries through subsidiaries and affiliates. While pursuing an expansion strategy, the Servizi Italia Group has invested and could invest even more in the future also in countries characterised by the poor stability of their political institutions and/or in the midst of international tensions. The above strategy could expose the Servizi Italia Group to several types of risks of a macroeconomic nature, deriving, as an example, from changes in the political, social economic and regulatory systems adopted by these countries or from extraordinary events such as acts of terrorism, civil disturbances, restrictions on services provided by the Group, as well as policies aimed at the control of foreign exchange rates, inflation phenomena, sanctions and nationalisations. The probability that the events described above may occur, varies from country to country and it is difficult to predict. However, Top management constantly and closely monitors these situations in order to implement in a timely manner any possible change that can minimise the economic or financial impact resulting therefrom.

Risks associated with growth

The Group aims at continuing to grow through a strategy based on strengthening its presence in the markets in which it operates and on expanding its geographic presence. Within this strategy, the Group may have to face some challenges in managing possible adjustments to the structure or business model, or in its capacity to identifying market trends and related local demand. In addition, the Group may incur start-up expenses arising from the opening of new companies. Finally, if the growth of the Group is pursued through external actions such as acquisition operations, it is possible that it may have to face, inter alias, difficulties connected to the correct measurements and integration of the acquired assets, as well as not achieving the expected synergies which may negatively reflect on the asset and the future economic-financial results of the Group. To mitigate these risks, the Group has set up a number of internal processes for safeguarding the approval and valuation phases of the investment initiatives. The processes, in addition to the appropriate formal procedures, provide for due diligence operations, aimed, among other things, to verify la compliance of the business partner with the ethics standards of the Group, binding multi-level internal authorisation processes, more effective project management and project control activities which are carried out by top management in order to timely implement any possible change and therefore minimise the economic or financial impact that may derive from the above described events which could occur in any of the countries involved.

1.2 Risks associated with the outside environment

Risks associated with customers' orders

The Group aims at achieving its internal growth in the markets where it operates, through a strategy that includes the awarding of service contracts through public calls for tender or private negotiations, which are regulated by laws that may differ from country to country. More specifically, the contracts executed with customers have generally a multi-annual duration, with the possibility, at the end of the first natural expiry date, of an extension for an additional period, normally of the same duration as the initial one; this allows the Group to plan its future activities. However, there are no certainties about the Group being able to maintain the same relationship as a contractual vendor and no certainties about the fact that the new public calls for tender or other private negotiations will offer technical-economic conditions of interest to the Group; this may cause negative and significant effects on the business and the economic, equity and financial position of the Group. With regard to the contracts in the portfolio there is no concentration in their maturities, taking into account also that the Group is recognised as key partner for public and private healthcare facilities in the countries in which it operates, through: (i) an offer portfolio that meets requirements, explicit and implicit, of the customers; (ii) the provisions of high-quality services and their monitoring through the RFID technology applied to distribution and traceability issues; (iii) the constant dialogue with the customer focused on the improvement of the services; (iv) the research and development activities.

Risks associated with the competition

The comparative map of the markets in the countries where the Group operates differs from country to country. In detail: (i) the Italian market is highly competitive due to the presence of different operators in the sector of the services offered; (ii) the Brazilian market, due to the growing penetration rate of the demand for services, has witnessed the development of the competition map represented by operators, who through external growth operations, have strengthened their positions in some areas of the country, and by other family-based and small-sized operators, with a limited capacity of self-financing and relatively ineffective management models; (iii) the market of the other countries where the Group operates at this time is not characterised by a significant competitive map. It is not possible to exclude that the intensification of the level of competition in the sector of the services in which the Group operates may condition activities in the future and have significantly negative impacts on operations and on income, the financial position and cash flows. The Group deals with this risk by offering innovative services of proven quality in rigorous compliance with regulations.

Risks associated with changes in sector legislation

The Servizi Italia Group operates in a sector characterised by very specific regulations, detailed and constantly evolving. Therefore it cannot be excluded that future changes in the existing legislation, or the issuance of new laws for the regulation of particular aspects of the sector in which it operates may influence its production activities (by means of restrictions and/or limitations on the services which are provided as well as the related disbursement processes). To this regard, the availability of internal professionals with high technical skills in the respective spheres of responsibility and constantly up-dated in their field, permit a constant monitoring of the legislative changes. The up-date system with regard to sector standardisation is activated by means of the main on-line channels and sector subscriptions.

1.3 Financial risks

Interest rate risk

The Servizi Italia Group is exposed to interest rate fluctuations especially with regard to the extent of the financial expense relating to the net borrowing, which is mainly characterised by short-term debt. The interest rate, which the Group is mainly exposed to, is the Euribor. The Group periodically assesses the opportunity to carry out interest rate hedging transactions, even if the current financial management pursue the optimisation of the financial charges making only use of an appropriate mix of debt instruments with short, medium and long maturities without using derivatives.

Credit risk

Receivables are due from public institutions, and as such they are certain in terms of collectability and, by nature, not subject to impairment risks, and from private customers and therefore exposed to uncertainties. The Group has adopted procedures for the ongoing monitoring of its exposure to different counterparties and has implemented adequate measures for risk mitigation through procedures for the recovery of doubtful receivables using legal assistance if the filing of legal actions is required.

Having taken into account the characteristics of the credit, the risk could become more significant in the event of an increase in the private customer component, however this aspect is mitigated by a careful selection and financing of the customers.

Price risk

This is the risk associated with the volatility of the prices of the raw materials and the energy commodities, with particular reference to electricity and gas used in the primary production processes. The price risk is also controlled by means of the entering into of purchase of goods and services agreements with price blocks and on-average annual timescales, joined by constant monitoring of the performance of the prices so as to identify opportunities for making savings. The risk arising from inflation phenomena in the countries where the Group operates may have an impact on the trade margins; this phenomenon is controlled, when the laws of the countries allow for it, through contractual amendments with the Customers in order to adjust the price of the rendered services; or by maintaining on-going trade relationships with the customers in order to identify activities aimed at not negatively impacting the interests of the parties.

Exchange rate risk

The exchange rate risk derives from the activities of the Servizi Italia Group, which are partly carried out in currency other than the Euro or linked to exchange rate changes via contractual components index-linked to a foreign currency. Revenues and costs denominated in currency may be influenced by exchange rate fluctuations with an impact on commercial margins (economic risk), like the trade and financial receivables and payables denominated in currency can be affected by the conversion rates used, with effects on the economic result (transactional risk). In conclusion, the exchange rate fluctuations also have repercussions on the net income and the shareholders’ equity since the financial statements of certain investee companies are drawn up in a currency other than the Euro and subsequently converted into Euro (translation risk).

With reference to the transactional risk, under the co-ordination of the Administration, Finance and Audit divisions, the Group handles the exposure to foreign exchange rate risk on certain currency flows (Brazilian Real, Turkish Lira, Indian Rupee and Albanian Lek) as regards development investments in Brazil, Turkey, India and Albania in order to minimise any possible negative effect. It should also be noted that the Company holds controlling interests in companies that prepare their financial statements in a currency other than the Euro, the latter being used for the consolidated financial statements. This exposes the Group to translation risks, due to the conversion into Euro of the assets and liabilities of the subsidiaries that operate with currencies other than the Euro. The policy of the Group provides for the exchange rate risk to be hedged only if it has a significant impact on the cash flows with respect to the reference currency. The costs and risks associated with a hedging policy must be acceptable both from a financial and commercial standpoint and accordingly the Group has decided not to enter into hedging transactions on exchange rates since no inflows of capital are envisaged over the short term.

Liquidity risk

Risk linked to two main factors: (i) delay in payments of public customers; and (ii) expiration of short-term loans. Concentrating its business on orders contracted with the Public Administration Authorities, the Group is exposed to risks associated with delays in the payments for the receivables. In order to balance this risk, factoring agreements have been entered into with the without-recourse formula.

To correctly manage the liquidity risk, an adequate level of cash and cash equivalents must be maintained. In light of the predominantly public nature of the group’s customers and the average collection times, cash and cash equivalents are mainly obtained from accounts receivable financing and medium-term loans.

1.4 Process risks

Risks associated with related party transactions

Transactions with related parties are regulated in compliance with the provisions of the Regulations approved by Consob with resolution No. 17221 of 12 March 2010, as subsequently amended, and the Regulations for Transactions with Related Parties approved by the Board of Directors of Servizi Italia S.p.A. on 24 November 2010, subsequently amended on 13 November 2015, 12 May 2017 and 14 November 2018. The Servizi Italia Group has transactions outstanding with related parties (as defined by international accounting standard IAS 24); these transactions have been analysed in the specific supplementary annual and consolidated income statement and statement of financial position schedules as at 31 December 2018 and stated in detail in the related notes.

The “Regulations for related party transactions” contain the rules, which govern the identification, approval and execution of the related party transactions put together by Servizi Italia, directly or via subsidiaries, for the purpose of ensuring the transparency and correctness, both essential and procedural, of said transactions.

Risks associated with the treatment of linen and sterilization of surgical instruments and the adequacy of insurance coverage

The Group is exposed to risks related to the type of implemented activities as well as the methods of providing services. In particular, the linen and surgical instrument sterilisation activity consists in the careful execution of all activities necessary to ensure that the service /product is effective and safe for the final user.

Any defects in the business process could generate liability vis-à-vis the customers or third parties and give rise to subsequent requests for damage compensation. Accordingly, the Company has taken out insurance policies to cover these risks, in line with sector practice, to cover the liability: (i) in relation to the product, and (ii) civil vis-à-vis third parties and workers in the sterilisation centres.

However, there can be no certainty with regard to the adequacy of the insurance coverage in relation to any damages caused by the afore-mentioned events. Therefore, the risk that Servizi Italia will have to undertake possible additional charges and costs, with a consequently negative impact on the Group economic and financial results, cannot be excluded. Over the last three years, no events took place which required the compensation of damages not covered by insurance policies. Furthermore, as of the date of approval of this report, there are no pending matters relating to requests for damage compensation linked to the linen and surgical instrument sterilisation activities.

Risks associated with environmental responsibilities

The Group operates in the sector of industrial laundries, which is particularly exposed to environmental risks such as, by way of example, air, soil and water pollution, deriving from the disposal of waste, toxic-harmful emissions and spillages of toxic-harmful materials. Accordingly, the Group has taken out insurance policies for civil liability to cover, inter alias, environmental risks as well, in line with sector practices. However, there can be no certainty with regard to the adequacy of the insurance coverage in relation to any liabilities or action furthered by third parties for the compensation of damages potentially caused by the company with regard to environmental aspects. Therefore, the risk that the Group may have to bear possible additional charges and costs, with a consequently negative impact on its economic and financial results, cannot be excluded.

Risks associated with the management and organisation model pursuant to Italian Legislative Decree No. 231/2001

The Group has adopted the management and organisation model envisaged by Italian Legislative Decree No. 231/2001 for the purpose of creating a system of rules aimed at preventing the adoption of unlawful conduct by senior management, executives or in any event those with decision-making powers deemed significant for the purpose of application of this legislation.

The Company believes that it has applied the utmost diligence in the implementation of the provisions pursuant to Italian Legislative Decree No. 231/2001; however, no certainty exists with regard to the fact that the model adopted by the Company may be considered suitable by the legal authority possibly called to check the cases contemplated by said legislation. If such cases should occur, and in the event of an unlawful event, the Company's exemption from liability is not recognised on the basis of the provisions contained in said decree, it is envisaged that the Company, in any event and for all the unlawful acts committed, will be fined, as well as, for more serious cases, be subject to disqualification measures, such as disqualification from carrying out activities, suspension or revocation of authorisations, licences or concessions, prohibition from contracting with public administration authorities, exclusion from loans, grants and subsidies and possible revocation of those already granted and, in conclusion, prohibition from publicising goods and services, with consequent significant negative impacts on the Group's economic and financial results. The Group to control the risk: (i) in Italy, it has adopted the tools of the Code of Ethics and the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001; (ii) at the foreign subsidiaries, with the promotion to the adoption of a Code of Ethics and a group policy, which based on an analysis of the risks of the processes of the company, the preparation of a set of procedures, regulations and formats to ensure ongoing monitoring of processes at risk of unlawful acts and corruption, auditing by the Parent Company/third parties and training programmes for the employees, aimed to the knowledge and application of the prevention system.

Information on proceedings in progress

Aside from that reported in the section “Significant events and transactions”:

Servizi Italia S.p.A. is currently involved in proceedings for the administrative liability of legal entities - pursuant to Italian Legislative Decree No. 231 of 2001 - for an alleged offence charged to a Director and a former Director, concerning the award of a tender for a nine year contract of the AOU Policlinico di Modena - so-called “Global Service” - decided with resolution of 19.12.2008, to the RTI (temporary joint consortium) established by Coopservice Soc.Coop.p.A., in its capacity as lead contractor, and other companies including Servizi Italia S.p.A., Padana Everest S.r.l. and Lavanderia Industriale ZBM S.p.A. (companies merged by incorporation into Servizi Italia S.p.A.) The Company, which confirms its absolute lack of involvement in the events contested, has promptly appointed a defence counsel in order to undertake any legal action that would prove it at the proceedings currently underway.

With reference to the proceedings for an alleged offence pursuant to Italian Legislative Decree 231 of 2001 at the Tribunale of Viterbo concerning the Viterbo AUSL (Local Health Authority), in the context of which a former director was charged with a predicate offence in relation to the awarding of a tender for a contract to provide wash-hire and surgical instrument sterilisation and hire services for the aforementioned Viterbo AUSL, the competent court on 31 January 2019 issued an opinion excluding the liability of Servizi Italia as the charge of administrative offence has been found to be without merit.

Human resources and industrial relations

The workforce of Servizi Italia Group, including employees of consolidated companies, as at 31 December 2018, was as follows:

Company	Executives	Middle managers	White-collar staff	Blue-collar staff	Total
Servizi Italia S.p.A.	7	30	181	1,773	1,991
Steritek S.p.A.	-	-	20	-	20
Lavsim Higienização Têxtil S.A.	1	9	37	363	410
Maxlav Lavanderia Especializada S.A.	4	2	10	462	478
Vida Lavanderias Especializada S.A.	-	-	3	164	167
Aqualav Serviços De Higienização Ltda	-	2	8	205	215
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	2	1	5	206	214
Ergülteks Temizlik Tekstil Ltd. Sti.	-	-	3	125	128
TOTAL	**14**	**44**	**267**	**3,298**	**3,623**

1 Industrial Relations

Company’s relations with unions during 2018, characterised by respect for the roles and prerogatives of all parties, have always resulted in shared agreements. Over the years, this has made it possible to maintain union relations based on reciprocal respect and shared expectations.

With regard to its blue-collar and white-collar staff, Servizi Italia S.p.A. applies the national collective labour Agreement for employees of companies in the integrated industrial system of textile and related medical services entered into by Assosistema and the trade unions Femca-Cisl, Filctem-Cgil and Uiltec-Uil. The Industry Executives national collective labour agreement is applied for the Company's managerial staff.

In 2018, talks continued with the Trade Union Organisations and the company workers' representatives with the aim of defining shared solutions in light of the market situation, particularly to identify flexible operating and logistics solutions and to continue streamlining the staff, in order to pursue greater efficiency and integration.

In the reference period, Human Resources also worked with the area trade union organisations and the trade union representatives, to conclude 2nd level agreements concerning performance bonuses. These agreements provide for variable remuneration, directly and systematically linked to the targets achieved, and give employees the opportunity to benefit from company welfare services using the flexible benefit platform.

2 Training and development

In 2018, the Group provided approximately 14,649 hours of training, involving executives, middle management and white- and blue-collar staff.

Training activities focused on guaranteeing the constant up-dating of all the staff, supporting the professional development of junior employees and strengthening the skills of those with roles of responsibility, aware that training represents strategic leverage for the growth of the company and the development of new business ventures. In particular, training focused on the following areas: (i) management training specified in the individual development plans; (ii) professional technique and technical systems; (iii) health and safety on the workplace, environment and quality; (iv) certification systems and regulations in general.

For additional information on the issues concerning personnel training and development, refer to the Consolidated Non-financial Disclosure: 2018 Sustainability Report.

3 Organisation and development

With regard to organisational changes, the policy adopted by the Servizi Italia Group in regard to the companies acquired is characterised by the respect and promotion of cultural differences and of the management of the companies acquired/invested in, by means of a process of gradual integration of the companies in a pre-existing group. The programmes, drawn up by Servizi Italia with regard to acquisition transactions, are therefore in line with this policy and will result in specific planning aimed at guaranteeing a correct control and coordination.

In 2018, Servizi Italia implemented the organisational model drafted during the previous year, which it believes to be appropriate in its functions/tasks to the international expansion strategy adopted by the Group and to the diversification of the services/client base in the industrial laundry market in the community/industry and hotel/restaurant areas. With regard to the dimensioning of organisational responsibilities, Servizi Italia has adopted a business continuity approach and identified and updated the succession tables required by the succession planning process, implementing individual development plans for employees with strategic responsibilities and/or key management.

With regard to Steritek S.p.A., in which Servizi Italia holds a 70% interest, policies were implemented to ensure coordination and control by the Parent Company, which have included the roll-out of the accounting platform of the Parent Company.

With regard to the companies operating in foreign markets, in 2018:

- Servizi Italia carried out activities to promote the adoption of a Code of Ethics and a group policy, based on the analysis of the risks of corporate processes, the preparation of procedures, regulations and formats to ensure the ongoing monitoring of processes at risk of unlawful acts and corruption, auditing by the Parent Company/third parties and staff training aimed at disseminating the knowledge and application of the prevention system;

- Servizi Italia provided training and onsite assistance to the operations of laundry and/or sterilization facilities, ensuring the presence of Servizi Italia experienced staff, to implement modern and technological models of business management and leverage competencies at the different production sites;

- Servizi Italia provided training and onsite assistance on administrative and auditing activities, with the presence of Servizi Italia experienced staff, to facilitate the preparation of financial statements and ensure the correct information flow to the local independent auditors and to Servizi Italia control bodies.

Other information

The directors acknowledge that the company took the necessary measures to ensure compliance with the provisions of Regulation EU 2016/679 (“GDPR”) and with current national legislation governing personal data protection. In particular, as the company does not fall among the cases for which appointment of a DPO is mandatory under GDPR, to prove its accountability, Servizi Italia S.p.A. appointed an internal privacy manager. With the appropriate organisational model, this will monitor and provide support and advice to all company functions on the application of and compliance with the GDPR and current national legislation governing personal data protection.

Pursuant to Art. 3 of Consob Resolution No. 18079 dated 20 January 2012, Servizi Italia S.p.A. decided to join the out-put regime set forth in Art. 70, Par. 8 and Art. 71, Par. 1 bis, of Consob Regulation No. 11971/99 (as amended), availing itself of the right to derogate from the obligation to publish the disclosures as set forth in Annex 3B of the afore-mentioned Consob Regulation at the time of significant merges, spin-offs, share capital increases through contributions in kind, acquisitions and transfers.

With reference to the changes made to the regulatory framework in 2016, Servizi Italia S.p.A. publishes the additional periodical information, meeting the obligations specified for the issuers listed in the STAR segment in Art. 2.2.3, Par. 3, of the Regulations for the Markets organised and managed by Borsa Italiana S.p.A. and in the notice No. 7578 issued by Borsa Italiana on 21 April 2016.

Allocation of the profit (loss) for the year

Dear Shareholders,

acknowledging that the net profit for the year is equal to Euro 11,213,803, the Board of Directors ask you to approve the separate financial statements for the year ended 31 December 2018 and to allocate the profit for the year according to the proposal made in the notes to the separate financial statements, that is:

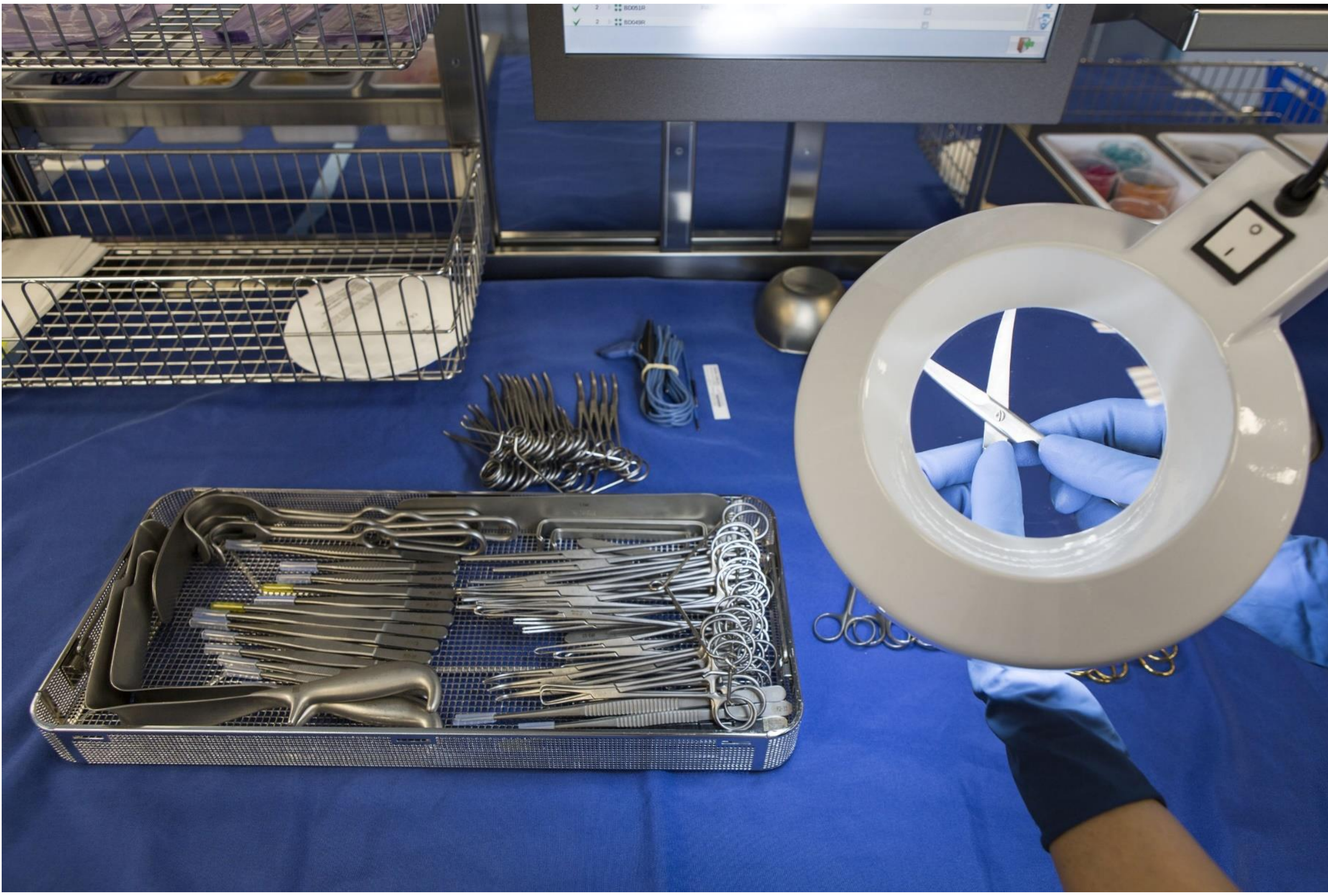
- Euro 560,690, equal to 5% of the profit, to legal reserve;
- a maximum amount of Euro 5,089,512.16 to distribution to the shareholders, corresponding to ordinary dividends per share, gross of legal withholdings, equal to 16 Euro cents for the shares in circulation, excluding the treasury shares in the portfolio;
- Euro 611,839 to valuation reserve for equity-accounted investments;
- to carry forward the residual profit for the year.

It also proposes to allocate Euro 398,405 from the valuation reserve for equity-accounted investments to profit carried forward as the restrictions on distribution as dividends no longer apply.

The dividend will be paid as from 12 June 2019, with ex-dividend date on 10 June 2019, and will be paid to the shares that are in circulation as of that date.

The Chairman of the Board of Directors
(Roberto Olivi)

DRAFT SEPARATE FINANCIAL STATEMENT AS AT 31 DECEMBER 2018



STATEMENT OF FINANCIAL POSITION

(Euros)	Note	31 December 2018	*of which with related parties (Note 8)*	31 December 2017	*of which with related parties*
ASSETS					
Non-current assets					
Property, plant and equipment	**6.1**	98,758,194	-	99,601,560	-
Intangible assets	**6.2**	3,606,461	-	4,022,452	-
Goodwill	**6.3**	44,575,158	-	42,575,158	-
Equity-accounted investments	**6.4**	48,783,671	-	50,078,578	-
Equity investments in associates, joint ventures companies and other companies	**6.5**	30,195,315	-	27,901,350	-
Financial receivables	**6.6**	7,174,096	*4,330,098*	7,646,969	*4,659,863*
Deferred tax assets	**6.7**	2,021,647	-	1,173,460	-
Other assets	**6.8**	4,281,329	-	3,060,658	-
Total non-current assets		**239,395,871**		**236,060,185**	
Current assets					
Inventories	**6.9**	4,905,719	-	4,303,475	-
Trade receivables	**6.10**	70,646,460	*14,801,178*	73,582,194	*13,522,287*
Current tax receivables	**6.11**	1,746,450	-	1,728,481	-
Financial receivables	**6.12**	8,239,421	*5,870,763*	7,950,913	*5,883,010*
Other assets	**6.13**	6,181,123	-	7,086,152	-
Cash and cash equivalents	**6.14**	1,671,329	-	1,513,611	-
Total current assets		**93,390,502**		**96,164,826**	
TOTAL ASSETS		**332,786,373**		**332,225,011**	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	**6.15**	31,429,575	-	31,798,901	-
Other reserves and retained earnings	**6.15**	96,956,248	-	96,805,953	-
Profit (loss) for the year		11,213,803	-	13,822,067	-
TOTAL SHAREHOLDERS' EQUITY	**6.15**	**139,599,626**		**142,426,921**	
LIABILITIES					
Non-current liabilities					
Due to banks and other lenders	**6.16**	34,984,947	-	39,191,019	-
Deferred tax liabilities	**6.17**	1,805,242	-	2,404,641	-
Employee benefits	**6.18**	9,822,648	-	9,994,532	-
Provisions for risks and charges	**6.19**	-	-	120,000	-
Other financial liabilities	**6.20**	1,819,563	-	1,225,000	-
Total non-current liabilities		**48,432,400**		**52,935,192**	
Current liabilities					
Due to banks and other lenders	**6.16**	54,227,340	-	46,562,791	-
Trade payables	**6.21**	69,937,124	*11,931,942*	69,684,639	*13,871,390*
Current tax payables	**6.22**	-	-	-	-
Employee benefits	**6.18**	-	-	876,772	-
Other financial liabilities	**6.23**	3,460,000	*2,460,000*	3,685,000	*2,460,000*
Other payables	**6.24**	17,129,883	-	16,053,696	-
Total current liabilities		**144,754,347**		**136,862,898**	
TOTAL LIABILITIES		**193,186,747**		**189,798,090**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**332,786,373**		**332,225,011**	

INCOME STATEMENT

(Euros)	Note	31 December 2018	of which with related parties (Note 8)	31 December 2017	of which with related parties
Sales revenues	**7.1**	212,501,450	*17,047,213*	211,199,346	*8,993,210*
Other income	**7.2**	6,054,410	*1,953,244*	10,707,493	*7,171,896*
Raw materials and consumables	**7.3**	(21,906,787)	*(604,612)*	(20,229,242)	*(58,502)*
Costs for services	**7.4**	(71,067,424)	*(25,380,988)*	(75,896,223)	*(31,818,865)*
Personnel expense	**7.5**	(70,904,440)	*(4,565,981)*	(67,475,844)	*(4,483,341)*
- of which non-recurring		*-*		*(557,326)*	
Other costs	**7.6**	(1,364,881)	*(15,284)*	(1,769,377)	*(423,532)*
Depreciation/amortisation, impairment and provisions	**7.7**	(42,783,066)	-	(43,004,234)	-
Operating profit		**10,529,262**		**13,531,919**	
Financial income	**7.8**	1,361,166	*578,509*	1,750,884	*600,665*
Financial expenses	**7.9**	(1,258,570)	-	(1,198,445)	-
Share of profit/loss of equity-accounted investments	**6.4**	262,781	-	304,050	-
Income/(expense) from equity investments in other companies	**7.10**	264,768	*121,140*	1,882,058	*379,013*
Profit before tax		**11,159,407**		**16,270,466**	
Current and deferred taxes	**7.11**	54,396		(2,448,399)	
- of which non-recurring		*-*		*(133,758)*	
Profit (loss) for the year		**11,213,803**		**13,822,067**	

STATEMENT OF COMPREHENSIVE INCOME

(Euros)	Note	31 December 2018	31 December 2017
Profit (loss) for the year		**11,213,803**	**13,822,067**
Other comprehensive income that will not be reclassified to the Income Statement			
Actuarial gains (losses) on defined benefit plans	**6.18**	131,360	22,069
Share of comprehensive income of the investments measured using the equity method			
Income taxes on other comprehensive income	**6.7 6.17**	(31,526)	(5,297)
Other comprehensive income that may be reclassified to the Income Statement			
Share of comprehensive income of the investments measured using the equity method	**6.4**	(7,619,133)	(6,840,693)
Income taxes on other comprehensive income		-	-
Total other comprehensive income after taxes		**(7,519,299)**	**(6,823,921)**
Total comprehensive income for the period		**3,694,504**	**6,998,146**

STATEMENT OF CASH FLOWS

(Euros)	Note	31 December 2018	*of which with related parties (Note 8)*	31 December 2017	*of which with related parties*
Cash flow generated (absorbed) by operations					
Profit (loss) before tax		11,159,409	-	16,270,466	-
Payment of current taxes		(652,339)	-	(883,389)	-
Depreciation	**7.7**	42,213,714	-	42,160,890	-
Impairment and provisions	**7.7**	569,352	-	843,344	-
Gains/losses on equity investments	**6.4 7.10**	(527,549)	-	(2,186,108)	-
Gains/losses on disposal	**7.2 7.6**	(232,358)	-	(508,785)	-
Interest income and expense accrued	**7.8 7.9**	(102,596)	-	(552,439)	-
Interest income collected	**7.8**	444,608	-	678,770	-
Interest expense paid	**7.9**	(1,009,073)	-	(970,302)	-
Provisions for employee benefits	**6.18**	323,366	-	367,581	-
		52,186,534		**55,220,028**	
(Increase)/decrease in inventories	**6.9**	(602,244)	-	(673,947)	-
(Increase)/decrease in trade receivables	**6.10**	(972,880)	*(1,278,891)*	(1,344,840)	*(3,295,752)*
Increase/(decrease) in trade payables	**6.21**	4,588,881	*(1,939,448)*	10,289,267	*642,426*
Increase/(decrease) in other assets and liabilities		(1,303,509)	-	(7,132,556)	-
Settlement of employee benefits	**6.18**	(1,336,804)	-	(777,195)	-
Cash flow generated (absorbed) by operations		**52,559,978**		**55,580,757**	
Net cash flow generated (absorbed) from investment activities in:					
Intangible assets	**6.2**	(611,404)	-	(308,109)	-
Property, plant and equipment	**6.1**	(38,814,910)	-	(38,510,468)	-
Dividends received	**7.10**	663,169	-	669,589	-
Sale of equity investments		-	-	14,847	-
Purchase of equity investments	**6.4 6.5**	(10,139,532)	-	(9,645,113)	-
Net cash flow generated (absorbed) by investment activities		**(48,902,677)**		**(47,779,254)**	
Cash flow generated (absorbed) from financing activities in:					
Financial receivables	**6.6 6.12**	(178,715)	*342,012*	1,348,294	*(2,771,034)*
Net (purchase)/sales of treasury shares	**6.15**	(1,360,781)	-	1,620,067	-
Dividends paid	**6.15**	(5,405,813)	-	(4,712,705)	-
Share Capital increase	**6.15**	-	-	-	-
Current liabilities to banks and other lenders	**6.16**	7,651,798	-	(258,315)	-
Non-current liabilities to banks and other lenders	**6.16**	(4,206,072)	-	(5,830,925)	-
Cash flow generated (absorbed) from financing activities		**(3,499,583)**		**(7,833,584)**	
(Increase)/decrease in cash and cash equivalents		**157,718**		**(32,081)**	
Opening cash and cash equivalents	**6.14**	**1,513,611**		**1,025,100**	
Incorporated cash		**-**		**520,592**	
Closing cash and cash equivalents	**6.14**	**1,671,329**		**1,513,611**	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Euros)	Share capital	Share premium reserve	Legal reserve	Retained earnings	Translation reserve	Profit (loss) for the year	Total Shareholders' Equity
Balance as at 1 January 2017	**31,461,231**	**51,967,398**	**4,771,735**	**40,191,330**	**(866,289)**	**10,996,008**	**138,521,413**
Allocation of profit from the previous year	-	-	593,999	5,689,304	-	(6,283,303)	-
Distribution of dividends	-	-	-	-	-	(4,712,705)	(4,712,705)
Treasury share transactions	337,670	1,282,397	-	-	-	-	1,620,067
Profit (loss) for the year	-	-	-	-	-	13,822,067	13,822,067
Other components of comprehensive income	-	-	-	16,772	(6,840,693)	-	(6,823,921)
Balance as at 31 December 2017	**31,798,901**	**53,249,795**	**5,365,734**	**45,897,406**	**(7,706,982)**	**13,822,067**	**142,426,921**
IFRS 9 first application				(115,048)			**(115,048)**
Balance as at 1 January 2018	**31,798,901**	**53,249,795**	**5,365,734**	**45,782,358**	**(7,706,982)**	**13,822,067**	**142,311,873**
Allocation of profit from the previous year	-	-	691,103	7,725,151	-	(8,416,254)	-
Distribution of dividends	-	-	-	-	-	(5,405,813)	(5,405,813)
Acquisition non-controlling interests	-	-	-	359,843	-	-	359,843
Treasury share transactions	(369,326)	(991,455)	-	-	-	-	(1,360,781)
Profit (loss) for the year	-	-	-	-	-	11,213,803	11,213,803
Other components of comprehensive income	-	-	-	99,834	(7,619,133)	-	(7,519,299)
Balance as at 31 December 2018	**31,429,575**	**52,258,340**	**6,056,837**	**53,967,186**	**(15,326,115)**	**11,213,803**	**139,599,626**

EXPLANATORY NOTES

Introduction

The separate financial statements of Servizi Italia S.p.A., which include the statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity and explanatory notes, have been draw up in compliance with the "International Financial Reporting Standards IFRS" issued by the International Financial Reporting Standards Board and with the interpretations issued by the IFRS Interpretation Committee, based on the text published in the Official Journal of the European Communities (O.J.E.C.).

These financial statements were approved by the Board of Directors on 29 April 2019; the latter authorised the publication of the same.

The accounting standards illustrated below have been applied on a consistent basis to all the periods presented.

The amounts shown in the explanatory notes are expressed in thousands of Euros, unless specified otherwise.

The financial statement schedules adopted by the group have the following characteristics:

- in the Statement of Financial Position, assets and liabilities are classified by maturity and are separated on the basis of whether they are current or non-current;
- in the Income Statement, costs and revenues are classified by nature;
- a separate Statement of Comprehensive Income has been provided;
- the Cash Flow Statement has been prepared using the indirect method, as permitted under IAS 7;
- the Statement of Comprehensive Income has been prepared according to the provisions of IAS 1.

IFRS accounting standards, amendments and interpretations applied as from 1 January 2018

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Company on 1 January 2018:

- On 22 September 2016, with Regulation 2016/1905, the European Commission introduced **IFRS 15 *Revenue from contracts with customers***, which introduces a new five-stage model that is applied to contracts with customers. IFRS 15 provides for revenues to be recognised in an amount corresponding to the consideration to which the entity expects to be entitled in exchange for the goods or services transferred to the customer. The new standard, which has replaced all previous IFRS standards concerning revenue recognition, was adopted by the Company as from 1 January 2018, with retrospective effect.

  The main steps for revenue recognition according to the new model are:

  - identifying the agreement in place with the customer;
  - identifying the performance obligations in the agreement;
  - defining the transaction price;

- allocating the price to the performance obligations in the agreement;
- revenue recognition criteria when the entity meets all performance obligation.

The revenues of the Company derive from the sale of services under long-term contracts. The Company carried out an analysis of these contracts and concluded that the different services promised to the customers represent a single performance obligation. The revenues from services are recognised in the period in which the services are provided, since the customer benefits of the service (and obtains its control) at the time in which this is provided. The services are paid and invoiced at regular intervals. The revenues of the sales of goods, a residual component of the revenues of the Company, are recognised at the time the control of the goods is transferred to the customer.

The application of IFRS 15 has not had a significant impact on the revenues recognised and the corresponding information in the financial statements of the Company.

- With Regulation 2016/2067, issued on 22 November 2016, the European Commission adopted **IFRS 9 – *Financial Instruments***. IFRS 9 covers all aspects related to the issue of the recognition of financial assets and liabilities: classification and valuation, impairment and hedge accounting. The standard is effective for the years after 1 January 2018. The introduction of this new standard is aimed at improving financial disclosures, addressing the issues identified in this area during the financial crisis. In particular, IFRS 9 responds to the need to transition to a more prudent model for the recognition of the losses expected on financial assets. More specifically, the new standard:

  - for financial assets, uses a single approach based on the management approach adopted for financial instruments and on the characteristics of the contractual cash flows of the financial assets to select the evaluation criteria, replacing the many different rules provided by IAS 39. For financial liabilities, instead, the main change concerns the accounting treatment of the changes in the fair value of financial liabilities indicated as financial liabilities measured at fair value through profit or loss, when these changes are due to a change in the creditworthiness of the issuer of the liability. According to the new standard, these changes must be recognised among the other components of comprehensive income and no longer in the Income Statement. The innovations introduced by IFRS 9 in terms of valuation and classification of financial instruments have not had an impact on the financial statements.

  - the requirements and the rules for the application of hedge accounting have been revised, simplifying somewhat the IAS 39 rules and widening in practice the range of cases in which hedge accounting may be used. In particular, the standard has introduced a) an increase in the types of transactions eligible for hedge accounting, including also the risk of non-financial assets/liabilities; b) a change in the recognition of forward contracts and options when these are included in a hedge accounting relationship to reduce volatility in the Income Statement; c) a change to the effectiveness test, with the current procedure based on the 80-125% parameter being replaced with the standard of the “economic relationship” between hedged item and hedging instrument; also, retrospective testing of the effectiveness of the hedging relationship is no longer required. The Company does not make use of hedge accounting, and therefore was not affected by the changes introduced.

  - Lastly, the new standard requires the impairment of financial assets to be recognised in the financial statements according to an Expected Loss approach, instead of the IAS 39 framework, which is generally based on the valuation of the Incurred Loss, using supportable information, available without unreasonable costs or effort including historic, current and forecast data. The standard provides for the same impairment model to be applied to all financial instruments, i.e. to financial assets valued at amortised cost, to those valued at fair value through other comprehensive income, to receivables deriving from lease agreements and to trade receivables. The Company has reviewed its assessment of the recoverability of trade receivables and other financial assets. This has produced a negative change in equity as at 1 January 2018, date of first application of the standard, equal to Euro 115 thousand with respect to the equity at 31 December 2017.

The standard was applied as from 1 January 2018 without carrying out a restatement of the comparative figures as at 31 December 2017.

- Amendment to **IFRS 2 "*Classification and measurement of share-based payment transactions*"** issued on 20 June 2016. This document provides clarifications on how to account for the effects of vesting conditions in cash-settled share-based payments, how to classify share-based payments that include net settlement features and how to account for changes to the terms and conditions of a share-based payment that turn cash-settled share-based payment to equity-settled share-based payment. These changes were applied as from 1 January 2018. The adoption of this amendment did not affect the separate financial statements.

- Document "***Annual Improvements to IFRSs: 2014-2016 Cycle***", issued on 8 December 2016 (including IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*, IAS 28 *Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or to consistent policy choice*, IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*) which partially supplement the pre-existing standards. Most of the changes were applied as from 1 January 2018. The adoption of these amendments did not affect the separate financial statements.

- Amendments to **IAS 40** "***Transfers of Investment Property***" (issued on 8 December 2016). These amendments provide clarifications on the transfer of properties to, or from, investment properties. Specifically, an entity should only reclassify a property asset to or from investment property when there is evidence of a change in use of that asset. Such change in use must be supported by a specific event occurred in the past. A change in intention by the entity's management alone is not sufficient. These changes were applied as from 1 January 2018. The adoption of these amendments did not affect the separate financial statements.

- Interpretation **IFRIC 22** "***Foreign Currency Transactions and Advance Consideration***" (published on 8 December 2016). This interpretation provides guidelines on foreign currency transactions when non-monetary advance consideration paid or received is recognised before recognition of the relating asset, expense or income. This document clarifies how an entity should identify the date of a transaction and therefore the spot exchange rate to be used for foreign currency transactions for which the consideration is paid or received in advance. IFRIC 22 was applied as from 1 January 2018. The adoption of this interpretation did not affect the separate financial statements.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, still not applicable on a mandatory basis and not adopted early by the Company as at 31 December 2018

- On 31 October 2017, the Regulation 2017/1986 was published, which adopts **IFRS 16 - Leases**, meant to improve the accounting recognition of leasing agreements. The context of application of the new standard is basically unchanged with respect to that of IAS 17, which it is replaces. Leases are defines as contracts that confer the right to control a specific asset ("right of use"), for a pre-specified period of time, in exchange for a consideration. The new standard however eliminates for the lessee the need to distinguish between operating and leasing finance lease made by IAS 17. All the different cases are brought back to a single category, distinguishing leasing and service agreements by identifying the following distinguishing factors: asset identification, right of replacement of the asset, right to obtain substantially all the economic benefits deriving from the use of the asset and right to control the use of the underlying asset the agreement.

  At the end of the lease, the lessee must acquire the asset, that is, the right of use and the leasing liability. The asset that consists in the right of use is measured at cost, while the liability is equal to the current value of the payments due and not yet paid at this date, discounted at the implicit interest rate of the contract. The leases with duration less than twelve months that do not include a redemption option and those related to assets the value of which is insignificant ("low-value assets") may be excluded from the application of the new accounting standard.

  Application of the new standard is required as from 1 January 2019. The application of IFRS 16 will have a significant impact on the amounts and the information in the separate financial statements, given the significance of the lease agreements of the facilities in which the washing and sterilization activity is carried out.

  The Company has completed a preliminary assessment of the potential impact of the application of the new standard at the transition date (1 January 2019). This process was articulated in different stages, including the complete mapping of the agreements potentially suited to contain a lease and their review aimed at identifying the clauses relevant for the purposes of IFRS 16.

  The Company has decided to apply the standard retrospectively, recognising the cumulative effect of the application of the standard in shareholders' equity as at 1 January 2019, according to the provisions of IFRS 16:C7-C13. In particular, for those lease agreements previously classified as operating leases, the Company will recognise:

  - a financial liability, equal to the current value of the residual future payments at the transition date, discounted using for each agreement the incremental borrowing rate that can be applied at the transition date;
  - a right of use, equal to the value of the financial liability at the transition date, net of accruals and deferrals referred to the lease, recognised in the statement of financial position at the reporting date.

  The estimated effects on shareholders' equity as at 1 January 2019 are provided below:

(thousands of Euros)	**Effects as at 1 January 2019**
Non-current assets	
Property, plant and equipment	32,006
Non-current liabilities	

Other financial liabilities	2,522
Current liabilities	
Other financial liabilities	29,484
Total effect on the equity reserves	**0**

The transition to IFRS 16 introduce some options that involve the definition of some accounting policies and the use of assumptions and estimates in regard to the lease term and to the definition of the incremental borrowing rate. The main ones are summarised below:

- The Company reviewed all lease agreements and for each identified the lease term, which is given by the "non-cancellable" period, plus the effects of any extension or early termination clause the exercise of which is thought to be reasonably certain. More specifically, for real estate, this valuation has taken into account the specific facts and circumstances of each asset. With regard to other asset categories, mainly company cars, the Company has usually concluded that the exercise of any extension or early termination clauses is unlikely, in view of the prevailing practices;
- Definition of the incremental borrowing rate: since most lease agreements concluded by the Company do not have an implicit interest rate, the discount rate to be applied to the future lease payments was calculated as the risk-free rate with maturity corresponding to the duration of the specific lease.

In adopting IFRS 16, the Company will make use of the exemption granted by Par. IFRS 16:5(a) in regard to the short-term lease for the following asset classes:

- motor vehicles;
- plants and equipment.

Likewise, the Company will make use of the exemption granted by IFRS 16:5(b) in regard to the lease agreements for which the underlying asset can be qualified as low-value asset (that is, the assets underlying to the contract of lease are worth less than Euro 5,000 when new). The contracts for which was applied the exemption mainly fall in the following categories:

- computers, telephones and tablets;
- printers;
- other electronic devices;
- furniture and fixtures;
- pressure-relieving mattresses.

For these contracts the introduction of IFRS 16 will not involve the recognition of the financial liabilities of the *lease* and the corresponding right of use, but the lease payments will be recognised in the income statement on straight-line basis for the duration of the respective contracts.

The following table shows the future commitments for lease payments (not discounted) corresponding to the lease agreements for which were applied the provisions of IFRS 16 for the entire lease term considered (therefore including the effects of the extension or early termination clauses the exercise of which is thought to be reasonably certain):

(thousands of Euros)	Within 3 months	Within 12 months	Within 24 months	Within 60 months	After 60 months	Total
Commitments for lease payments	1,283	2,922	4,019	10,524	27,090	45,838

- Amendment to **IFRS 9** "***Prepayment Features with Negative compensation*** (issued on 12 October 2017). This document specifies that the instruments that required an early repayment could respect the "SPPI" test also if the "reasonable additional compensation" to be paid in case of early repayment is a "negative compensation" for the lender. The amendment applies as from 1 January 2019, though early adoption is allowed. Directors do not expect any significant effect on the financial statements of the Company when these amendments are adopted.

- On 7 June 2017, the IASB published the interpretative document **IFRIC 23 –** ***Uncertainty over Income Tax Treatments***. The document addresses the uncertainties over income tax treatments. The document requires the uncertainties over the determination of liabilities or assets for income taxes to be recognised in the financial statements only when it is probable that the entity will pay or receive the amount in question. Therefore, the interpretation does not provide any new mandatory disclosure; however, the entity should assess whether is necessary to provide disclosures on the management consideration done in relation to the uncertainty inherent to the recognition of the income taxes, in accordance with IAS 1. This interpretation applies as from 1 January 2019, though early adoption is allowed. Directors do not expect any significant effect on the financial statements of the Company when these amendments are adopted.

- Amendment to **IAS 28** "***Long-term Interests in Associates and Joint Ventures"*** (issued on 12 October 2017)". This document clarifies the need to apply IFRS 9, including the requirements linked to the impairment, to the other long-term interests in associates and joint ventures to which the equity method does not apply. The amendment applies as from 1 January 2019, though early adoption is allowed. Directors do not expect any significant effect on the financial statements of the Company when these amendments are adopted.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union

At the reference date of these consolidated financial statements, the competent bodies of the European Union have not yet concluded the endorsement process needed for the adoption of the amendments and standards described below, in respect of which the Directors do not expect significant effects on the separate financial statements.

- Document ***"Annual Improvements to IFRSs 2015-2017 Cycle"***, issued on 12 December 2017 (including IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements – Remeasurement of previously held interest in to joint operation*, IAS 12 *Income Taxes – Income tax consequences of payments on financial instruments classified as equity*, IAS 23 *Borrowing costs Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation*) which acknowledges the amendments to some standards as part of the annual improvement process. The amendments apply as from 1 January 2019, though early adoption is allowed.

- Bringing to an end a long consultation period, on 18 May 2017, the IASB issued the new accounting standard international **IFRS 17 -** ***Insurance contracts,*** which will replace the pre-existing IFRS 4. The new standard sets the rules for the recognition, measurement, presentation and disclosure for insurance contracts; it will apply to all insurance contracts through a reference accounting model based on the discounting of the expected cash flows, the explicit definition of a risk adjustment and a Contractual Service Margin (CSM). The objective of the new standard is to ensure that an entity provides relevant information, providing a truthful representation the rights and the obligations deriving from the insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses of the existing accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, included the reassurance contracts that an insurance company holds. The new standard also sets requirements of presentation and disclosure to improve the comparability between the entities that belong to this sector.

- Amendment to **IAS 19 *"Plant Amendment, Curtailment or Settlement"*** (issued on 7 February 2018). The document clarifies that an entity must recognise a modification (i.e. a curtailment or settlement) of a defined benefit plan. The amendments require an entity to update its assumptions and remeasure the net liability or asset deriving from the plan. The amendments clarify that, after the verification of said event, an entity uses updated assumptions to measure the current service cost and interest for the rest of the reference period after the event. The amendments apply as from 1 January 2019, though early adoption is allowed.

- Amendment to **IFRS 10 and IAS 28** "***Sales or Contribution of Assets between an Investor and its Associate or Joint Venture***" (issued on 11 September 2014). The purpose of these amendments was to resolve the conflict between IAS 28 and IFRS 10 concerning the measurement of profit or loss arising from transfers or assignments of a non-monetary asset to a joint venture or associate in return for its shares. The IASB has suspended the application of these amendments for the time being.

- On 22 October 2018, the IASB published the document "***Definition of a Business (Amendments to IFRS 3)***". The document provides some clarifications in regard to the definition of business for the purposes of the correct application of IFRS 3. In particular, the amendment clarifies that, while a business usually produce an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. The amendment has also introduced a test ("concentration test"), optional for the entity, to establish whether a set of activities/processes and assets acquired represents a business. The changes must be applied to all business combinations and asset acquisitions carried out after 1 January 2020, but early adoption is allowed.

- On 31 October 2018, the IASB published the document "***Definition of Material (Amendments to IAS 1 and IAS 8)***". The document has introduced a change to the definition of "material" provided by IAS 1 - *Presentation of Financial Statements* and IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*. This amendment makes the definition of "material" more specific, by introducing the concept of "obscured information" alongside the concepts of omitted or misstated information already found in the two standards amended. The amendment clarifies that information is "obscured" if it was described in a way to produce for the primary readers of financial statements an effect similar to that which would have been produced if this information had been omitted or misstated.

Extraordinary Transactions carried out during the year

Acquisition of the industrial laundry business unit of Bolognini M&S S.r.l.

On 1 October 2018, Servizi Italia S.p.A. acquired from Lavanderia Bolognini M&S S.r.l. a business unit operating in the sector of industrial laundries for the private sector. The acquisition included the relations with the employees, linen and textiles, trolleys used to transport linen, brand and contracts with transport providers. With this acquisition, the Servizi Italia Group has started to diversify its activities to the provision of high-quality wash-hire services for private tourism operators in North-East Italy and expects to be able to increase its turnover on an annual basis by approximately Euro 5.3 million.

After comparing the fair value of the assets and liabilities acquired with respect to the total consideration paid, equal to Euro 3,246 thousand, the Group has recognised goodwill for Euro 2,000 thousand.

A comparison between the fair value and the book value of the assets and liabilities acquired and the calculation of the goodwill generated by the acquisition are provided below:

(thousands of Euros)	1 October 2018	
	Fair value	Book value
Property, plant and equipment	1,294	1,294
Intangible assets	2	2
Trade and other receivables	41	41
Employee benefits	(14)	(14)
Current financial payables	(12)	(12)
Other current payables	(65)	(65)
Fair value of acquired assets/liabilities	**1,246**	**1,246**
Cash and cash equivalents as at the acquisition date	-	
Price acquisition of business unit	**3,246**	
Goodwill deriving from the acquisition	**2,000**	

1 Core Business

The Company operates in the domestic market, providing integrated wash-hire and sterilisation services for textiles and surgical instruments to social/welfare and public and private hospital facilities. In particular, the services provided by the Company are articulated in:

- wash-hire services, which include (i) planning and provision of integrated hire, reconditioning (disinfection, washing, finishing and packaging) and logistics (pick-up and distribution to usage centres) services for textile items, mattresses and accessories (pillowcases, curtains), (ii) rental and washing of high visibility “118” emergency service items and (iii) logistics, transport and management of hospital linen storage facilities;
- linen sterilisation services, which include the planning and rental of sterile medical devices for operating theatres (linens for operating theatres and scrubs) packed in sets for the operating theatre, in cotton or in re-usable technical fabric, as well as personal protection equipment (gloves, masks); and
- surgical instrument sterilisation services, which include (i) planning and provision of washing, packaging and sterilisation services for surgical instruments (owned or rented) and accessories for operating theatres and (ii) planning, installation and renovation of sterilisation centres.

2 The Company as part of a group

Servizi Italia S.p.A. is part of the Coopservice S.Coop.p.A. Group, with registered offices in Reggio Emilia, which holds a controlling shareholding via the Company Aurum S.p.A., with registered offices in Via Rochdale No. 5, Reggio Emilia.

3 Accounting standards and basis of preparation

The separate financial statements were drawn up in accordance with the criterion of cost, except in the cases specifically described in the following notes, for which the fair value was applied.

A. Property, plant and equipment

Tangible fixed assets include land and buildings, machinery and plant, returnable assets, industrial and commercial equipment, linen and other assets benefiting future periods.

The fixed assets are stated at purchase or production cost, inclusive of the related costs and costs necessary for making the asset available for use, net of accumulated depreciation. The costs subsequent to purchase are included in the value of the asset or recorded as a separate asset only if it is probable that the Company will receive future economic benefits associated with the assets and the cost can be measured. Maintenance and repairs are recognised in the income statement in the period in which they are incurred.

The depreciation of tangible fixed assets is calculated on a straight-line basis so as to spread the value of the assets over the estimated useful life according to the following categories:

Category	Years
Industrial buildings	33
Plant and machinery	12
General plant	7
Industrial and commercial equipment	4
Specific equipment	8
Linen	3
Furniture and fixtures	8
Electronic machinery	5
Cars	4
Other vehicles	5

The useful lives are reviewed, and adjusted if necessary, at the end of each period.

The individual components of an asset, which are characterised by a different useful life, are depreciated separately and on a consistent basis with their duration according to an approach by components. Returnable assets are depreciated over the residual duration of the contract within the sphere of which they are realised.

If there are indicators of impairment, the assets are subject to an “Impairment test” as per the following section E; any impairment may be subsequently reversed if the reasons for the impairment cease to apply. These fixed assets include the costs for the creation of the sterilisation and washing installations at the customer sites, which are used exclusively by the Company. These assets are depreciated over the useful life of the assets or the residual duration of the wash-hire contract, whichever is the shorter. The ownership of the asset is transferred to the customer on termination of the contract.

The financial expense is capitalised if directly attributable to the purchase, construction or production of an asset.

B. Finance leases

A lease agreement is said to be a finance lease if it involves the substantial transfer of all risks and benefits arising from owning the asset. Assets acquired via financial lease agreements are recognised under property, plant and equipment with the recognition under the liabilities of a financial payable for the same amount. The payable is progressively reduced on the basis of the repayment plan for the principal amounts included in the fees contractually envisaged, while the value of the assets recorded among property, plant and equipment is systematically depreciated in relation to the economic-technical life of said asset.

For operating lease agreements, instead, the instalments are recorded in the Income Statement on a straight-line basis over the life of the contract.

C. Intangible assets

Intangible assets only include those identifiable assets, controlled by the enterprise, that are able to produce future economic benefits.

These assets are recorded in the financial statements at purchase or production cost, inclusive of the related charges as per the criteria already indicated for property, plant and equipment. The development costs are also capitalised provided that the cost can be reliably determined and that it can be demonstrated that the asset is able to produce future economic benefits.

The intangible assets with a defined useful life are amortised systematically as from the moment the asset is available for use over the envisaged period of utility. They are mainly represented by software licences acquired for a consideration capitalised on the basis of the cost incurred. These costs are amortised on a straight-line basis according to their estimates useful life (3 years).

The value attributed to the contract portfolio with the customers acquired by the Company through acquisitions is amortised based on the residual duration of the related contracts and in proportion to the time distribution of the resulting cash flows.

D. Goodwill

Goodwill represents the additional costs incurred with respect to the fair value of the net assets identified at the time of the acquisition of a company or business. In the separate financial statements, goodwill related to the acquisition of subsidiaries, associates and joint ventures is included in the recognised value of the equity investments measured with the criteria described in the paragraph “Equity investments”.

All goodwill is verified once a year to identify any impairment loss (“impairment test”) and is recognised net of any impairment.

An impairment loss recognised for goodwill cannot be reversed in a subsequent period.

For the purposes of the impairment test, goodwill is allocated to the individual cash generating units (“CGUs”), or CGU groups, that are believed to be the source of the financial benefits from the acquisition to which goodwill refers.

E. Impairment test

In the presence of situations that may potentially generate impairment losses, impairment tests are carried out on property, plant and equipment and intangible assets, by measuring their recoverable value and comparing it with the corresponding net carrying value. If the recoverable value is less than the carrying value, the latter is adjusted accordingly. This reduction represents a loss in value, which is recognised in the Income Statement.

Goodwill and assets with an indefinite useful life or assets not available for use are subject at least once a year to an impairment test, to verify the recoverability of their value. An impairment test is carried out on assets that are amortised/depreciated on the occurrence of events and circumstances that indicate that the carrying value might not be recoverable. In such cases, the book value of the asset is written down until reaching the recoverable value.

The recoverable value is the greater of the fair value of the asset, net of selling costs, and the value in use. For impairment test purposes, the assets are grouped together at the level of cash generating units ("CGUs") or CGU groups.

As of each reporting date, steps are taken to verify whether the impairments made on the non-financial assets further to impairment tests should be reversed. If a write-down, previously carried out, no longer has a reason to exist, except for the goodwill, its book value is written back using the new value deriving from the estimate, provided that this value does not exceed the net carrying value that the asset would have had if no write-down was ever carried out. The write-back is also recorded in the Income Statement. Impairment losses recognised on goodwill cannot be reversed.

F. Equity investments

Servizi Italia S.p.A. controls a company when, in exercising the power it holds on it, is exposed and is entitled to its variable returns, getting involved in its management, and has, at the same time, the possibility to impact the variable returns of the subsidiary. The exercise of rights on the subsidiary is based on: (i) of the voting rights, also potential, held and by virtue of which one can exercise the majority of the votes exercisable during the company's ordinary shareholders' meeting; (ii) of the content of any agreements between shareholders or the existence of particular article of association clauses, which assign the power to govern the company; (iii) of the control of a number of votes sufficient to exercise the de facto control of the company's ordinary shareholders' meeting.

Joint control agreements in which the parties hold rights on the net assets of the agreement are defined as joint ventures or joint ventures companies, while the joint ventures agreements in which the parties hold rights on the assets and obligations related to the agreement are defined as joint ventures assets. Joint control is the sharing, on a contractual basis, of the control of an agreement, which exists solely when due to decisions relating to the significant activities the unanimous consent of all the parties, which share the control, is required.

The companies, in which Servizi Italia S.p.A. is able to participate in the definition of the operating and financial policies despite the same not being subsidiaries or joint ventures parties, are associates. Jointly controlled assets (joint operations) are recorded by recognising the portion of asset and liability, cost and revenue that pertain thereto.

a) Equity investments in subsidiaries

The investments in subsidiaries are included in the annual financial statements with the equity method, as allowed by IAS 27 and in line with IAS 28.

In application of the equity method, the investment in a subsidiary is initially recognised at cost and the book value is increased or decreased in order to record the portion pertaining to the parent company in the profits or losses of the subsidiary made after the acquisition date. The portion of the profit (loss) for the year of the subsidiary pertaining to the parent company is recognised in the income statement. The dividends received from a subsidiary reduce the book value of the investment. Adjustments of the book value may be needed also following changes to the shareholding held, deriving from changes in the items of the other comprehensive income of the subsidiary (e.g. the changes deriving from the difference of conversion of items in foreign currency). The portion of these changes pertaining to the participant is recognised in other comprehensive income.

If the attributable portion of the losses of a subsidiary is the same or higher than the value of the equity investment, after zeroing the value of the share, the additional losses were provided and recognised as liabilities, only to the extent that legal or implicit contractual obligations exist or the payments on the behalf of the subsidiary have been made. If the subsidiary subsequently obtains profits, the parent company records the portion of the profits pertaining to it only after settling its portion of losses not recognised.

The profits and losses from transactions with a subsidiary are recognised in the financial statements of the controlling entity only for the percentage interest in the subsidiary held by third parties. If a company valued with the equity method has, in turn, subsidiaries, associates or joint-ventures, the profit (loss) for the year, the other items of the statement of comprehensive income statement and the net assets considered during the application of the equity method are those recorded in the consolidated financial statements of the subsidiary company.

If there is objective evidence of a value loss, an impairment test is carried out on the equity investment, with the same procedures described for intangible and tangible fixed assets in paragraph E.

For the purposes of the application of the equity method, the financial statements of each foreign entity are expressed in Euros, which is the reporting currency of Servizi Italia S.p.A. and the presentation currency for the separate financial statements. All the assets and liabilities of foreign companies in currency other than Euros are converted using the exchange rates existing as of the financial statement reference date (current exchange rate method). Income and costs are converted at the average exchange rate for the period. The exchange differences deriving from the application of this methods, as well as exchange differences deriving from the comparison between the opening shareholders' equity converted using the current rates and the same converted using the historical rates, pass through comprehensive income and accumulated in a specific shareholders' equity reserve until the investment is transferred.

The exchange rates used for the conversion into Euros of the financial statements of the subsidiaries are illustrated below:

Currency	Exchange rate as at 31 December 2018	Average exchange rate for 2018	Exchange rate as at 31 December 2017	Average exchange rate for 2017
Brazilian Real (BRL)	4.444	4.3085	3.9729	3.6041
Turkish Lira (TRY)	6.0588	5.7077	4.5464	4.1214[a]

[a] *The average exchange rate used for the consolidation of the group Ankara Laundry was 4.32274 (average from 19 July 2017 - control acquisition date - to 31 December 2017).*

b) Equity investments in associates, joint ventures and other companies

Equity investments in associates and joint ventures companies are carried at purchase cost, possibly reduced in the event of distribution of the capital or capital reserves or in the presence of losses in value determined further to an Impairment test. The cost is reinstated in subsequent years if the reasons for the impairments no longer exist.

c) Equity investments in other companies

Equity investments in other companies include minority interests of less than 20% related to strategic and productive investments held since related to the management of orders or concessions. These equity investments usually cannot be freely transferred to third parties, since they are subject to rules and agreements that in practice prevent their free circulation. The equity investments in other companies are recognised at the fair value if there is an active market for the securities representative of these equity investments. The profits or the losses deriving from changes in the fair value are recognised directly in the Income Statement. If an active market is not available, which is the case for all equity investments held by the Company as at 31 December 2018, equity investments in other companies are recognised at the cost of purchase or setup, reduced for any impairment or capital refund, as best estimate of the fair value.

G. Financial instruments

Financial assets are initially recognised at fair value, increased (or decreased in the case of financial assets recognised at fair value through profit or loss) of the transaction costs directly related to the acquisition of the assets. The subsequent valuation depends on the nature of the cash flows generated by the asset and the model adopted by the Company for the management of the asset. In particular:

- if the cash flows of the asset consist only of principal repayments and interest on the principal due and if the model for managing financial assets provides only for the collection of the cash flows generated by the asset, the financial asset is measured with the amortised cost method. The financial assets recognised in the financial statements, consisting of financial receivables, trade receivables and other assets, fall among those recognised at amortised cost.
- If the cash flows of the asset consist only of principal repayments and interest on the principal due and if the model for managing financial assets provides for a combination of the collection of the cash flows from the asset and the cash flows deriving from the sale of the asset, the financial asset is measured at fair value with recognition of the effects in the statement of comprehensive income.
- If the cash flows of the asset are not represented only by payments of the principal and the interest on the amount of the principal due or if the management model of the financial assets provides for the collection of the cash flows deriving from the sale of the asset, the financial asset is measured at fair value, with recognition of the effects in the income statement.

Derivative instruments are recognised at fair value in the statement of financial position. The gains and losses realised are recognised in the income statement if the derivatives cannot be defined as hedges under IFRS 9 or they hedge a price risk (fair value hedge) or in the statement of comprehensive income if they hedge a future cash flow or a future contractual commitment already undertaken as at the reporting date (cash flow hedge).

Cash and cash equivalents are bank and post office deposits, marketable securities, which represent temporary investments of liquidity and financial receivables due within three months.

Financial liabilities are recognised initially at the fair value increased (or decreased in the case of financial liabilities recognised at fair value through profit or loss) of the transaction costs directly related to the issue of the liabilities. Later, they are measured at amortised cost, apart from financial derivatives or liabilities held for trading, which are recognised at fair value through profit or loss, or in the cases in which the Company chooses valuation at fair value through profit or loss for liabilities that would be otherwise recognised at the amortised cost. Financial liabilities, trade payables and other payables are recognised at amortised cost. No liabilities in the financial statements were recognised at fair value.

The value of the financial assets is adjusted for any impairment. Impairment is measured using the Expected Credit Loss model, which estimates the loss expected over a period more or less long according to credit risk:

- for financial assets that did not see a significant increase in credit risk from the time of the initial recognition or that have a low credit risk at the reporting date, the expected loss is calculated on the subsequent 12 months;
- for financial assets that have seen a significant increase in credit risk from the time of the initial recognition but for which there is not yet objective evidence of impairment, the expected loss is calculated on the whole life of the asset;
- for financial assets for which there is objective evidence of impairment, the expected loss is calculated on the whole life of the asset and, with respect to the previous section, the interest cash flows are calculated on the value less the expected loss.

For trade receivables that do not contain a significant financing component, the expected loss is calculated using a method that is simplified with respect to the general approach described above. Under the simplified approach, there is no need to monitor for significant increases in credit risk and entities are required to measure lifetime expected credit losses at all time In an additional derogation from the general method, for financial assets that have a low credit risk, when there is a low risk of default in the short term and in the presence of unfavourable changes in economic conditions, the 12-months expected loss is used.

The financial assets representing “white certificates” are allocated in relation to the achievement of energy savings through the application of efficient systems and technologies. The white certificates are recognised in the accounts on an accruals basis under “Other income”, in proportion to the TOE (tonne of oil equivalent) savings effectively made in the period. The recognition of the same is carried out at the average annual market value unless the year-end market value is significantly lower. The decreases due to sales of white certificates matured during the period or in previous periods are valued at the disposal price. The capital gains and losses deriving from the sales of certificates in periods different to those of maturity are recorded respectively under “Other income” or “Other costs”.

H. Other non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are valued at the lower of their previous book value and fair value net of sales costs. Non-current assets (and groups of assets being disposed) are classified as held for sale when their book value is expected to be recovered through a sale transaction rather than through their use in the company's operations. This condition is only met when the sale is considered highly probable and the asset (or group of assets) is available for immediate sale in its current conditions. The first condition exists when Management has made a commitment to the sale; this should take place within twelve months from the date of classification under this item. From the date in which these assets are classified in the category of non-current assets held for sale, the corresponding depreciation is suspended.

I. Inventories

Inventories are recognised at purchase or production cost, inclusive of accessory charges, determined by applying the weighted average cost method or the estimated realisable value calculated on the basis of the market trend net of the sales costs, whichever is the lower.

J. Employee benefits

Post-employment plans

Consequent to the changes made to the employee severance indemnity (TFR) by Italian Law No. 296 dated 27 December 2006 ("2007 Finance Bill") and subsequent Decrees and Regulations issued in the first few months of 2007, within the sphere of the supplementary welfare reform the related Provision is recognised as follows:

- Termination indemnity fund accrued as of 1 January 2007: falls within the category of defined-contribution plans both in the event of opting for supplementary welfare and in the case of assignment to the Treasury Fund of INPS. The accounting treatment is similar to that existing for other kinds of contributory payments.

- Termination indemnity fund accrued as of 31 December 2006: this remains a defined-benefits plan determined by applying an actuarial-type method; the amount of the rights accrued in the period by the employees is booked to the Income statement under the item payroll and related costs while the figurative financial expense which the company would incur if a loan was requested from the market for an amount equal to the severance indemnity is booked to net financial income (expense). The actuarial gains and losses which reflect the effects deriving from changes in the actuarial hypotheses used are recognised under other comprehensive income in accordance with the matters envisaged by IAS 19 Employee benefits, section 93A.

Remuneration plans under the form of participation in the capital

Under IFRS 2, stock option plans are classified as "share-based payments". For those plans that fall in the "equity-settled" category (where the payment is made using instruments representative of equity), the standard requires the calculation - as of the assignment date- of the fair value of the option rights issued and its recognition as personnel expense to be allocated on a straight line over the period of accrual of the rights ("vesting period"), recognising a matching balance under shareholders' equity reserves. This treatment is carried out on the basis of the estimate of the rights, which will effectively accrue in favour of the employees, taking into consideration the conditions of availability of the same not based on the market value of the rights.

Other long-term benefits

The accounting treatment of other long-term benefits is similar to that for the post-employment benefit plans, with the exception of the fact that the actuarial gains and losses and costs deriving from prior employment services are recognised in the income statement in full in the period they accrue.

K. Provisions for risks and charges

Provisions for risks and charges are allocated exclusively in the presence of a current obligation, consequent to past events, which can be legal, contractual in type or derive from declarations or conduct of the company such as to lead third parties to validly expect that the company itself is responsible or assumes responsibility for fulfilling an obligation (so-called implicit obligations). If the financial effect of time is significant, the liability is discounted back; the effect of this discounting back is recorded under financial expense.

Conversely, no allocation is made against risks for which the onset of a liability is only possible. In this case, a mention is entered into the appropriate information section regarding commitments and risk, and no allocation is made.

L. Revenue and cost recognition

Provision of services

The Company offers the following services:

- rental and treatment of linen, mattresses and high visibility personal protective equipment;
- rental, treatment and sterilization of medical devices, linen kits, medical surgical instrumentation devices assembled in kits and related services;
- technical services for clinical engineering and industry;
- marketing services for supplies;
- "turnkey" supplies, global service, project financing of healthcare facilities (construction/renovation, technological infrastructure, clinical engineering, medical-surgical devices, procurement processes).

Revenues from the provision of services are recognised in the period in which the services are provided, since the customer has benefited of the service (and obtains its control) at the time in which this is provided. The services are paid and invoiced at regular intervals. The contracts are generally long-term and include mechanisms for the regular adjustment of prices usually based on inflation indicators that are recognised in the income statement at the time the adjustments become effective and the corresponding services are provided.

Some contracts also include installation/restructuring activities to be provided at customers' washing and sterilization facilities. When these services are identified as separate performance obligations with respect to the washing and sterilization services, the corresponding considerations are recognised according to the progress towards completion of the work, calculated according to the costs incurred with respect to the estimate, regularly updated, of the total cost. For these contracts, as well as for all those that include multiple performance obligations, the price corresponding to each service is based on the standalone sale prices. If these prices cannot be directly observed, they are estimated based on the expected cost plus margin.

Sales of goods

Sales of goods are recognised when the control of the products is transferred, that is, when the products are delivered to the customer and there is no unmet obligation that could affect the acceptance of the products by this. The delivery is considered completed when the products were delivered to the specified location, the risk of obsolescence and loss was transferred and the customer has accepted the products according to the sale agreement, the terms for acceptance have expired, or the Company has objective proof that all criteria for the acceptance were met.

Revenues and income, costs and expense are recognised net of returns, discounts, allowances and premiums as well as taxes directly associated with the sale of goods and the provision of services.

Other costs and revenues

The costs are correlated to goods and services sold or consumed in the period or deriving from systematic allocation, or when it is not possible to identify the future utility of the same, they are recognised and booked directly to the income statement.

Financial income and expense is recognised on an accruals basis. Financial expense is capitalised as part of the cost of property, plant and equipment and intangible assets to the extent it refers to the purchase, construction or production of the same. Dividends are recognised when the right to collection by the shareholder arises; this normally takes place in the period the shareholders' meeting of the investee company, which resolves the distribution of profits or reserves, is held.

M. Income taxes

Current income taxes are recognised on the basis of an estimate of the taxable income in compliance with the rates and current provisions, or essentially approved at the year-end date.

Prepaid and deferred taxes are calculated on the timing differences between the value assigned to an asset or liability in the financial statements and the corresponding values recognised for tax purposes, on the basis of the rates in force at the time the timing differences will reverse. Prepaid taxes are only recorded to the extent that it is probable that there is taxable income available against which they can be used. The recoverability of the prepaid taxes recorded in previous years is valued as of closure of each set of financial statements.

When the changes in the assets and liabilities to which they refer are directly recognised under other comprehensive income, the current taxes, prepaid tax assets and deferred tax liabilities are also directly booked to other comprehensive income.

Deferred tax assets and liabilities are offset only if there is a legal right to exercise the offset operation and if it is intended to settle the items on a net basis, or realise the asset and simultaneously extinguish the liability.

N. Earnings per share

Basic and diluted earnings per share are indicated at the bottom of the consolidated income statement.

The basic earnings per share are calculated by dividing the profit/loss of the Servizi Italia Group by the weighted average of the ordinary shares in circulation during the period, excluding treasury shares. For the purpose of calculating the diluted earnings per shares, the weighted average of the shares in circulation is altered undertaking the conversion of all the potential shares, which have a dilutive effect.

O. Use of estimated values

The drafting of the financial statements requires the directors to apply accounting standards and methods, which, under certain circumstances, rest on difficult and subjective valuations and estimates based on past experience and assumptions, which are from time to time considered reasonable and realistic in relation to the related circumstances. The application of these estimates and assumptions influences the amounts shown in the financial statement schedules as well as the disclosure provided. The final results of the financial statement items for which the afore-mentioned estimates and assumptions have been used, may differ from those shown in the financial statements, which reveal the effects of the occurrence of an event subject to estimation, due to the uncertainty, which characterises the assumptions, and conditions on which they are based.

Particularly significant accounting standards

The accounting standards, which, more than others, require greater subjectivity by the directors when making the estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the consolidated financial data restated, are briefly described below.

- *Goodwill*: in accordance with the accounting standards adopted for the drafting of the financial statements, the Company checks the goodwill each year so as to ascertain the existence of any impairment to be recognised in the income statement. In detail, the check involves the allocation of the goodwill to cash flow generating units and the subsequent determination of the related recoverable value. If it should emerge as lower than the book value of the cash flow generating units, steps shall have to be taken to impairment the goodwill allocated to the same. The identification of the cash flow generating units, the allocation of goodwill to these and the forecast of the future cash flows involve the use of estimates, which depend on factors, which may change over time with consequent effects, possibly significant, with respect to the valuations made by the directors.

- *Laundry asset*: the economic life of the Company's linen used in the production process has been estimated taking into consideration numerous factors that may affect it, such as for example the wear and tear deriving from the use and from the washing cycles. These factors are liable to changes over time and could significantly affect the depreciation of the linen.

- *Deferred taxes*: the recognition of deferred tax assets is carried out on the basis of the expectations of income envisaged in future periods. The valuation of the expected income for the purposes of recognition of the deferred taxation depends on factors, which may vary over time and determine significant effects on the valuation of the deferred tax assets.

- *Provisions for risks and charges*: in the presence of legal and tax-related risks, provisions are recognised representative of the risk of losing lawsuits. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate as of the financial statement data made by management. This estimate involves the adoption of assumptions which depend on factors which may change over time and which therefore could have significant effects with respect to the current estimates made by the directors for the drafting of the financial statements of the Company.

- *Revenues from sales and services*: the revenues for services under way in relation to contracts, which envisage invoicing of advance payments and the balance on the basis of the data communicated by the customer (days of hospitalisation, number of operations), are estimated internally on the basis of the past data supplemented by the most up-to-date information available. This estimate involves the adoption of hypotheses on the performance of the variable to which the payment is linked.

4 Risk management policy

The management of the financial risks within the Servizi Italia Group is carries out centrally within the sphere of precise organisational directives, which discipline the handling of the same and the control of all the transactions, which have strict relevance in the composition of the financial and/or trade assets and liabilities.

The activity of Servizi Italia S.p.A. are exposed to various risk types, including interest rate fluctuations and credit, liquidity, cash flow risks and currency-type risks.

To minimise such risks, Servizi Italia S.p.A. has adopted timescales and control methods, which allow company management to monitor this risk and inform and appropriately inform the Director in charge of the internal control system and (also through him) the Board of Directors.

4.1 Type of risks hedged

When carrying out its activities, the Company is exposed to the following financial risks:

- price risk;
- interest rate risk;
- credit risk;
- liquidity risk;
- exchange rate risk.

Price risk

This is the risk associated with the volatility of the prices of the raw materials and the energy commodity, with particular reference to electricity and gas used in the primary production processes and cotton to which the purchase cost of the linen is linked. In the context of the tenders, the company avails itself of clauses, which permit it to adjust the price of the services provided in the event of significant cost changes. The price risk is also controlled by means of the entering into of purchase agreements with price blocks and on-average annual timescales, joined by constant monitoring of the performance of the prices so as to identify opportunities for making savings.

Interest rate risk

The Company's net financial debt comprises short-term payables which, as at 31 December 2018, represent approximately 60.8% of its debt, at an average annual rate of around 0.32%. The Company monitors the market and regularly assesses the opportunity to carry out hedging transactions to limit the negative impact of future interest rate changes on the income statement. In this regard, we note that no financial derivative contracts were taken out during the year. The table below demonstrates the effect that would be generated by a 0.5% increase or decrease in rates (in thousands of Euros).

(thousands of Euros)	0.5% rate increase		0.5% rate decrease	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial receivables	+71	+72	-71	-72
Financial payables	+508	+491	-508	-491
Factoring of receivables	+447	+458	-447	-458

Credit risk

The receivables, since they are essentially due from public bodies, are deemed certain in terms of collectability and, due to their nature, are not subject to the risk of loss. The collection times depend on the loans received, the Local Health Authorities, the Hospitals and the Regional Authorities and at present average collection days are 120.

The Company applies the "simplified approach" specified by IFRS 9 to measure the expected losses on receivables. This is based on the estimate of the loss expected for the entire life for trade receivables and contractual activities.

To measure the expected losses on receivables, trade receivables were divided according to their credit risk characteristics, mainly related to the nature of the customer (public or private) and the days to maturity.

The expected loss rates are based on the sale payment profiles in a period of 7 years before 1 January 2018 and the corresponding historical losses on receivables occurred in this period. The historical loss rates are adjusted to reflect current and expected future information on macroeconomic factors that affect the customers' ability to settle the amounts due.

A summary of trade receivables, net and gross of bad debt provisions, and the stratification by maturity of receivables as at 31 December 2018 is presented below:

(thousands of Euros)	Not yet due	Past due by less than 2 months	Past due by less than 4 months	Past due by less than 12 months	Past due by more than 12 months	Receivables with indications of impairment	Total
Expected loss rate	4.26%	0.30%	1.68%	0.16%	3.31%	76.77%	**8.12%**
Gross trade receivables	45,779	5,147	2,301	6,378	12,309	4,972	**76,886**
Loss expected as at 31 December 2018	**1,951**	**15**	**39**	**10**	**408**	**3,817**	**6,240**

The category "Not yet due" includes the receivables for late payment interest that are fully written-off on accrual and until the date of the actual collection.

The credit risk is constantly monitored by means of periodic processing of past due situations which are subject to the analysis of the Company's financial structure. The Company has also set out recovery procedures for doubtful receivables and avails itself of the assistance of legal advisors in the event of disputes. Having taken into account the characteristics of the credit, the risk could become more significant in the event of an increase in the private customer component, however this aspect is mitigated by a careful selection and financing of the customers. The predominant presence of receivables due from public bodies makes the credit risk absolutely marginal and shifts attention more towards the collection times rather than the possibility of losses.

<u>Liquidity risk</u>

In relation to the Company, the liquidity risk is linked to two main factors:

- delay in the payments from the public customer;
- maturity of the short-term loans.

Concentrating its business on orders contracted with the Public Administration Authorities, the Company is exposed to risks associated with delays in the payments for the receivables. In order to balance this risk, factoring agreements have been entered into with the without recourse formula, renewed also for 2018.

To correctly manage the liquidity risk, an adequate level of cash and cash equivalents must be maintained. In light of the predominantly public nature of the group's customers and the average collection times, cash and cash equivalents are mainly obtained from accounts receivable financing and medium-term loans. The loan agreements with Banca Intesa S.p.A., Banca Nazionale del Lavoro S.p.A., Banca Crédit Agricole Cariparma S.p.A., Banco BPM S.p.A. and Unicredit Banca S.p.A. include clauses for the early repayment with respect to the corresponding amortisation plan if certain financial indicators ("covenants") have not been met. As at 31 December 2018, all covenants included in the loan agreements had been met.

The following table analyses the "worst case" scenario with reference to the financial liabilities (including trade payables and other payables) in which all the flows indicated are future nominal cash flows, not discounted, calculated according to the residual contractual maturities, both for the principal and for the interest portion. The loans have been included on the basis of the first maturity on which the repayment can be requested and the non-revolving loans are considered callable on demand. The financial payables with a maturity of less than or equal to 3 months are almost entirely characterised by self-liquidating bank loans for invoice advances which, in as such, are replaced on maturity by new advances on newly-issued invoices. It should also be noted that the Company uses only in part the short-term bank credit facilities available.

(thousands of Euros)	Financial payables		Trade and other payables		Total	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Less than or equal to 3 months	37,583	28,598	63,908	64,974	101,491	93,571
3 to 12 months	17,002	18,367	22,806	20,227	39,809	38,594
1 to 2 years	15,967	21,464	-	-	15,967	21,464
More than 2 years	19,350	18,104	-	-	19,350	18,104
Total	**89,902**	**86,533**	**86,714**	**85,201**	**176,617**	**171,734**

Exchange rate risk

The investments in Brazil, Turkey, India, Albania, Morocco and South-East Asia have positioned the Group in an international context, exposing it to exchange rate risk generated by fluctuations in the Euro/Real, Euro/Turkish Lira, Euro/Indian Rupee, Euro/Albanian Lek and Euro/Moroccan Dirham and Euro/Singapore Dollar exchange rates.

The assessment of exchange rate risk weights the risk of currency fluctuations with the size and time distribution of the cash flows expressed in foreign currency and with the cost of any hedging transactions. The assessments, taking into account the fact that no capital repatriation is expected from abroad in the short term, have led to the decision not to hedge against currency risk.

4.2 Fair value hierarchy and information

IFRS 13 requires that the classification of the financial instruments at fair value be determined on the basis of the quality of the sources of the inputs used in the valuation of the fair value, giving priority to the inputs with a higher quality level according to the following hierarchy:

- Level 1: determination of the fair value on the basis of prices listed (unadjusted) on active markets for identical assets or liabilities.
- Level 2: determination of the fair value on the basis of inputs other than the listed prices included in "Level 1" but which are directly or indirectly observable.
- Level 3: determination of the fair value on the basis of measurement models whose inputs are not based on observable market data.

The types of financial instruments present in the financial statement items are shown in the following table, with indication of the accounting treatment applied. Note that no financial instrument has been valued at fair value. With regard to the financial instruments valued at amortised cost, it is believed that the book value also represents a reasonable approximation of their valuation at fair value.

(thousands of Euros)	Fair value through profit or loss	Fair value through OCI	Amortised cost
Non-current assets			
Equity investments in associates, joint ventures companies and other companies	30,195		
Financial receivables			7,174
Other assets			4,281

Current assets	
Trade receivables	70,646
Financial receivables	8,239
Other assets	6,181
Non-current liabilities	
Due to banks and other lenders	34,985
Other financial liabilities	1,820
Current liabilities	
Due to banks and other lenders	54,227
Trade payables	69,937
Other financial liabilities	3,460
Other payables	17,130

4.3 Supplementary information on the capital

The Company's objectives, in relation to the management of the capital and the financial resources, involve safeguarding the ability of the Company to continue to operate with continuity, remunerate the shareholders and the other stakeholders and at the same time maintain an optimum capital structure so as to minimise the related cost.

For the purpose of maintaining or adapting the structure of the capital, the Company may adjust the amount of the dividends paid to the shareholders, reimburse or issue new shares or sell assets to reduce the debt. On a consistent basis with other operators, the Company controls capital on the basis of the debt ratio (gearing) calculated as the ratio between the net financial debt and net invested capital.

(thousands of Euros)	Year ended as at 31 December			
	2018	2017	Change	Change %
Shareholders' equity (B)	139,600	142,427	-2,827	-2.0%
Net financial debt[(a)] (A)	79,302	76,289	3,013	3.9%
Net invested capital (C)	**218,902**	**218,716**	**186**	**0.1%**
Gearing (A/C)	**36.23%**	**34.88%**		

[(a)] *The management has defined net financial debt as the sum of amounts Due to banks and other lenders net of Cash and cash equivalents and Current financial receivables.*

With regard to the main dynamics that have affected the indebtedness, see section 6.16.

5 Segment reporting

Servizi Italia S.p.A. operates in Italy in the following sectors:

- *Wash hire*: this includes (i) planning and provision of integrated hire, reconditioning (disinfection, washing, finishing and packaging) and logistics (pick-up and distribution to usage centres) services for textile items, mattresses and accessories (pillowcases, curtains), (ii) rental and washing of high visibility "118" emergency service items and (iii) logistics, transport and management of hospital linen storage facilities;
- *Linen sterilisation* (Steril B): this includes the planning and rental of sterile medical devices for operating theatres (linens for operating theatres and scrubs) packed in kits for the operating theatre, in cotton or in re-usable technical fabric, as well as personal protection equipment (gloves, masks);

- *Sterilization of surgical instruments (Steril C)*: this includes (i) the design and supply of washing, packaging and sterilization services for surgical instruments (owned or rented) as well as accessories for operating rooms, (ii) the design, installation and renovation of sterilization centres and, (iii) system validation and control services for sterilization processes and surgical instrument washing systems.

Segment reporting is provided in the attached consolidated financial statements of the Servizi Italia Group and in short reflects the structure of the reporting periodically analysed by management so as to manage the business, and is subject to periodic HQ reporting.

6 Balance sheet

6.1 Property, plant and equipment

Changes in property, plant and equipment and the associated accumulated depreciation are shown in the table below.

(thousands of Euros)	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Fixed assets under constr.	Total
Historical cost	2,248	104,615	27,176	56,459	98,184	2,587	291,269
Accumulated depreciation	(1,149)	(71,032)	(16,476)	(39,552)	(69,647)	-	(197,856)
Balance as at 1 January 2017	**1,099**	**33,583**	**10,700**	**16,907**	**28,537**	**2,587**	**93,413**
Incorporations	3,311	885	130	142	3,283	-	7,751
Increases	35	4,529	1,511	3,417	28,058	1,624	39,174
Decreases	-	(86)	-	(105)	(9)	(46)	(246)
Depreciation	(185)	(6,220)	(2,556)	(5,032)	(26,588)	-	(40,581)
Impairments/reinstatements	-	90	(2)	-	-	2	90
Reclassifications	-	1,425	596	74	6	(2,101)	-
Balance as at 31 December 2017	**4,260**	**34,206**	**10,379**	**15,403**	**33,287**	**2,066**	**99,601**
Historical cost	6,286	114,206	29,421	59,716	111,568	2,066	323,263
Accumulated depreciation	(2,026)	(80,000)	(19,042)	(44,313)	(78,281)	-	(223,662)
Balance as at 31 December 2017	**4,260**	**34,206**	**10,379**	**15,403**	**33,287**	**2,066**	**99,601**
Increases	123	3,830	632	2,653	30,220	3,340	40,798
Decreases	-	(202)	-	(3)	(22)	(229)	(456)
Depreciation	(185)	(6,160)	(2,039)	(4,864)	(27,937)	-	(41,185)
Impairments (reinstatements)	-	-	-	-	-	-	-
Reclassifications	30	924	15	26	8	(1,003)	-
Balance as at 31 December 2018	**4,228**	**32,598**	**8,987**	**13,215**	**35,556**	**4,174**	**98,758**
Historical cost	6,440	117,081	29,367	61,891	115,735	4,174	334,688
Accumulated depreciation	(2,212)	(84,483)	(20,380)	(48,676)	(80,179)	-	(235,930)
Balance as at 31 December 2018	**4,228**	**32,598**	**8,987**	**13,215**	**35,556**	**4,174**	**98,758**

Notes on the main changes:

Land and buildings

The increases of the item are mainly related to the work carried out for the Pavia di Udine facility (Euro 103 thousand).

Plant and machinery

The main increases in the item Plant and machinery were related to the following production sites: Castellina di Soragna for Euro 818 thousand, Travagliato for Euro 738 thousand, Arco di Trento for Euro 734 thousand, Florence Careggi for Euro 234 thousand, Podenzano Euro 143 thousand, Ariccia for Euro 140 thousand, Pavia di Udine for Euro 120 thousand, Genova Bolzaneto for Euro 112 thousand. The residual represents investments carried out at the customers for the purchase of plants and equipment to support the washing and sterilization activities performed. In particular, they were related to: the sterilization facility in Treviso (Euro 239 thousand) and the different linen storage facilities spread across Italy (Euro 304 thousand) to allow the reading of the chips inserted in the linen.

In addition, the item includes reclassifications for Euro 924 thousand, of which: Euro 208 thousand are related to the new plants and machinery operating at the Castellina plant, Euro 707 thousand related to investments carried out for the reading of the chips inserted in the linen.

Returnable assets

These mainly refer to investments made at customers to construct and renovate existing plants used for washing and sterilisation activities. Therefore, the Company maintains control over, obtains benefits from and bears the operating risks of these plants. The entity maintains ownership of the plants at the end of the wash-hire/washing/sterilisation contract. On the basis of contractual commitments, the Company bore the cost of the partial renovation and expansion of the industrial laundry facilities owned by the contracting entities, to increase the efficiency of the rented linen washing and sanitation service. These costs have been amortised in accordance with the amortisation schedules linked to the duration of the existing contract with the contracting entities, which is less than the useful life of the works completed.

With regard to the year ended 31 December 2018, the increases in investments in returnable goods, equal to Euro 632 thousand, mainly concerned the redevelopment of the properties where the leased production sites are located and in particular the industrial laundries for a total of Euro 512 thousand. The remaining portion was related to investments made at customers' sites for the improvement and upgrade of the systems currently in use for Euro 120 thousand.

Industrial and commercial equipment

In the year ended 31 December 2018, purchases of industrial and commercial equipment increased by Euro 2,653 thousand. Of this, Euro 1,326 thousand were related to the purchase of surgical instruments.

Other assets

The item is broken down as follows:

(thousands of Euros)	**as at 31 December 2018**	**as at 31 December 2017**
Linens and mattresses	33,801	31,787
Furniture and fixtures	316	340
Electronic machinery	1,177	934
Cars	-	2
Motor vehicles	199	147
Telephone switchboards	63	77
Linens and mattresses	**35,556**	**33,287**

The purchases carried out during the year were related to linen for a total of Euro 29,400 thousand. The latter are necessary for an increasingly efficient management of the warehouse, both for the new contracts acquired during 2018 and for the renewal of existing contracts.

The Company sold linen, generating a capital gain of Euro 266 thousand. Furthermore, the value of the linen and mattresses completely amortised, for a total of Euro 25,877 thousand, was reversed from the respective accumulated depreciation, because it is presumed that on conclusion of the useful life of said assets, the value is no longer quantifiable so as to be able to establish any additional contribution to the production process.

Assets under construction

These are primarily investments under way at the end of the year.

The item is broken down as follows as at 31 December 2018:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Sterilisation centre investments	2,663	756
Laundering facility investments	1,322	503
Investments on contracts	189	807
Total	**4,174**	**2,066**

The increases of the investments for sterilization facilities were mainly related to the construction or renovation of sterilization centres for surgical instruments. In particular, most of these investments were related to the building and outfitting of the new surgical instrument sterilization facility at the Busto Arsizio Hospital (Euro 1,553 thousand). Investments for laundries during the year were related both to the upgrading of production sites (for Euro 318 thousand) and to the supply and upgrading of plants and machinery for the washing line (for Euro 991 thousand). Investments on contracts reported an increase of Euro 97 thousand during the year and reclassifications of Euro 712 thousand. These investments are mainly related to the chip readers for the different linen storage facilities.

There is no property, plant and equipment under guarantee in favour of third parties.

6.2 Intangible assets

This item changed as follows:

(thousands of Euros)	Trademarks, Software, Patents and intellectual property rights	Customer contracts portfolio	Other intangible assets	Assets under construction and payments on account	Total
Historical cost	3,439	3,184	1,016	43	7,682
Accumulated depreciation	(3,016)	(1,929)	(861)	-	(5,806)
Balance as at 1 January 2017	**423**	**1,255**	**155**	**43**	**1,876**
Incorporations	7	3,381	-	29	3,417
Increases	295	-	-	17	312
Decreases	(4)	-	-	-	(4)
Depreciation	(410)	(1,014)	(155)	-	(1,579)
Impairments/reinstatements	-	-	-	-	-
Reclassifications	43	-	-	(43)	-
Balance as at 31 December 2017	**354**	**3,622**	**-**	**46**	**4,022**
Historical cost	4,011	7,006	1,016	46	12,079
Accumulated depreciation	(3,657)	(3,384)	(1,016)	-	(8,057)
Balance as at 31 December 2017	**354**	**3,622**	**-**	**46**	**4,022**

Increases	433	-	-	212	645
Decreases	-	-	-	(32)	(32)
Depreciation	(391)	(638)	-	-	(1,029)
Impairments/reinstatements	-	-	-	-	-
Reclassifications	-	-	-	-	-
Balance as at 31 December 2018	**396**	**2,984**	**-**	**226**	**3,606**
Historical cost	4,444	7,028	-	226	11,698
Accumulated depreciation	(4,048)	(4,044)	-	-	(8,092)
Balance as at 31 December 2018	**396**	**2,984**	**-**	**226**	**3,606**

The increase in intangible assets is essentially due to investments in software for Euro 417 thousand.

Assets in progress mainly concern the management software being implemented.

6.3 Goodwill

This item changed as follows:

(thousands of Euros)	as at 31 December 2017	Increases	Decreases	Impairment	as at 31 December 2018
Goodwill	**42,575**	2,000	-	-	**44,575**

The change occurred in the value of goodwill is due to the process of allocation of the price of the business unit operating in the sector of the industrial laundries for the private sector acquired from Lavanderia Bolognini M&S S.r.l.

The impairment test is carried out by comparing the value of goodwill and of the group of assets able to independently produce cash flows (CGU), to which this can be reasonably allocated, with the value in use of the CGU or the value recoverable through the sale of the CGU, whichever is the higher (fair value net of sale costs). In detail, the value in use was determined by applying the "discounted cash flow" method discounting back the operating cash flows emerging from economic-financial projections relating to a period of five years. The multi-annual plan used for the impairment test was previously approved by the Board of Directors of Servizi Italia S.p.A. The underlying hypotheses of the plan used reflect past experience and the information gathered at the time of purchase, and are consistent the external sources of information available. The Company has taken into consideration, with reference to the period in question, the expected performance resulting from the industrial plan set up for the 2019-2023 period.

The terminal value is determined by applying a perpetual growth factor of 1.71% to the operating cash flow relating to the last year of the plan appropriately standardised, essentially representative on the one part of the inflation rate expected in Italy and on the other part of the uncertainties, which characterise the Italian market. The discount rate used, equating to 7.74% (5.87% in the previous year), reflects the current valuations of the market with reference to the current value of money and the specific risks associated with the activities. The discount rate has been estimated, after taxes, on a consistent basis with the cash flows being considered, by means of the determination of the weighted average cost of the capital (WACC).

A sensitivity analysis was carried out about the recoverability of the book value of the goodwill according to changes in the main assumptions that were used to calculate the book values also considering a conservative approach to the choice of the financial parameters above. The analysis has shown that, to make the recoverable value equal to the carrying value, the following would be necessary: (i) a reduction in the growth rate of the terminal values of 3.3 percentage points or (ii) a 30% increase in the WACC or (iii) a 29% annual reduction of the reference EBIT, all of this keeping unchanged the other assumptions of the plan. At this time, it is not reasonable to hypothesise any change in the assumptions made which could lead to the cancellation of the surplus.

With reference to 31 December 2018 and to the previous years, the impairment test did not reveal impairments to the goodwill recognised.

6.4 Equity-accounted investments

Equity investments in subsidiaries underwent the following changes:

(thousands of Euros)	1 January 2018	Share of profit/(loss)	Increases	Decreases	Change in translation reserve	31 December 2018
Subsidiaries						
S. Martino 2000 S.c.r.l.	6	-	-	-	-	6
Se.sa.tre. S.c.r.l. in liquidation	12	-	-	-	-	12
Steritek S.p.A.	3,200	265	-	(131)	-	3,334
SRI Empreendimentos e Participacoes Ltda	30,505	(349)	6,459	-	(3,559)	33,056
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	16,356	347	-	(267)	(4,060)	12,376
Total	**50,079**	**263**	**6,459**	**(398)**	**(7,619)**	**48,784**

Equity investments in subsidiaries measured with the equity method, except for those in consortia, include implicit goodwill originating at the time of the acquisition, as follows:

- SRI Empreendimentos e Participações Ltda: Euro 9,257 thousand
- Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi: Euro 11,305 thousand
- Steritek S.p.A.: Euro 2,121 thousand.

When considering that the equity method synthetically reflects the same effects of the consolidation process, the implicit goodwill contained in the book value of the equity investments in subsidiaries is thus equal to that posted in the consolidated financial statements of the Servizi Italia Group and, as such, is subject to the impairment test each year. In detail, the value in use is determined by applying the “discounted cash flow” method discounting back the operating flows emerging from economic-financial projections relating to a period of five years. The underlying hypotheses of the plans used reflect past experience, and the information gathered at the time of purchase for the Brazilian/Turkish market and are consistent the external sources of information available. The Company has taken into consideration, with reference to the period in question, the expected performance resulting from the business plan set up for the 2019-2023 period.

The terminal value is determined by applying a perpetual growth factor of 1.71% for the Steritek CGU, 3.97% for the Brazil CGU and 13.00% for the Turkey CGU to the operating cash flow relating to the last year of the plan appropriately standardised (these rates are essentially representative on the one part of the inflation rate expected in Italy, Brazil and Turkey to which the prices of services offered are indexed and on the other part of the uncertainties which characterise the Brazilian and Turkish markets, which present risks of a macroeconomic nature). The discount rate used to discount back the cash flows of the Steritek CGU located in Italy is 7.74%, 13.53% for the Brazil CGU and 20.53% for the Turkey CGU. These rates reflect the current valuations of the market with reference to the current value of money and the specific risks associated with the activities. The discount rates have been estimated, after taxes, on a consistent basis with the cash flows considered, by means of the determination of the weighted average cost of the capital (WACC). A list of registered offices, share capital and percentage interest in subsidiaries and the total amount of current and non-current assets, current and non-current liabilities, revenue, costs and results at 31 December 2018 is provided below:

Company name	Registered office	Currency	Share capital	2018 % interest	2017 % interest
San Martino 2000 S.c.r.l.	Genoa	EUR	10	60.0%	60.0%
Se.Sa.Tre. S.c.r.l. in liquidation	Genoa	EUR	20	60.0%	60.0%
Steritek S.p.A.	Cremona	EUR	134	70.0%	70.0%
SRI Empreendimentos e Participacoes LTDA	São Paulo (Brazil)	BRL	172,857	100.0%	100.0%
Lavsim Higienização Têxtil S.A. (*)	São Roque, São Paulo (Brazil)	BRL	550	100.0%	100.0%
Maxlav Lavanderia Especializada S.A. (*)	Jaguariúna, State of São Paulo (Brazil)	BRL	2825	65.1%	50.1%
Vida Lavanderias Especializada S.A. (*)	Santana de Parnaiba, State of São Paulo - Brazil	BRL	3,600	65.1%	50.1%
Aqualav Serviços De Higienização Ltda*	Vila Idalina, Poá, State of São Paulo (Brazil)	BRL	15,400	100.0%	100.0%
Ankateks Turizm İnsaat Tekstil Temizleme Sanayi Ve	Ankara, Turkey	TRY	5,000	55.0%	55.0%
Ergülteks Temizlik Tekstil Ltd. Sti.(**)	Smyrna, Turkey	TRY	1,700	57.5%	57.5%
SIA Lavanderia S.A.(*)	Manaus, State of Amazonas (Brazil)	BRL	9,766	100.0%	100.0%
Steriliza Serviços de Esterilização S.A. (*)	San Paolo, State of São Paulo (Brazil)	BRL	2,000	100.0%	100.0%

(*) *held through SRI Empreendimentos e Participações Ltda*
(**) *held through Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi*

(thousands of Euros)	Currency	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Shareholders' equity	Revenues	Costs	Profit/(Loss)
San Martino 2000 S.c.r.l.	EUR	10	2,664	3,067	-	5,721	6,727	6,727	-
Se.Sa.Tre. S.c.r.l. in liquidation	EUR	20	-	138	-	118	612	612	-
Steritek S.p.A.	EUR	1,732	164	2,461	229	664	2,925	2,548	377
SRI Empreendimentos e Participacoes LTDA	BRL	174,829	161,022	24,024	516	9,701	-	1,365	(1,365)
Lavsim Higienização Têxtil S.A.	BRL	11,541	36,236	13,641	26,860	11,476	47,985	45,111	2,874
Maxlav Lavanderia Especializada S.A.	BRL	5,617	28,164	16,040	25,416	13,171	45,496	44,498	998
Vida Lavanderias Especializada S.A.	BRL	2,067	2,101	2,724	610	2,148	13,354	13,322	32
Aqualav Serviços De Higienização Ltda	BRL	8,210	36,401	13,747	29,500	12,438	25,419	26,146	(727)
Ankateks Turizm İnsaat Tekstil Temizleme Sanayi Ve	TRY	11,514	40,286	19,062	8,908	38,926	25,461	21,884	3,577
Ergülteks Temizlik Tekstil Ltd. Sti.	TRY	2,174	4,022	9,678	1,145	10,381	12,143	12,105	38
SIA Lavanderia S.A.	BRL	3,069	6,423	1,028	200	4,182	-	-	-
Steriliza Serviços de Esterilizaçao S.A.	BRL	(43)	-	27	-	70	-	-	-

We note that, in the effects of measurement with the equity method of the company SRI Empreendimentos e Participações Ltda, in 2018, the equity investments in SIA Lavanderia S.A. and Steriliza Serviços de Esterilização S.A. were written off as a result of the agreements to terminate the partnership with the Bringel Group. This has involved the recognition of a one-off cost for Euro 869 thousand.

6.5 Equity investments in associates, joint ventures and other companies

The breakdown of the item was as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Equity investments in associates, joint ventures	26,470	24,289
Equity investments in other companies	3,725	3,612
Total	**30,195**	**27,901**

The increase in the item is mainly due to the acquisition of a 40% interest in Sanitary Cleaning Sh.p.k., an Albanian company that provides laundry and cleaning services for the public and private sector, hospitals and hotels in Albania, carried out on 16 July 2018, to the capital increases underwritten for SAS Sterilizasyon

Servisleri A.Ş. and Shubhram Hospital Solutions Private Limited and to the establishment, carried out on 19 June 2018, of a corporate vehicle, IdsMED Serviziplus Pte Ltd, with registered office in Singapore, for Euro 187 thousand.

The decrease in the item was related to the liquidation of the share capital of the company SE.STE.RO. S.r.l in liquidation, the activities of which were terminated in June 2018.

Equity investments in associates and joint ventures underwent the following changes:

(thousands of Euros)	1 January 2018	Increases	Decreases	31 December 2018
Finanza & Progetti S.p.A.	8,320	-	-	8,320
Brixia S.r.l.	3,002	-	-	3,002
Arezzo Servizi S.c.r.l.	5	-	-	5
CO.SE.S S.c.r.l.	3	-	-	3
PSIS S.r.l.	5,000	-	-	5,000
Ekolav S.r.l.	50	-	-	50
Steril Piemonte S.c.r.l.	2,000	-	-	2,000
AMG S.r.l.	2,033	-	-	2,033
Iniziative Produttive Piemontesi S.r.l.	1,322	-	-	1,322
SE.STE.RO. S.r.l. in liquidation	100	-	(100)	-
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	3
Saniservice Sh.p.k.	6	-	-	6
Servizi Sanitari Integrati Marocco S.a.r.l.	89	-	-	89
SAS Sterilizasyon Servisleri A.Ş.	494	566	-	1,060
Shubhram Hospital Solutions Private Limited	1,862	228	-	2,090
Sanitary Cleaning Sh.p.k.	-	1,300	-	1,300
IDSMED Servizi Pte. Limited	-	187	-	187
Total	**24,289**	**2,281**	**(100)**	**26,470**

A list of registered offices, share capital and percentage interest in associates and joint ventures and the total amount of current and non-current assets, current and non-current liabilities, revenue, costs and results at 31 December 2018 is provided below:

Company name	Registered office	Currency	Share capital	2018 % interest	2017 % interest
SAS Sterilizasyon Servisleri A.Ş.	Istanbul, Turkey	TRY	10,342	51.0%	51.0%
Saniservice Sh.p.k.	Tirana – Albania	LEK	2,746	30.0%	30.0%
Shubhram Hospital Solutions Private Limited	New Delhi - India	INR	305,172	51.0%	51.0%
Finanza & Progetti S.p.A.	Padua	EUR	550	50.0%	50.0%
Arezzo Servizi S.c.r.l.	Arezzo	EUR	10	50.0%	50.0%
CO.SE.S S.c.r.l. in liquidation	Perugia	EUR	10	25.0%	25.0%
PSIS S.r.l.	Padua	EUR	10,000	50.0%	50.0%
Ekolav S.r.l.	Lastra a Signa (FI)	EUR	100	50.0%	50.0%
Steril Piemonte S.c.r.l.	Turin	EUR	4,000	50.0%	50.0%
AMG S.r.l.	Busca (CN)	EUR	100	50.0%	50.0%
Iniziative Produttive Piemontesi S.r.l.	Turin	EUR	2,500	37.6%	37.6%
Brixia S.r.l.	Milan	EUR	10	23.0%	23.0%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MAD	122	51.0%	51.0%
Piemonte Servizi Sanitari s.c.r.l.	Turin	EUR	10	30.0%	30.0%
Sanitary Cleaning Sh.p.k.	Tirana – Albania	LEK	2,799	40.0%	-
IDSMED Servizi Pte. Limited	Singapore – Singapore	SGD	1,000	30.0%	-

(thousands of Euros)	Currency	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Shareholders' equity	Revenues	Costs	Profit/ (Loss)
SAS Sterilizasyon Servisleri A.Ş.	TRY	10,676	14,035	4,200	-	7,559	12,035	12,358	(323)
Saniservice Sh.p.k.	LEK	248,359	1,724,878	1,782,717	784,416	2,474,820	1,746,449	1,503,478	242,971
Shubhram Hospital Solutions Private Limited	INR	(84,372)	949,332	158,367	636,064	556,007	386,368	483,554	(97,186)
Finanza & Progetti S.p.A.*	EUR	10,863	30,287	17,150	21	36,553	40,672	39,040	1,632
Arezzo Servizi S.c.r.l.	EUR	10	583	1,075	225	1,423	2,680	2,680	-
CO.SE.S S.c.r.l. in liquidation	EUR	10	-	153	14	129	52	48	4
PSIS S.r.l.	EUR	7,970	20,158	3,042	1,338	13,892	7,955	7,782	173
Ekolav S.r.l.	EUR	307	2,529	1,601	1,312	2,511	3,324	3,246	78
Steril Piemonte S.c.r.l.	EUR	3,945	4,018	1,756	-	1,829	2,878	2,878	-
AMG S.r.l.	EUR	2,767	2,033	2,195	589	872	4,506	4,194	312
Iniziative Produttive Piemontesi S.r.l.	EUR	1,712	578	3,119	250	1,735	3,046	3,149	(103)
Brixia S.r.l.	EUR	21	-	8,918	-	8,897	19,446	19,437	9
Servizi Sanitari Integrati Marocco S.a.r.l.	MAD	785	500	360	2	73	-	27	(27)
Piemonte Servizi Sanitari s.c.r.l.	EUR	10	6	703	-	699	1,022	1,022	-
Sanitary Cleaning Sh.p.k.	LEK	41,459	27,047	50,300	-	35,888	39,047	35,570	3,477
IDSMED Servizi Pte. Limited	SGD	662	2	875	26	189		338	(338)

Equity investments in other companies underwent the following changes:

(thousands of Euros)	1 January 2018	Increases	Impairments/ Decreases	31 December 2018
Asolo Hospital Service S.p.A.	464	-	-	464
Prosa S.p.A.	462	-	-	462
PROG.ESTE S.p.A.	1,212	-	-	1,212
Progeni S.p.A.	380	-	-	380
Sesamo S.p.A.	353	-	-	353
Synchron Nuovo San Gerardo S.p.A.	344	-	-	344
Spv Arena Sanità	278	-	-	278
Futura S.r.l.	25	64	-	89
CNS – Consorzio Nazionale Servizi Soc. Coop. a r.l	63	-	-	63
StirApp S.r.l.	-	49	-	49
Other	31	-	-	31
Total	**3,612**	**113**	**-**	**3,725**

For this item we note the increase for Euro 64 thousand, for the equity investment in Futura S.r.l., and the purchase of a 3.3% interest in Stirapp S.r.l., a company operating in the design and management of applications and websites dedicated to the booking and management of services of laundry and/or ironing both for individuals and for the corporate sector.

Shareholdings in other companies relate to investments of a strategic and production nature, all of which are in fact held in relation to the management of contracts or licenses. These shareholdings have been valued at purchase or founding cost, since there is no active market for these securities which, for the most part, cannot even be freely transferred to third parties given that they are subject to rules and agreements which in fact prevent free circulation. This valuation method is in any case believed to approximate the fair value of each investment.

The total values of the assets, liabilities, revenues and profit/loss, on the basis of the last set of available financial statements, of the main equity investments in other companies held by the Company are presented below, along with related shareholding held as at 31 December 2018:

(thousands of Euros)	Registered office	Assets	Liabilities	Revenues	Profit/(Loss)	% Interest
Asolo Hospital Service S.p.A.	Asolo (TV)	107,778	100,707	38,565	783	7.03%
Prosa S.p.A.	Carpi (MO)	8,343	3,385	1,570	643	13.20%
Progeni S.p.A.	Milan	281,102	284,234	43,634	295	3.80%
Sesamo S.p.A.	Carpi (MO)	36,205	28,374	17,910	1,159	12.17%
Prog.este. S.p.A.	Carpi (MO)	215,518	214,583	38,337	438	10.14%

6.6 Non-current financial receivables

The item changed as follows in 2018:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Prosa S.p.A.	119	189
Sesamo S.p.A.	353	353
Progeni S.p.A.	982	982
Prog.Este S.p.A.	531	531
Saniservice Sh.p.K.	4,000	4,000
Summano Sanità S.p.A.	2	2
Futura S.r.l.	46	158
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	330	660
Arena Sanità S.p.A.	491	476
Syncron S.p.A.	320	296
Total	**7,174**	**7,647**

Financial receivables refer to the interest-bearing loans granted to the companies Prosa S.p.A. (rate 3.50% plus 3-month Euribor), Sesamo S.p.A. (rate 3% plus 20-year IRS rate), Progeni S.p.A. (rate 7.81%), Prog.Este. S.p.A. (rate 7.46%), Summano Sanità S.p.A. (rate 6.25%), Arena Sanità S.p.A. (rate 3.4% plus 6-month Euribor) and Synchron S.p.A. (rate 8%). These loans had a duration equal to the global service contracts for which the companies were established (expiration date, respectively, 21 February 2031, 31 December 2037, 31 December 2033, 31 December 2031, 31 December 2035, 20 August 2032, 14 June 2042). Loans have also been granted to Futura S.r.l. (expiration 30 June 2040), to the Albanian affiliate, Saniservice Sh.p.K. and to the Turkish affiliate Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, the value of which fell due to the devaluation of the Turkish Lira. The loans granted to Prosa S.p.A. and Futura S.r.l. decreased due to a partial repayment carried out in 2018, while the loans granted to Arena Sanità S.p.A. and Synchron S.p.A. increased because of the capitalisation of the interest accrued during the year.

6.7 Deferred tax assets

This item changed as follows:

(thousands of Euros)	Capital increase costs	Property, plant and equipment	Employee benefits	Previous tax losses	Other costs with deferred deductibility	Total
Deferred taxation as at 1 January 2017	**12**	**657**	**191**	**-**	**180**	**1,040**
Incorporations	-	-	18	-	4	22
Changes recognised in the income statement	(9)	66	(21)	-	80	116
Changes recognised in other comprehensive income	-	-	(5)	-	-	(5)
Deferred taxes as at 31 December 2017	**3**	**723**	**183**	**-**	**264**	**1,173**
Adoption of new loan impairment model (IFRS 9)					36	36
Deferred taxes as at 1 January 2018	**3**	**723**	**183**	**-**	**300**	**1,209**
Changes recognised in the income statement	(3)	166	(80)	820	(59)	844
Changes recognised in other comprehensive income	-	-	(31)	-	-	(31)

(thousands of Euros)	Capital increase costs	Property, plant and equipment	Employee benefits	Previous tax losses	Other costs with deferred deductibility	Total
Deferred taxes as at 31 December 2018	**-**	**889**	**72**	**820**	**241**	**2,022**

Deferred tax assets referring to property, plant and equipment represent the deferred taxation related to the ordinary process of depreciation of the linen. Prepaid taxes on tax losses derive from the effects of the deductions on the investments in capital goods (known as "hyper/super-amortisation") and the "ACE" corporate income tax deduction and are expected to be recovered given the forecast 2019 taxable income.

6.8 Other non-current assets

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Substitute tax Italian Decree Law 185/2008 subsequent years	4,106	2,885
Receivables for IRES reimbursement request pursuant to Art. 2 par. 1-quater Italian Decree Law No. 201	175	176
Total	**4,281**	**3,061**

The increase in the item was due to the redemption of the goodwill from the merger by incorporation of Tintoria Lombarda Divisione Sanitaria S.r.l., through the payment of the substitute tax as set forth in Decree Law 185/2008; this substitute tax was recognised as advance against current taxes and is released in the income statement over the period in which the Company benefits of the tax deductions related to goodwill.

6.9 Inventories

Inventories at year-end primarily included disposable washing products, chemical products, packaging, spare parts and consumables. No impairments were made to the value of the inventories in the current and previous years.

6.10 Trade receivables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Due from third parties	60,023	60,182
Due from subsidiaries	6,377	9,946
Due from associates and joint ventures	4,005	3,269
Due from parent company	240	184
Receivables from companies under the control of the parent companies	1	1
Total	**70,646**	**73,582**

Trade receivables are shown net of bad debt provisions, which were equal to Euro 6,240 thousand as at 31 December 2018 and Euro 5,875 thousand as at 31 December 2017.

Trade receivables due from third parties

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Due from customers	66,263	66,057

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Bad debt provision	(6,240)	(5,875)
Total	**60,023**	**60,182**

The Company took part in a number of transactions concerning the transfer of receivables described below:

- trade receivables were assigned without recourse to Credem Factor, for a total of Euro 53,785 thousand, in exchange for a consideration equal to Euro 53,663 thousand;
- trade receivables were assigned without recourse to Unicredit Factoring S.p.A. for a total of Euro 35,563 thousand, in exchange for a consideration equal to Euro 35,498 thousand.

Bad debt provisions in 2018 and in 2017 changed as follows:

(thousands of Euros)	
Balance as at 1 January 2017	**5,175**
Incorporations	198
Utilizations	(42)
Adjustments	(123)
Provisions	667
Balance as at 31 December 2017	**5,875**
Adjustment due to adoption of new impairment model (IFRS 9)	151
Balance as at 1 January 2018	**6,026**
Utilizations	(135)
Adjustments	(144)
Provisions	493
Balance as at 31 December 2018	**6,240**

Trade receivables due from subsidiaries

Trade receivables due from subsidiaries as at 31 December 2018 were equal to Euro 6,377 thousand. These included receivables towards Se.Sa.Tre S.c.r.l. in liquidation for Euro 118 thousand, San Martino 2000 S.c.r.l. for Euro 5,250 thousand, SRI Empreendimentos e Participacoes LTDA for Euro 990 thousand and Steritek S.p.A. for Euro 19 thousand.

Trade receivables due from associates, joint ventures and the parent company

Trade receivables due from associates, joint ventures and parent companies as at 31 December 2018 were equal to Euro 4,005 thousand. These mainly included trade receivables towards Brixia S.r.l. for Euro 1,245 thousand, Saniservice Sh.p.k. for Euro 2,091 thousand, PSIS S.r.l. for Euro 86 thousand, Steril Piemonte S.c.r.l. for Euro 195 thousand, Finanza & Progetti S.p.A. for Euro 178 thousand, Ekolav S.r.l. for Euro 77 thousand and SAS Sterilizasyon Servisleri A.Ş. for Euro 74 thousand. Furthermore, there is a credit balance due from the parent company Coopservice Soc.Coop. p.A. for Euro 240 thousand.

6.11 Current tax receivables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Tax receivables	2,380	6,045
Tax payables	(634)	(4,317)
Total	**1,746**	**1,728**

This item mainly includes the amount exceeding the receivables for advances on the current taxes of 2018, net of related tax payables.

6.12 Current financial receivables

The item changed as follows in 2018:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Asolo Hospital Service S.p.A.	1,783	1,777
P.S.I.S. S.r.l.	3,845	3,891
Ekolav S.r.l.	470	172
Arezzo Servizi S.c.r.l.	403	403
Se.Sa.Tre. S.c.r.l. in liquidation	-	5
Steril Piemonte S.c.r.l.	150	651
Iniziative Produttive Piemontesi S.r.l.	91	90
Gesteam S.r.l.	312	313
Saniservice Sh.p.k.	703	423
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	210	-
Other	272	226
Total	**8,239**	**7,951**

Financial receivables are for loans granted to the companies indicated above, which are due within the year or repayable on demand. The increase with respect to 31 December 2017 is due to the increase in the loan to Ekolav S.r.l. equal to Euro 296 thousand and to the portion of the interest accrued on the loan to the company Saniservice Sh.p.k. equal to Euro 280 thousand, net of the Euro 500 thousand reduction of the loan to Steril Piemonte S.c.r.l. as a result of offsetting against trade payables.

6.13 Other current assets

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Due from others	4,948	6,151
Prepayments	1,028	817
Guarantee deposits receivable	205	118
Total	**6,181**	**7,086**

Guarantee deposits receivable essentially relate to energy utilities and rentals. The item Due from other includes mainly the amounts receivable from INPS for welfare support and tax bonus, under Italian Decree Law 66/2014 for Euro 159 thousand and VAT receivables for Euro 4,002 thousand. The remaining balance of the receivables due from others is made up of advances and amounts due from social security and welfare institutions and sundry, all due within 12 months.

6.14 Cash and cash equivalents

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Bank and postal deposits	1,633	1,478
Cheques	-	-
Cash in hand	38	36
Total	**1,671**	**1,514**

6.15 Shareholders' equity

Share Capital and reserves

The share capital (fully underwritten and paid up) of Servizi Italia S.p.A. was equal to Euro 31,809,451, represented by 31,809,451 ordinary shares with a par value of Euro 1.00 each.

In 2018, the Company purchased 369,326 treasury shares for Euro 1,361 thousand. These were equal to 1.16% of the share capital with an average purchase price of Euro 3.68 per share. Following these transactions, the Company held 379,876 treasury shares equal to 1.88% of the share capital as at 31 December 2018. Their nominal amount as at 31 December 2018, of Euro 1,410 thousand, was classified as a decrease to share capital for their nominal amount of Euro 380 thousand, and the value exceeding the nominal amount, totalling Euro 1,030 thousand, was recognised as a reduction in the share premium reserve.

There was also a negative effect, referred to the financial year, for Euro 7,619 thousand, on the translation reserves for the assets of subsidiaries consolidated with the equity method that prepare their financial statements in foreign currency, mainly as a result of the devaluation of the Brazilian Real and the Turkish Lira.

The Legal reserve and Other reserves increased due to the allocation of the 2017 profit of the Company as per the resolution of the shareholders' meeting held on 20 April 2018, along with the payment of dividends for Euro 5,406 thousand equating to 17 Euro cents per share.

Possibility of use and availability for use of shareholders' equity items

(thousands of Euros)	Amount	Available for use[1]	Available portion	Distributable portion
Share capital	31,430	-	-	-
Share premium reserve	52,258	A, B	52,258	-
Legal Reserve	6,057	B	-	-
Other reserves	38,641	A, B, C	38,641	38,546
Total share capital and reserves	**128,386**		**90,899**	**38,546**
Profit (loss) for the year	11,214			
Total Shareholders' Equity	**139,600**			

[1] A: for capital increase
B: to hedge losses
C: for distribution to shareholders

The share premium reserve cannot be distributed since the legal reserve has not reached the limit envisaged by Article 2430 of the Italian Civil Code.

Other reserves include Retained earnings for Euro 53,967 thousand and the negative reserve for the conversion of the financial statements in foreign currency of the subsidiaries measured with the equity method for Euro 15,326 thousand. Retained earnings include the reserve for equity-accounted investments for Euro 1,744 thousand. Pursuant Art. 2426, Par. 1(4), Italian Civil Code, these cannot be distributed until the realisation. This reserve refers for Euro 1,649 thousand to the reinstatement of the equity investment in Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve, fully offset by the negative value of the translation reserve (Euro 6,198 thousand), and for Euro 95 thousand to the reinstatement of the equity investment in Steritek S.p.A. reported therefore as non-distributable portion. Due to the distribution of dividends in 2018 by Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve (equal to Euro 267 thousand) and Steritek S.p.A. (equal to Euro 131 thousand), the reserve for equity-accounted investments can now be distributed for a corresponding amount.

6.16 Due to banks and other lenders

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018			as at 31 December 2017		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowing	54,217	34,985	**89,202**	46,513	39,191	**85,704**
Payables due to other lenders	10	-	**10**	50	-	**50**
Total	**54,227**	**34,985**	**89,212**	**46,563**	**39,191**	**85,754**

Bank borrowing

The portion of the payable falling due within 12 months relating to the item Due to banks as at 31 December 2018 showed an increase compared with 31 December 2017 of Euro 7,704 thousand. This increase was due to the repayment of the loan instalments expired during the period, net of the instalments of the new loans expiring within 12 months.

The portion of the payable falling due beyond 12 months related to the item Due to banks as at 31 December 2018 fell with respect to 31 December 2017 by Euro 4,206 thousand. This decrease is related to the reclassification to short-term of the loan instalments due within the subsequent 12 months, to the early repayment of the loan obtained on 2 November 2015 from the Banca Popolare di Milano S.Coop. a r.l. (residual borrowing equal to Euro 9,094 thousand) and having natural maturity on 31 March 2021 and to the new unsecured loan granted by Banco BPM S.p.A. in the amount of Euro 20,000 thousand (residual borrowing due after 12 months equal to Euro 13,333 thousand), to the early repayment of the loan concluded on 27 April 2015 with the Cassa di Risparmio di Parma e Piacenza S.p.A. (residual borrowing equal to Euro 1,271 thousand) and having natural maturity on 27 April 2019 and to the new unsecured loan granted by Banca Crédit Agricole Cariparma S.p.A. in the amount of Euro 10,000 thousand (residual borrowing due after 12 months equal to Euro 7,500 thousand). New loans had to be taken out to fund the investments planned, the payment of the price set for the exercise of the call option aimed to the acquisition of an additional 15% interest in the share capital of the Brazilian company Maxlav Lavanderia Especializada S.A. and Vida Lavanderia Especializada S.A. and the price for the purchase, from Lavanderia Bolognini M&S S.r.l., of a business unit operating in the sector of the industrial laundries for the private sector, keeping a balance between short- and medium-term borrowing.

Financial covenants

The loan stipulated with Banca Nazionale del Lavoro S.p.A. requires the maintenance of a net financial position of less than 1.5 times the value of shareholders' equity and less than 2.0 times EBITDA, conditions that had been met as at 31 December 2018. The loans stipulated with Cassa di Risparmio in Bologna S.p.A., Unicredit Banca S.p.A. and Cassa di Risparmio di Parma e Piacenza S.p.A. require the maintenance of a net financial position of less than 1.5 times the value of shareholders' equity and less than 2.5 times EBITDA, conditions that had been met as at 31 December 2018. The loan stipulated with the Banco BPM S.p.A. requires the maintenance of a net financial position of less than 2 times the value of shareholders' equity and less than 2.0 times EBITDA, conditions that had been met as at 31 December 2018. The loan stipulated with Banca Crédit Agricole Cariparma S.p.A. requires the maintenance of a net financial position of less than 1.8 times the value of shareholders' equity and less than 2.8 times EBITDA, conditions that had been met as at 31 December 2018.

Amounts due to banks are shown below by maturity:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Less than or equal to 6 months	42,575	34,420
6 to 12 months	11,642	12,093
1 to 5 years	34,985	39,191
More than 5 years	-	-
Total	**89,202**	**85,704**

Non-current amounts due to banks are broken down by maturity as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
1 to 2 years	15,767	21,215
2 to 5 years	19,218	17,976
More than 5 years	-	-
Total	**34,985**	**39,191**

The average effective interest rates as at 31 December 2018 were as follows:

	as at 31 December 2018	as at 31 December 2017
Advances on invoices	0.32%	0.44%
Bank loan	0.78%	0.86%

Payables due to other lenders

Payables to other lenders are broken down by maturity below:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Less than or equal to 6 months	10	50
6 to 12 months	-	-
1 to 5 years	-	-
More than 5 years	-	-
Total	**10**	**50**

No amounts due to other lenders have been recorded under non-current liabilities.

The following table shows the breakdown of the amounts due to other lenders by type of rate:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Floating rate	-	-
Fixed rate	10	50
Total	**10**	**50**

6.17 Deferred tax liabilities

Deferred tax liabilities are broken down below by nature of the timing differences that generated them:

(thousands of Euros)	Leasing	Property, plant and equipment	Intangible Fixed Assets	Goodwill	Total
Deferred tax liabilities as at 1 January 2017	**44**	**21**	**-**	**1,278**	**1,343**
Incorporations	-	253	943	-	1,196
Changes recognised in the income statement	(19)	(5)	(211)	101	(134)
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred tax liabilities as at 31 December 2017	**25**	**269**	**732**	**1,379**	**2,405**

(thousands of Euros)	Leasing	Property, plant and equipment	Intangible Fixed Assets	Goodwill	Total
Deferred tax liabilities as at 31 December 2017	**25**	**269**	**732**	**1,379**	**2,405**
Changes recognised in the income statement	(17)	33	(732)	116	(600)
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred tax liabilities as at 31 December 2018	**8**	**302**	**-**	**1,495**	**1,805**

The reduction of the item "Intangible assets" refers to the detaxation of the unrealised gains allocated to the contract portfolio of Tintoria Lombarda Divisione Sanitaria S.r.l. resulting from the merger by incorporation carried out in 2017.

There are no deferred taxes which have not been recognised, since the related payment is deemed unlikely.

6.18 Employee benefits

This item changed as follows:

(thousands of Euros)	2018	2017
Opening balance	**9,995**	**10,416**
Incorporations	14	802
Provision	323	368
Financial expenses	82	85
Actuarial (gains)/losses	(131)	(22)
Transfers (to)/from other provisions	-	-
(Benefits paid)	(460)	(777)
Reclassifications	-	(877)
Closing balance	**9,823**	**9,995**

The item includes the Provision for Employee Severance Indemnity recognised to the employees of the Company and identified as a defined benefit plan.

It also includes the benefits accrued by Directors, Managers, Senior Managers and Executives with reference to the 2018-2020 LTI-Cash variable remuneration plan, which provides for the bonus to be paid in 2021 if certain economic and financial targets are met and in relation to the Servizi Italia share price, as well as the indemnity for termination of the office accrued by the CEO.

With the approval of the financial statements as at 31 December 2017, the vesting period related to the 2015-2016-2017 LTI-Cash Plan has come to an end. This Plan had been set up for Directors performing special tasks identified by the Board of Directors, Executives with strategic responsibilities, Senior Managers and special/key managers. The corresponding liability was recognised in the current portion of Employee benefits in the financial statements as at 31 December 2017 and disbursed in 2018.

Financial hypotheses adopted

The valuation techniques were carried out on the basis of the hypotheses described by the following table:

	2018	2017
Technical annual discounting back rate	1.13%	0.88%
Annual inflation rate	1.50%	1.50%
Annual growth rate of the severance indemnity	2.63%	2.63%

With regard to the discount rate, the iBoxx Eurozone Corporates AA 7 - 10 index as of the valuation date was taken as reference for the valuation of this parameter. The duration of the liability is 8.10 years.

Demographic hypotheses adopted

- With regard to the probabilities of demise, those established by the State General Accounting Office, known as RG48, differentiated by gender;
- for the probabilities of disability those, differentiated by gender, adopted in the INPS model for the projections through 2010. These probabilities have been created starting off from the distribution by age and gender of the pensions in force as at 1 January 1987 as from 1984, 1985 and 1986 relating to lending industry personnel;
- with regard to the retirement period for the active generic the achievement of the first of the pension requirements valid for Mandatory General Insurance was presupposed;
- for the probabilities of leaving employment for reasons other than death, annual frequencies of 7.50% have been considered;
- with regard to the probability of advance, a year-by-year value of 3.00% was supposed.

Further to the supplementary welfare reform as per Italian Legislative Decree No. 252 dated 5 December 2005, for employees who have decided to allocate the indemnity as from 1 January 2007 to the INPS Treasury Fund, the advances as per Article 2120 of the Italian Civil Code are calculated on the entire value of the severance indemnity accrued by the worker. These advances are disbursed by the employer within the limits of the capacity of the amounts accrued by virtue of the provisions made up until 31 December 2006. If the amount of the advance is not covered by the amount accrued care of the employer, the difference is disbursed by the Treasury Fund set up care of INPS.

With regard to the matters set forth above and for just the employees who have complied with the Treasury Fund and who have not requested advances on the indemnity, corrections have been made in the actuarial valuations increasing the requested percentage to be applied to the Fund accrued as at 31 December 2006 and revalued until the calculation date.

Sensitivity analysis

In accordance with the matters required by the reviewed version of IAS 19, sensitivity analysis is presented below in line with the change in the main actuarial hypotheses included in the calculation model.

(thousands of Euros)	Discount rate		Inflation rate		Duration	
	+0.50%	**-0.50%**	**+0.25%**	**-0.25%**	**+1 year**	**-1 year**
Change in liabilities	-309	+327	+92	-90	+83	-85

6.19 Provisions for risks and charges

The following changes were reported for the item in question:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Opening balance	**120**	**124**
Provisions	-	-
Payments/resolutions	(120)	(4)
Other changes	-	-

Closing balance	**-**	**120**

The provisions for risks recognised in the financial statements as at 31 December 2017 were related to tax disputes that were settled in 2018.

6.20 Other non-current financial liabilities

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Payable to Area S.r.l.	500	1,000
Payables to Steritek S.p.A. shareholders	225	225
Payables to Lavanderia Bolognini M&S S.r.l.	1,000	
Other payables	95	-
Total	**1,820**	**1,225**

The main items refer to the residual payable related to the acquisition from Lavanderia Bolognini M&S S.r.l. of the business unit that operates in the sector industrial washing and wash-hire for private facilities and to the payable to Area S.r.l. for the purchase of the units of Brixia S.r.l.

6.21 Trade payables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Due to suppliers	59,421	57,099
Due to subsidiaries	1,762	4,892
Due to associates and joint ventures	2,945	2,877
Due to parent company	5,342	3,904
Due to companies under the control of the parent companies	467	913
Total	**69,937**	**69,685**

Due to suppliers

The balance as at 31 December 2018 refers entirely to trade payables due within 12 months.

Payables to subsidiaries

The balance as at 31 December 2018 includes trade payables due within 12 months to the subsidiaries San Martino 2000 S.c.r.l. for Euro 1,560 thousand, Se.Sa.Tre S.c.r.l. in liquidation for Euro 1 thousand and Steritek S.p.A. for Euro 200 thousand.

Due to associates and joint ventures

The balance as at 31 December 2018 is composed mainly of trade-related payables due to the companies Steril Piemonte S.c.r.l. for Euro 825 thousand, Ekolav S.r.l. for Euro 677 thousand, AMG S.r.l. for Euro 742 thousand, Arezzo Servizi S.c.r.l. for Euro 479 thousand and Piemonte Servizi Sanitari S.c.r.l. for Euro 176 thousand.

Due to parent company

Trade payables due to the parent company Coopservice S.Coop.p.A. amount to Euro 5,342 thousand.

Payables to companies under the control of the parent companies

Trade payables to companies under the control of the parent company Coopservice S.Coop.p.A. refer for Euro 298 thousand due to Focus S.p.A., for Euro 154 thousand due to Archimede S.p.A. and Euro 15 thousand due to Adpersonam S.r.l.

6.22 Current tax payables

With regard to 2018, the balance is stated in the item "Current tax receivables" since the net value is a credit.

6.23 Other current financial liabilities

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Payables to Area S.r.l.	500	1,000
Payables to Steritek S.p.A. shareholders	-	225
Payable to Finanza e Progetti S.p.A.	2,460	2,460
Payables to Lavanderia Bolognini M&S S.r.l.	500	-
Total	**3,460**	**3,685**

The change of the item is related in particular to the balance of the payable for the payment of the deferred price for the purchase from Lavanderia Bolognini M&S S.r.l. of the business unit that operates in the sector of industrial washing and wash-hire for private facilities. The residual refers to the amount payable to Finanza & Progetti S.p.A. for capital increase, equal to Euro 2.460 thousand, and to Area S.r.l., for the acquisition of the interest in Brixia S.r.l.

6.24 Other current payables

The table below provides a breakdown of other current liabilities:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Accrued liabilities	122	199
Deferred income	240	435
Payables due to social security and welfare institutions	5,246	4,742
Other payables	11,522	10,678
Total	**17,130**	**16,054**

Payables due to social security and welfare institutions

Amounts due to social security and welfare institutions include contributions to INPS/INAIL/INPDAI (National Social Security Institution/Italian Institution for Insurance Against Workplace Accidents/National Welfare Institute for Industrial Managerial Employees), all falling due within the year.

Other payables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Due to employees	8,749	8,175
Employee/professional IRPEF (personal income tax) payable	2,312	2,103
Other payables	461	400
Total	**11,522**	**10,678**

6.26 Financial guarantee contracts

The table below provides the details of the guarantees given by the Company as at 31 December 2018 and 31 December 2017:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Guarantees issued by banks and insurance companies for tenders	61,961	59,397
Guarantees issued by banks and insurance companies for lease agreements and utilities	637	602
Guarantees issued by banks and insurance companies in favour of third parties	47,629	42,821
Owned assets held by third parties	49	49
Pledge on shares Asolo Hospital Service S.p.A. given as loan guarantee	464	464
Pledge on Sesamo S.p.A. shares given as loan guarantee	237	237
Pledge on Prog.Este S.p.A. shares given as loan guarantee	1,212	1,212
Pledge on Progeni S.p.A. shares given as loan guarantee	380	380
Pledge on Futura S.r.l. units given as loan guarantee	25	-
Total	**112,594**	**105,162**

The guarantees issued and the other commitments refer to:

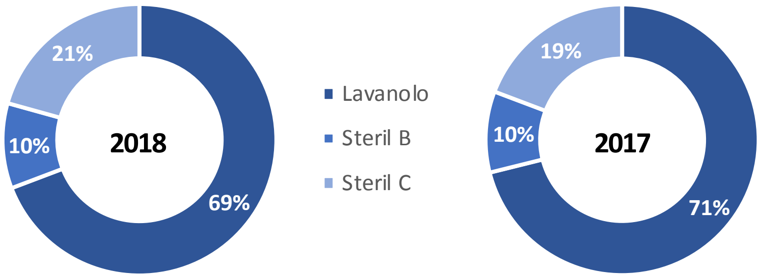
- Guarantees issued by banks and insurance companies for tenders: these were issued on behalf of the company in favour of customers or potential customers for participation in tenders, to guarantee the correct execution of the service.
- Guarantees issued by banks and insurance companies for lease agreements and utilities: these were issued on behalf of the company to guarantee the payment of lease instalments and invoices for the supply of electricity and gas.
- Guarantees issued by banks and insurance companies in favour of third parties: these are guarantees issued to back the payment of the company's portion of project financing and guarantees issued in favour of PSIS S.r.l., Steril Piemonte S.c.r.l., I.P.P. S.r.l., Ekolav S.r.l., Saniservice Sh.p.k. and Shubhram Hospital Solutions Private Limited to back loan agreements.
- Pledge on shares/units of Asolo Hospital Service, Sesamo, Progeni, Prog.Este and Futura to back the loans granted to project companies: this pledge was granted to the banks providing the project financing on the shares representing the company's interest in the special purpose entity.

7 Income statement

7.1 Revenues from sales

The revenue from sales and services of Servizi Italia Group is shown below, divided by business line, as at 31 December 2018 and 31 December 2017.

(thousands of Euros)	Year ended as at 31 December	
	2018	**2017**
Wash-hire	147,034	150,151
Steril B (Linen Sterilization)	21,578	20,479
Steril C (Surgical Instruments Sterilization)	43,889	40,569
Sales revenues	**212,501**	**211,199**



The revenues of Servizi Italia rose by 0.6% since last year. This increase was mainly due to the growth in revenues of the Steril C line, up by 8.2% on the previous year, for gradual increase in turnover with customers such as the Bergamo Hospital, ULSS9 in Treviso and the Careggi Hospital in Florence. The good performance of the revenues of the linen sterilisation line (+5.4% with respect to 2017) was due to the increase in turnover with Udine Azienda Ospedaliera Universitaria and to the supply of disposable products to the "Ente per la Gestione Accentrata dei Servizi Condivisi di Udine".

7.2 Other income

The balance of the item includes the end of the recovery of costs and personnel attributable to third parties and the end of the charge-backs for A.T.I. percentages related to the consortium Se.Sa.Tre. S.c.r.l. in liquidation.

(thousands of Euros)	**Year ended as at 31 December**	
	2018	**2017**
Rental income	48	46
Capital gains from asset sale	335	514
Recovery costs pertaining to third parties	1,611	5,567
ATI income	1,597	2,446
Non-recurring income	684	1,006
Recovery costs and miscellaneous income	1,779	1,128
Sales revenues	**6,054**	**10,707**

During the year, the Company received grants, contributions, paid positions and in any case economic advantages public administrations of the Italian State, as set forth in Italia Law 124/2017, Art. 1, Par. 25, equal to Euro 13 thousand. Here below the details regarding funders, amount or value of the assets received and a brief description of the reasons for benefit:

(Euro thousands)		
Funders	**Cause**	**Contribution received**
Veneto Lavoro	Contribution payment ex art. 13 l. 68/99	13
Total		**13**

7.3 Raw materials and consumables

Consumption of raw materials, equal to Euro 21,907 thousand, increased with respect to the previous year (Euro 20,229 thousand in 2017). The increase of the item was mainly due to washing products, chemical products, packaging, consumables and spare parts used for the set-up of new sterilization facilities and to disposable and procedural kits for new customers acquired in 2018.

7.4 Costs for services

The item is broken down as follows:

(thousands of Euros)	**Year ended as at 31 December**	
	2018	**2017**
External laundering and other industrial services	20,098	19,071
Travel and transport	10,801	11,115
Utilities	9,558	8,709
Administrative costs	2,156	1,868
Consortium and sales costs	11,638	19,930
Personnel expense	1,814	1,372
Maintenance	6,723	5,060
Use of third-party assets	6,716	6,581
Other services	1,563	2,190
Total	**71,067**	**75,896**

The item “Costs for services” was down by 6.4% with respect to the same period of the previous year; its incidence on turnover was also down, by 2.5 percentage points.

Costs for external laundering and other industrial services increased from Euro 19,071 thousand as at 31 December 2017 to Euro 20,098 thousand as at 31 December 2018. This was due to an increase in miscellaneous third-party services, such as advisory and technical services, in particular for the management of some warehouses.

Travel and transportation expenses fell by Euro 314 thousand with respect to 31 December 2017. This was due to the change in the contractual agreements with some customers after the awarding of the new contracts of the Liguria Region.

The costs for utilities increased by Euro 849 thousand with respect to 31 December 2017. This was due to an increase in the energy prices and gas consumption.

Consortium and sales costs were down to Euro 11,638 thousand as at 31 December 2018, from Euro 19,930 thousand as at 31 December 2017. This was mainly due to lower consortium costs referred to IRCCS AOU San Martino in Genoa and Se.Sa.Tre. S.c.r.l. in liquidation.

Maintenance costs increased, mainly reflecting increased surgical instrument maintenance activities in North-East Italy.

7.5 Personnel expense

The item is broken down as follows:

(thousands of Euros)	**Year ended as at 31 December**	
	2018	**2017**
Costs for directors' fees	1,641	1,240
Salaries and wages	48,136	46,239
Temporary work	2,172	2,465
Social security charges	15,506	14,251
Employee severance indemnity	3,202	3,039
Other costs	247	242
Total	**70,904**	**67,476**

Personnel costs increased with respect to the previous year, due to new hires, in particular at the surgical instrument sterilization facilities in Bergamo, Florence and Varese, at the Travagliato and Castellina facilities, as well as for to the hiring of administrative personnel.

The table below shows the average composition of workforce:

	Average number of employees	
	2018	**2017**
Executives	8	8
Middle managers	25	25
White-collar staff	175	155
Blue-collar staff	1,727	1,663
Total	**1,935**	**1,851**

7.6 Other costs

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2018	**2017**
Tax-related expense	250	363
Contingent liabilities	64	388
Membership fees	200	185
Gifts to customers and employees	296	128
Other	555	705
Total	**1,365**	**1,769**

The item "Other costs" was down by 404 thousand of euro in absolute value with respect to the same period of the previous year: this was due to the presence in 2017 of one-off costs for the payment of the stamp duty and accessory charges for the acquisition of Lavanderia Industriale Z.B.M. S.p.A. and to the indemnity recognised to the company Focus S.p.A. for the redevelopment of the facilities in Castellina di Soragna (PR).

7.7 Depreciation/amortisation, impairment and provisions

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2018	**2017**
Amortisation of intangible assets	1,029	1,579
Depreciation of property, plant and equipment	41,185	40,582
Impairment and provisions	569	843
Total	**42,783**	**43,004**

The decrease in the amortisation of intangible fixed assets is due to the gradual depletion of the residual value of the customer portfolios valued during the merger by incorporation of companies previously controlled and at the completion, in 2017, of the amortisation of the non-competition agreement signed with the previous CEO. The depreciation of tangible fixed assets increased, mainly because of higher investments in linen equipped with integrated traceability systems and new start-up equipment, in particular for the Liguria region.

7.8 Financial income

The item is broken down as follows:

(thousands of Euros)	**Year ended as at 31 December**	
	2018	**2017**
Bank interest income	-	-
Default interest	614	742
Interest income on loans to third-party companies	690	692
Exchange rate earnings and losses	-	133
Other financial income	57	184
Total	**1,361**	**1,751**

Default interest accrues as a result of the delays in payment by some private customers. Interest income on loans to third companies was basically unchanged, in line with the financial receivables against which it accrues. The item "Other financial income" mainly represents interest income on tax refunds of previous years.

7.9 Financial expenses

The item is broken down as follows:

(thousands of Euros)	**Year ended as at 31 December**	
	2018	**2017**
Interest expense and bank fees	741	809
Interest and expense to other lenders	203	240
Financial expense on employee benefits	82	87
Net exchange rate losses	212	0
Other financial expenses	21	62
Total	**1,259**	**1,198**

The decrease in the item "Interest expense and bank fees" was basically due to the lower rates applied by the banks to the credit lines used, while the increase in foreign exchange losses was related to the loss on the loan to Ankateks.

7.10 Income and expense from equity investments

The item includes dividends collected in 2018 from associates and other companies for Euro 265 thousand. More specifically, Euro 121 thousand were collected from the subsidiary AMG S.r.l., Euro 61 thousand from the associate Sesamo S.p.A., Euro 81 thousand from the associate Prosa S.p.A. and Euro 2 thousand from other companies. The value for 2017 included income for Euro 1,212 thousand related to the re-measurement at fair value of the 40% interest in the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, which in turn controls the company Ergülteks Temizlik Tekstil Ltd. Sti. (Ankara Group), with respect to the value at cost previously recognised, due to the step-acquisition of the control.

7.11 Income taxes

The item is broken down as follows:

(thousands of Euros)	**Year ended as at 31 December**	
	2018	**2017**
Current taxes	1,389	2,699
Deferred tax liabilities/(assets)	(1,443)	(251)
Total	**(54)**	**2,448**

The incidence of the taxes on the pre-tax result is reconciled with the theoretical rate in the table below:

(thousands of Euros)	2018	Incidence	2017	Incidence
IRES (company earnings tax) reconciliation				
Profit before tax from Income statement	11,159		16,270	
Theoretical taxes	**2,678**	**24.0%**	**3,905**	**24.0%**
Tax effects of the permanent differences:				
on increases	584	5.2%	794	4.9%
on decreases	(4,449)	-39.9%	(3,486)	-21.4%
foreign taxes	38	0.3%	36	0.2%
substitute taxes	504	4.5%	458	2.8%
Total effective IRES taxes	**(645)**	**-5.8%**	**1,707**	**10.5%**
IRAP (regional business tax)	591	5.3%	741	4.6%
Total effective taxes	**(54)**	**-0.5%**	**2,448**	**15.0%**

Current taxes were basically zero due to the recognition of prepaid tax assets on the tax losses deriving from the effects of the deductions on the investments in capital goods (known as "super-amortisation") and the corporate income tax deduction "ACE", which are believed to be recoverable based on the expectations for taxable income in 2019.

8 Transactions with group companies and related parties

The transactions of Servizi Italia S.p.A. related parties are conducted in compliance with the applicable Regulations governing transactions with related parties and concern primarily:

- dealings associated with commercial service agreements;
- financial dealings, represented by loans.

From an economic, equity and financial point of view, the group of main transactions constitute ordinary transactions conducted under conditions equivalent to market or standard conditions and are regulated by the appropriate contracts. These transactions are basically a set of combined operations of a homogeneous nature carried out starting from the beginning of the reference year, and are qualifiable individually as being of greater importance, not even their combination in the year of reference. The amount exposed in the financial statements, in the reference year, was generated by the renewal of existing contracts or contracts stipulated in the year.

Income statement, statement of financial position and financial transactions with related companies in 2018 are presented below:

(thousands of Euros)	31 December 2018							
Economic transactions	**Sale of goods and services**	**Other income**	**Purchases of goods and services**	**Cost of the personnel**	**Purchases of property, plant and equipment and intangible assets**	**Other costs**	**Financial income**	**Income from equity investments**
Coopservice S.Coop.p.A. (parent company)	94	52	10,596	-	-	-	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	2,767	725	4,036	-	408	-	-	-
Consorzio Se.Sa.Tre. S.c.r.l. in liquidation (subsidiary)	-	2	590	-	1,218	-	-	-
Steritek S.p.A. (subsidiary)	-	37	254	-	-	-	-	-

Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE (subsidiary)	-	-	-	-	-	-	48	-
SRI Empreendimentos e Participacoes LTDA (subsidiary)	-	95	-	-	-	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	-	8	1,287	-	-	-	3	-
Consorzio Co.Se.S. (associate)	-	-	8	-	-	-	-	-
IDSMED SERVIZIPLUS PTE LMD (associate)	-	19	-	-	-	-	-	-
Psis S.r.l. (associate)	186	128	7	-	48	-	45	-
Amg S.r.l. (associate)	372	11	1,077	-	28	-	-	121
Ekolav S.r.l. (associate)	60	3	1,692	-	5	-	2	-
Steril Piemonte S.c.r.l. (associate)	28	312	1,439	-	-	-	1	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	14	300	-	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	-	13	-	-	-	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	74	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-	-	-	-
Saniservice Sh.p.k. (associate)	1,011	403	-	-	-	-	480	-
Servizi Sanitari Integrati Marocco S.a.r.l. (associate)	-	-	-	-	-	-	-	-
Finanza & Progetti S.p.A. (associate)	-	50	-	-	-	-	-	-
Brixia S.r.l. (associate)	3,866	-	38	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	-	10	-	-	-	-	-
Focus S.p.A. (affiliated)	-	-	2,743	-	-	14	-	-
Archimede S.p.A. (affiliated)	-	-	15	1,210	-	-	-	-
Gesta S.p.A. (affiliated)	-	7	-	-	-	-	-	-
New Fleur S.r.l. (affiliated)	31	-	1,515	-	-	-	-	-
Ad Personam S.r.l. (affiliated)	-	-	20	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	49	-	-	-	-	-
Everest S.r.l. (related party)	-	-	289	-	-	1	-	-
Ospedal Grando S.p.A. (related party)	8,633	-	21	-	-	-	-	-
Total	**17,047**	**1,953**	**25,986**	**1,210**	**1,707**	**15**	**579**	**121**

(thousands of Euros)	31 December 2018				
Statement of financial position	**Amount of trade receivables**	**Amount of trade payables**	**Amount of financial receivables**	**Amount of financial payables**	**Amount of other liabilities**
Coopservice S.Coop.p.A. (parent company)	240	5,342	-	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	5,250	1,560	-	-	-
Consozio Se.Sa.Tre. S.c.r.l. in liquidation (subsidiary)	118	1	-	-	-
Steritek S.p.A. (subsidiary)	19	200	-	-	-
Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE (subsidiary)	-	-	539	-	-
SRI Empreendimentos e Participacoes LTDA (subsidiary)	990	-	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	8	479	403	-	-
Consorzio Co.Se.S. (associate)	-	6	-	-	-
IDSMED SERVIZIPLUS PTE LMD (associate)	19	-	-	-	-
Psis S.r.l. (associate)	86	3	3,845	-	-
Amg S.r.l. (associate)	1	742	-	-	-
Ekolav S.r.l. (associate)	77	677	470	-	-
Steril Piemonte S.c.r.l. (associate)	195	825	150	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	15	176	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	15	-	91	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	74	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-
Saniservice Sh.p.k. (associate)	2,091	-	4,703	-	-
Servizi Sanitari Integrati Marocco S.a.r.l. (associate)	5	-	-	-	-
Finanza & Progetti S.p.A. (associate)	178	-	-	-	2,460
Brixia S.r.l. (associate)	1,245	37	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	6	-	-	-
Focus S.p.A. (affiliated)	-	298	-	-	-
Archimede S.p.A. (affiliated)	-	154	-	-	-

(thousands of Euros)	31 December 2018				
Statement of financial position	**Amount of trade receivables**	**Amount of trade payables**	**Amount of financial receivables**	**Amount of financial payables**	**Amount of other liabilities**
Gesta S.p.A. (affiliated)	1	-	-	-	-
New Fleur S.r.l. (affiliated)	188	1,292	-	-	-
Ad Personam S.r.l. (affiliated)	-	15	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	-	-	-
Everest S.r.l. (related party)	-	119	-	-	-
Ospedal Grando S.p.A. (related party)	3,986	-	-	-	-
Total	**14,801**	**11,932**	**10,201**	**-**	**2,460**

Aside from the figures shown above, as at 31 December 2018, transactions with related parties included directors' fees for Euro 1,696 thousand and executive personnel expense for Euro 1,660 thousand. As at 31 December 2017, director fees were equal to Euro 1,308 thousand and executive personnel expense for Euro 1,704 thousand.

The main economic and financial relations with related companies in 2018 were the following:

Coopservice S.Coop.p.A.

Revenues from sales and the associated trade receivables as at 31 December 2018 refer primarily to linen and textile washing services within the cleaning activities provided to the parent company.

Servizi Italia S.p.A. purchases from the parent company: (i) road-based transport services for textiles and/or surgical instruments; (ii) management services for linen storage facilities located at the customers (iii) use of third party staff; (iv) technical cleaning services carried out at some production/operating sites of Servizi Italia and surveillance/security services provided to some facilities, through night patrols and alarm-based interventions.

Consorzio San Martino 2000 S.c.r.l.

As at 31 December 2018, revenues from the sale of goods and services and related trade receivables due from Consorzio San Martino 2000 S.c.r.l. represented services provided by Servizi Italia S.p.A. in regard to the outstanding contract with IRCCS Az. Osp. Univ. San Martino in Genoa. Purchase costs and the related trade payables were instead related to the charge-back of costs incurred by the Consortium, which are divided amongst members according to their share of interest, while the purchase of fixed assets refers to mattresses used in the context of the previous contract.

Consorzio Se.Sa.Tre. S.c.r.l. in liquidation

As at 31 December 2018, the revenues from Consorzio Se.Sa.Tre. S.c.r.l. in liquidation refers to the services provided by Servizi Italia S.p.A. for the execution of the existing contract with Azienda ULSS n. 2 Marca Trevigiana in the Veneto Region. With the end of the previous contract with the Azienda ULSS n. 2 Marca Trevigiana, Consorzio Se.Sa.Tre. S.c.r.l. in liquidation has transferred the capital goods of the previous contract, as Servizi Italia S.p.A has been awarded the new contract. With deed of 18 December 2017, the consortium was placed in liquidation, effective 1 January 2018.

Steritek S.p.A.

As at 31 December 2018, the costs and trade payables due in relation to the subsidiary Steritek S.p.A. were related to validation services for the sterilisation centres.

Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE

At 31 December 2018, financial income was related to interest income accrued and not yet paid by the company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi for the loan granted to this subsidiary, equal to Euro 539 thousand.

SRI Empreendimentos e Participaçoes L.t.d.a.

As at 31 December 2018, trade receivables from SRI Empreendimentos e Participacoes LTDA were related to the charge-back of cost of personnel seconded at the subsidiary and of service costs.

Arezzo Servizi S.c.r.l.

The company's purpose is the provision of wash-hire services to “Aziende dell’Area Vasta Sud-Est” and, to a lesser extent, to the hospital of the Arezzo LHA. Purchase costs and the corresponding trade payables were related to the charge-back of costs incurred by Arezzo Servizi S.c.r.l., which are divided amongst the shareholders on the basis of their shareholdings. The financial receivable is for a Euro 403 thousand loan granted to the associate.

Psis S.r.l.

As at 31 December 2018, revenues from the sale of goods and services to PSIS S.r.l. were related to the charge-back of administrative management services. The financial receivable was related to a loan granted for Euro 3,845 thousand to support current investments.

AMG S.r.l.

At the end of 2018, financial transactions were mainly for external laundering services at the LHAs in Asti and Casale Monferrato and at the Turin 3 LHA; the revenues derive from linen sterilization services and supply of disposable medical devices for surgical procedures.

Ekolav S.r.l.

Purchases of goods and services and the corresponding trade payables to Ekolav S.r.l. were mainly related to laundry and transport services and to the purchase of linen.

Steril Piemonte S.c.r.l.

As at 31 December 2018, revenues from the sale of goods and services and purchase costs associated with Steril Piemonte S.c.r.l. were related to the charge-back of costs incurred by the Company and Consortium for surgical instrument sterilisation activities at the LHA AL Piedmont Region. The financial receivable is related to a loan granted to the associate for Euro 150 thousand, of which Euro 500 thousand was repaid during the year.

Iniziative Produttive Piemontesi S.r.l.

As at 31 December 2018, revenues from the sale of goods and services to Iniziative Produttive Piemontesi S.r.l. were mainly related to validation services. The financial receivable is for a Euro 91 thousand loan granted to the associate.

Saniservice Sh.p.k.

As at 31 December 2018, revenues from the sale of goods and services to Saniservice Sh.p.k. mainly referred to the supply of material for the management of sterilization facilities and to business management services. The financial receivable and financial income were related to a loan granted to the associate, equal to Euro 4,703 thousand.

Finanza & Progetti S.p.A.

As at 31 December 2018, the value of other liabilities was related to the commitment to the future share capital increase equal to Euro 2,460 thousand.

Brixia S.r.l.

As at 31 December 2018, revenues from the sale of goods and services to Brixia S.r.l. were related to the wash-hire service at the ASST Spedali Civili of Brescia.

Focus S.p.A.

Transactions with Focus S.p.A. were related to lease agreements on the Castellina di Soragna (PR), Montecchio Precalcino (VI), Ariccia (RM) and Genova Bolzaneto (GE) properties. In 2018, the total consideration for leased properties amounted to Euro 2,743 thousand.

The lease agreements of Montecchio Precalcino (VI) and Ariccia (RM) have a duration of six years, renewable for another six, while for Genova Bolzaneto (GE) the lease agreement has a duration of fourteen years, renewable for another six.

With reference to the development in Castellina di Soragna (PR), which includes manufacturing facilities and headquarters, a new lease agreement was concluded in 2018, of the duration of twelve years renewable for another six, effective January 2019. With this contract, the two previous agreements, the object of which was, respectively, the headquarters and the manufacturing facilities, were terminated. For more information on this transaction, refer to the addendum to the prospect, available on the website of the Company.

Archimede S.p.A.

Transactions with Archimede S.p.A. were associated with temporary staff secondment service agreements.

New Fleur S.r.l.

Transactions with New Fleur S.r.l. are primarily for laundry services rendered.

Everest S.r.l.

Transactions with Everest S.r.l. concern the lease agreements of the properties of Travagliato and Podenzano, the duration of which is six years, renewable for an additional six years. In 2018, the total consideration for leased properties amounted to Euro 289 thousand. Servizi Italia S.p.A.'s transactions with Everest S.r.l. in relation to lease agreements are entered into in compliance with the Regulations for related party transactions in force.

9 Income from non-recurring, atypical and/or unusual transactions

No income from non-recurring transactions was recognised during the year.

During the year, there were no atypical and/or unusual transactions as defined in Consob communication No. 6064293 dated 28 July 2006.

In the previous year, non-recurring transactions had produced greater costs, for Euro 557 thousand, due to incentives, indemnities and Naspi (acronym for Italian monthly compensation for unemployment) to employees, as a result of restructuring and reorganisation activities, related to the termination of the activities at the Barbariga (BS) facility.

10 Treasury shares

The Shareholders' Meeting, on 20 April 2018, authorised the Board of Directors to purchase and sell treasury shares, subject to revocation of the resolution of 20 April 2017.

The approved plan for the purchase and availability of treasury shares complies with the need to gain access to opportunities for the efficient investment of company liquidity and to have the possibility of using it for strategic transactions and/or to complete subsequent share purchase and sale transactions, to the extent allowed by permitted market practices. The plan has a maximum duration of 18 months as from 20 April 2018, date of issue of the authorisation by the Shareholders' Meeting.

The maximum number of shares that can be purchased, not exceeding 20% of the share capital of the company, as at the date of the Shareholders' Meeting resolution, is 6,361,890.00 and it results from the difference between the maximum number of treasury shares that the Company may purchase and the number of treasury shares which at the date of the resolution of 19 April 2017, were held by Servizi Italia S.p.A., in implementing the resolution issued on 20 April 2016, and totalled 101,629 shares. The purchases and sales of treasury shares are carried out on the organised market, in compliance with the applicable legislative and regulatory provisions, according to the operating formalities established by Article 132 of the CFL, Article 144 bis of the Issuers' Regulations, in compliance with the EC Regulation 2273/2003 dated 22 December 2003 and in observance of the shareholders' meeting resolution dated 20 April 2018. Treasury shares are purchased for a maximum equivalent value to the extent to which can be covered by distributable reserves and available reserves as set forth in the latest duly approved financial statements. The purchase of own shares is carried out at a minimum purchase price no less than 20% of the weighted average of the official prices of the shares as recorded by Borsa Italiana in the 3 days preceding each single operation, and a maximum price of purchase no greater than 20% of the weighted average of the official prices of shares recorded by Borsa Italiana in the 3 days preceding each single operation.

The broker chosen for the execution of treasury share purchases is INTERMONTE SIM S.p.A. This shall make the trading decisions on the timing of the purchase of Servizi Italia shares, with full independence from the Company but within the limits set by the Shareholder's Meeting.

As at 31 December 2018, the number of treasury shares in the portfolio amounted in total to 379,876 shares, corresponding to 1.19% of the share capital.

11 Fees, stock options and equity investments of directors, officers with strategic responsibilities and statutory auditors

As regards:

- remunerations to Directors and Statutory Auditors;
- stock options to Directors;
- Directors' shareholdings;

please see the Remuneration Report, drawn up pursuant to article 123-ter of CFL for 2018.

12 Payment plans based on financial instruments

There were no payment plans based on financial instruments as at 31 December 2018.

13 Disclosure pursuant to Art. 149-duodecies of CONSOB's Issuers' regulations

The fees for the services provided by the Independent auditing firm Deloitte & Touche S.p.A. and the entities belonging to the network of this are provided below:

Type of service	Provider	Recipient	Fees
Audit services	Deloitte & Touche S.p.A	Servizi Italia S.p.A.	84,796
Audit services	Deloitte & Touche S.p.A	Subsidiaries	17,222
Audit service	Deloitte & Touche S.p.A. network	Subsidiaries	60,484
Other Assurance services	Deloitte & Touche S.p.A	Servizi Italia S.p.A.	4,500
Other services	Deloitte & Touche S.p.A	Servizi Italia S.p.A.	33,500
Advisory services	Deloitte & Touche S.p.A. network	Subsidiaries/associates	23,000
Total			**223,502**

14 Significant events and transactions during the year

Please see the related section of the Directors' Report on Operations.

15 Significant events after the end of the year

On 28 January 2019, the Company announced that it had signed an agreement for the acquisition of a majority interest in the company Wash Service S.r.l., operating mainly in Northern Italy in the offer of wash-hire services of flat linen, guest linen and clothing of the personnel of hospital facilities, assisted living facilities, nursing homes and retirement facilities.

On 7 March 2019, the Company promptly announced that in February an exceptional malfunction occurred within the primary data center, located at the facilities of the data hosting and network connectivity service provider. This made unavailable part of the Group's accounting information system (hereinafter the "IT Incident"), also determining the loss of part of the accounting records for the 2018 financial year. The restore procedures subsequently launched presented a series of technical problems that prevented the timely restoration of the machines involved in the IT Incident. Furthermore, the disaster recovery procedure from the secondary site, located in a different structure of the data hosting service provider, also did not work properly.

The Company, through the Director in charge of the internal control and risk management system, the Financial Reporting Manager and the Information Technology Managers, promptly initiated all the necessary procedures for recovering and restoring the compromised machines. Meanwhile, technical and control tasks have been entrusted to qualified third parties and providers of network infrastructures and services are currently under control in order to identify the causes of the malfunction. This also entailed the review of the risk assessment and management processes by the Management, with the support of the Control and Risk Committee and the Board of Statutory Auditors, to identify and implement the remedial actions for the disaster recovery procedures and to check the integrity of information systems and accounting data, aimed at preventing the repetition of similar events. It should also be noted that the IT incident in no way detracted from the ordinary operations of the Group and the services provided to customer structures.

The Company carried out the activities of restoring the information system and reconstructing the accounting information with data available on management and auxiliary systems that were not affected by the event occurred, also having the possibility of comparing the data restored with the accounting situation as of 31 December 2018, drafted prior to the date of the IT Incident.

Pending the restoration activities, the Board of Directors of Servizi Italia S.p.A. has deemed it necessary to postpone the approval of the separate and consolidated financial statements as at 31 December 2018 within the broader terms set by current legislation.

As of the date of publication of this document, the aforementioned restoration procedures have been successfully completed.

On 21 March 2019, Servizi Italia announced to have signed a binding agreement for acquiring the 25% of StirApp S.r.l., by subscribing a reserved capital increase in one or more tranches. StirApp (www.stirapp.it) is an innovative start-up mainly active in app/websites design and management dedicated to the booking and managing of laundry and ironing services both for private citizens (through B2C channel) and corporate companies (through B2B and B2B2C channels). In this compound, it has recently signed service contracts with some important companies of industrial and financial segments.

On 9 April 2019, the Shareholders' Meetings of the Brazilian companies SIA Lavanderias S.A. and Steriliza Serviços de Esterilizaçao S.A. took place and resolved for their liquidation.

On 18 April 2019, the Company announced to have called the Board of Directors for the approval of the draft of the separate financial statements and the consolidated financial statements as at 31 December 2018 for 29 April 2019. It also announced that the Shareholders’ Meeting will take place on 30 May 2019 (First Call) and 31 May 2019 (Second Call).

16 Allocation of the profit (loss) for the year

The Board of Directors proposes to allocate the profit for the year, equal to Euro 11,213,803, as follows:

- Euro 560,690, equal to 5% of the profit, to legal reserve;
- a maximum amount of Euro [ ] to distribution to the shareholders, corresponding to an ordinary dividend per share, including withholdings, equal to [ ] euro cents for the shares in circulation, with the exclusion of the treasury shares in the portfolio;
- Euro 611,839 to the valuation reserve for equity investments by using the equity method;

- to carry forward the residual profit for the year.

It also proposes to allocate Euro 398,405 from the valuation reserve for equity investments by using the equity method to profit carried forward as the restrictions on distribution as dividends no longer apply.

The dividend will be paid as from 12 June 2019, with ex-dividend date on 10 June 2019, and will be paid to the shares that are in circulation as of that date.

The Chairman of the Board of Directors
(Roberto Olivi)

Certification of the separate financial statements pursuant to Art. 154-bis of Italian Legislative Decree 58/98

Castellina di Soragna, 29 April 2019

In consideration of the provisions of Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998, the undersigned Enea Righi, in his capacity as "CEO", and Ilaria Eugeniani, in her capacity as "Financial Reporting Manager" of Servizi Italia S.p.A., certify:

a) the adequacy in relation to the characteristics of the business and

b) the effective application of the administrative and accounting procedures for the formation of the separate financial statements during 2018.

It is also hereby stated that the separate financial statements as at 31 December 2018:

a) have been prepared in compliance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the books and accounting entries;

c) provide a true and fair view of the financial position, income and cash flows of the issuer.

The Directors' Report on Operations includes a reliable analysis of the operating performance and result, as well as of the issuer's situation, together with a description of the main risks and uncertainties it is exposed to.

The CEO

Enea Righi

The Financial Reporting Manager

Ilaria Eugeniani

Deloitte.

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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
Servizi Italia S.p.A.**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Servizi Italia S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test on Goodwill	
Description of the key audit matter	The separate financial statements of Servizi Italia S.p.A. as of 31 December 2018 report goodwill of Euro 44,575 thousand, relating entirely to the Servizi Italia cash-generating unit (CGU) and deriving from business combinations carried out in the current and prior years. No impairment losses were recorded during the year.

The assessment process adopted by Management to identify possible impairment losses involved making certain assumptions regarding, in particular, the estimate cash flows of the CGU, the appropriate discount rate (WACC) and the long-term growth rate (g-rate). These assumptions, reflected in the long-term plan for the Servizi Italia CGU, were influenced, furthermore, by future expectations and conditions in the reference market.

In view of the significance of the goodwill reported in the financial statements and the subjective nature of the estimates made to determine the cash flows of the CGU and the key variables of the impairment model, as well as the many unpredictable factors that might influence the performance of the market in which the Company operates, we considered the impairment test on goodwill to be a key audit matter of the audit of the separate financial statements of Servizi Italia S.p.A. as of 31 December 2018.

The explanatory notes in the paragraphs "3 D Goodwill", "3 E Impairment test" and "3 O Use of estimated values – Particularly significant accounting standards" report the disclosure related to the assessment process adopted by Management; the note 6.3 presents information about the goodwill, including a sensitivity analysis that describes the effects of changing the key variables used to carry out the impairment test.

Audit procedures performed

In the context of our audit work we performed the following procedures, among others, partly with assistance from experts:

- examination of the approach taken by Management to determine the value in use of the CGU, and analysis of the methods and assumptions applied by Management to carry out the impairment test;
- understanding and verification of the operating effectiveness of the relevant controls implemented by the Company over the impairment testing process;
- analysis of the reasonableness of the principal assumptions made in order to forecast cash flows, partly by analysing external data and obtaining information from Management that we deemed to be significant; in particular, our procedures included an examination of the forecast cash flows considering historical performance and the ability of Company Management to make accurate forecasts;
- analysis of actual values in comparison with the original plan, in order to assess the nature of variances and the reliability of the budgeting process;
- assessment of the reasonableness of the discount rate (WACC) and the long-term growth rate (g-rate), partly via the appropriate identification of and reference to external sources that are normally used in the professional practice and to key data for main comparables;
- verification of the mathematical accuracy of the model used to determine the value in use of the CGU;

- verification that the carrying amount of the CGU was determined properly;
- verification of the sensitivity analysis prepared by Management;
- examination of the adequacy of the information disclosed by the Company about the impairment test and its consistency with the requirements of IAS 36.

Measurement of investments in subsidiaries

Description of the key audit matter

The separate financial statements of Servizi Italia S.p.A. as of 31 December 2018 report investments in subsidiaries totalling Euro 48,784 thousand, measured using the equity method. No impairment losses were recorded during the year.

The process adopted by Management to identify possible impairment losses was complex and included assumptions about, among others, the forecast cash flows of the cash-generating units (CGUs), the appropriate discount rate (WACC) and the long-term growth rate (g-rate). These assumptions, reflected in the long-term plans of the CGUs represented by the subsidiaries, were also influenced by future expectations and market conditions that give rise to uncertainties, especially with regard to the investments held in SRI Empreendimentos Participações L.t.d.a (Brazil), with a carrying amount of Euro 33,056 thousand, and Ankateks Turizm İnsaat Tekstil Temizleme Sanayi Ve Ticaret A.S. (Turkey), with a carrying amount of Euro 12,376 thousand, which operate in geographical areas marked by economic instability. The carrying amount of the investments in consortium subsidiaries does not include any implicit goodwill.

In view of the significance of the above investments in subsidiaries reported in the financial statements, the subjective nature of the estimates made to determine the cash flows of the CGUs and the key variables of the impairment model used to measure their implicit goodwill, as well as the many unpredictable factors that might influence the markets in which the subsidiaries operate, we considered measurement of the investments in subsidiaries to be a key audit matter of the separate financial statements of Servizi Italia S.p.A. as of 31 December 2018.

The explanatory note in the paragraphs "3 E – Impairment test", "3 F – Equity investments" and "3 O Use of estimated values – Particularly significant accounting standards", report the disclosure related to the assessment process for the measurement of investments in subsidiaries; the note 6.4 presents disclosure about the items subject to impairment test.

Audit procedures performed

In the context of our audit work we performed the following procedures, among others, partly with assistance from experts:

- examination of the approach taken by Management to determine the carrying amount of the investments in subsidiaries and analysis of the methods and assumptions used by Management to measure the equity investments concerned;

- understanding and verification of the operating effectiveness of the relevant controls implemented by the Company over the process of measuring subsidiaries and identifying impairment indicators;
- analysis of the reasonableness of the principal assumptions made to in order to forecast cash flows, partly by analysing external data and obtaining information from Management that we deemed to be significant; in particular, our procedures included an examination of forecast cash flows considering historical performances and the ability of the Company Management to make accurate forecasts;
- analysis of actual values in comparison with the original plans, in order to assess the nature of variances and the reliability of the budgeting process;
- assessment of the reasonableness of the discount rate (WACC) and the long-term growth rate (g-rate), partly via the appropriate identification of and reference to external sources that are normally used in professional practice and to key data for main comparables;
- verification of the mathematical accuracy of the model used to determine the value of the investments in subsidiaries;
- verification of the proper determination of the carrying amount of the investments in subsidiaries;
- examination of the adequacy of the information disclosed by the Company about the impairment test of investments in subsidiaries and its consistency with the requirements of IAS 36.

IT Incident	
Description of the key audit matter	Servizi Italia S.p.A., in February 2019, encountered an exceptional malfunctioning of its primary data center which made part of the Group's accounting information system unavailable (hereinafter the "IT Incident"), also causing the loss of a portion of the 2018 accounting records. The restore and disaster recovery procedures for the underlying data did not work. The Management promptly initiated an action plan aimed at recovering and restoring the accounting information for the 2018 financial year necessary for finalizing the Company's separate financial statements. The Company implemented its action plan both through the involvement of internal resources and through the involvement of qualified third party consultants and professionals, in order to obtain adequate and timely technical support. The restoration of historical accounting information was successfully completed and the Company has reactivated the ordinary accounting activity of the Company for the 2019 fiscal year. The IT Incident has determined significant impacts on our audit activity, both in relation to the pervasive effect on the potential implications regarding the reliability of the financial information and the effects on the audit approach, as the unavailability of certain data and information did not allow to adopt an audit approach based on the reliability on Company internal controls, and therefore determined a change in our original audit strategy.

In view of these reasons, we considered the IT Incident and the restoration of the Company's accounting information systems and accounting records a key audit matter of the audit of the separate financial statements of Servizi Italia S.p.A. as at 31 December 2018.

The paragraph "Significant events after the end of the year" reports the information on the elements in question.

Audit procedures performed

In the context of our audit work we performed the following procedures, among others, partly with assistance from IT experts:

- meetings and discussions with the Management of the Company, with its consultants in charge and the Board of Statutory Auditors for the purpose to acquire information about the IT Incident;
- examination of the causes relating to the unavailability of the data center and the loss of accounting records of the Company and assessment of the effects of such malfunction on accounting information systems;
- examination of the methods used by the Management for the planning of restoration activities of accounting information systems and accounting records, also through discussion with the third party consultants involved by the Company;
- extension of audit samples for the execution of validity tests and request for external confirmations, aimed at acquiring adequate audit evidence as a consequence of the change to our original audit approach due to the IT Incident;
- verification of correspondence of the accounting situation at the end of the period processed on the basis of the accounting records accounted for in the accounting information systems after the restoration activity with the accounting situation as at December 31, 2018 processed before the date of the IT Incident, in order to verify the completeness and accuracy of the restored accounting records;
- verification of the coherency of the audit evidence acquired before the IT incident with the data and information arising from the accounting information systems at the end of the restoration activities;
- verification on a sample basis of the information coming from the management and auxiliary systems not affected by the IT Incident and used by the Company in the restoration activity;
- examination of the information provided by the Company with reference to the IT Incident.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Servizi Italia S.p.A. has appointed us on April 22, 2015 as auditors of the Company for the years from December 31, 2015 to December 31, 2023.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Servizi Italia S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Servizi Italia S.p.A. as at December 31, 2018, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Servizi Italia S.p.A. as at December 31, 2018 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Servizi Italia S.p.A. as at December 31, 2018 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Parma, Italy
April 29, 2019

This report has been translated into the English language solely for the convenience of international readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE GENERAL SHAREHOLDERS' MEETING OF SERVIZI ITALIA S.P.A.

(pursuant to Art. 153 of Legislative Decree 58/1998 and to Art.2429, paragraph 3 of Italian Civil Code)

FINANCIAL STATEMENT AS AT 31 DECEMBER 2018

Dear Shareholders,

pursuant to article 2429 of the Italian Civil Code and to article 153, paragraph 1, of Legislative Decree no. 58 of 24 February 1998, we inform you that during the year ended 31 December 2018 we carried out the surveillance activities according to the provisions of the Civil Code, articles 149 and followings of the mentioned Legislative Decree, Revision of the Consolidated Law (Legislative Decree no. 39/2010) and the instructions contained in communications given by CONSOB, taking into account the principles of conduct recommended by the National Board of Accountants and Public Accountants.

This report was prepared pursuant to and in accordance with the applicable regulations relating to listed companies, considering the fact that SERVIZI ITALIA S.p.A.'s stakes are listed on the STAR segment of the markets managed by Borsa Italiana S.p.A. since 22 June 2009.

Accordingly, we report about the supervision activity required by law that we have been carrying out during the year ended 31 December 2018.

The Board of Statutory Auditors in office was appointed by the Meeting of 20 April 2017 in compliance with the legal, regulatory and article of association provisions and will end its mandate with the Meeting approving the financial statements as at 31 December 2019.

The members of the Board respected the limit of accumulation of positions set forth in art. 144 terdecies of the Issuers' Regulation.

For the official audit of the accounts envisaged by Italian Legislative Decree No. 58/1998 and Italian Legislative Decree No. 39/2010, the company Deloitte & Touche S.p.A. was appointed for nine years (2015-2023), as resolved by the Meeting of 22 April 2015.

In 2018, the extraordinary operations carried out by the company were:

a) Shareholding acquisition

On 3 September 2018, Servizi Italia informed to have signed a contract with the company Lavanderia Bolognini M&S S.r.l., a company mainly active in North-Western Italy and offering wash-hire services to private hotels, restaurants and tourism facilities, for the acquisition of a business unit that assures to both parties multiple benefits due to the location of Servizi Italia's activities in Trentino A.A. region, both in terms of social sustainability and diversification of activities in the sector of wash-hire for private hotel structures, restaurants and tourism facilities.

The Board of Auditors has been periodically informed by the Directors pursuant to article 150 Legislative Decree 58/98 and, throughout the year, has:

- attended the meetings of the Board of Directors, for a total of 12 sessions (23/01, 06/03, 13/03, 20/04, 14/05, 15/06, 30/07, 08/08, 11/10, 14/11, 21/11, 13/12), during which it has been informed on the activities and major operations performed by the company and its subsidiaries;

- held 12 periodic meetings (26/01, 14/02, 22/02, 06/03, 13/03, 29/03, 14/05, 11/06, 07/09, 14/11, 03/12, 13/12)08/03, 12/05, 05/06, 01/09, 01/12 e 05/12), during which there was also a mutual exchange of information with the external auditors Deloitte & Touche S.p.A. and the CEO, ensuring that no imprudent, risky or in potential conflict of interests operation have been implemented, as well as no operation against the law or in conflict with the resolutions of the Assembly or able to compromise the integrity of the assets of the company. Moreover, at each meeting, the Board systematically discussed with the CFO, the Manager responsible for preparing corporate accounting documents and other Managers invited depending on topics;
- supervised, as far as concerned, the adequacy of the Company organizational structure, in terms of compliance with the principles of proper administration and the adequacy of instructions given to the subsidiaries pursuant to article 114, paragraph 2 of Legislative Decree no. 58/1998. This has been made by collecting information from the heads of the organizational functions in order to achieve a mutual exchange of data and relevant information;
- periodically examined, within the evaluation of the adequacy of the adopted internal control system, the updated map of all the risks related to the Company and its subsidiaries and then we have received, from the Internal Auditor, the positive evaluation on the suitability of the system under examination to achieve an acceptable overall risk profile; the evaluation was based on the assessment of the risk map and the overall monitoring of the internal control system. The Board, also coordinated with the Risk and Control Committee, taking note of the audit planning compiled by the Internal Auditor;
- verified, through the report of the Supervisory Body, the aspects related to the adequacy and constant updating of the organizational model pursuant to Legislative Decree 231/01, also in relation to the regulation updates.
- verified that during the reference year there were no reports and/or opportunities for enabling the information flow required by the whistleblowing procedure, adopted on a voluntarily basis by the Company, following the updating of the Corporate Governance Code. The procedure is intended to ensure an adequate internal system of reporting by employees of any irregularity or violation of the laws and internal procedures. In particular, the corporate governance bodies have promoted the introduction of a dedicated communication system with modalities that will ensure the confidentiality and anonymity of the informant, excluding the risk of retaliation and discrimination.
- studied all the documentation related to financial, industrial and support operations among companies which can be reasonably considered compliant to the principles of good administration and consistent with the company articles of association and the spirit of the current law;
- detected that no atypical and/or unusual operations, as defined by CONSOB communication DEM/6064293 dated July 28, 2006, have been carried out both within the Group and with related or third parties, as confirmed also by the Board of Directors, the Independent Auditors and the Internal Auditor;
- supervised on the actual implementation of the corporate governance rules envisaged in the Code of Conduct adopted by the Italian Stock Exchange;
- supervised on the actual implementation of the resolution of the Shareholders' Meeting of 20 April 2017, which authorised the Board of Directors to purchase and sell treasury shares. The plan has a maximum duration of 18 months as from the date of issue of the authorisation by the Shareholders' meeting. The intermediary appointed to carry out the buy-back program is Intermonte S.p.A. which takes negotiation decisions regarding Servizi Italia's shares timing of purchase in complete independence from Company, but within the limits set by the Shareholders' Meeting.

- supervised, with regard to the regulations on non financial reporting for the year 2018, on the observance of the provisions set forth in the principles of the Barnier Directive and Italian Legislative Decree 254/2016; thus on the compliance with the applicable legal provisions and the adequacy of the organisational, administrative, reporting and control system predisposed by the company in order to allow for the correct and complete representation in the non financial Report of the company business, its results and its impact with regard to the non financial matters referred to in art. 3, paragraph 1 of the decree (environmental, social, respect for human rights, etc.);
- adapted its supervisory functions, inter alia, to the activity of the statutory audit of annual and consolidated accounts verifying the independence of the independent auditors, especially for what concerns the provision of non-audit services to the Company under statutory audit, pursuant to art. 17, paragraph 9, letter a) of the Legislative Decree 39/2010;
- confirmed, the independence of the Independent auditors, also with reference to non-statutory audit services provided to the Company by the independent auditors and by other legal entities belonging to the same network as specifically indicated in the financial statements. In this regard, the Board of Auditors informs that, during 2018 it has been informed about and verified the assignment to Deloitte & Touche S.p.A. of:
    - integration of fees to the professional appointment of 15 December 2016, aimed at issuing a limited audit report of the consolidated non-financial statement starting from the year ended 31 December 2018 and for the following years until the approval of the financial statements for the year ending 31 December 2023. The integration of the fees was requested following the regulatory changes to the reporting standards and the major audit activities following the acquisition of the Turkish companies included in the scope of consolidation. The Board verified compatibility and relevant fees of this assignment with the current regulations and specifically with the provisions of article 10 and 17 of the Legislative Decree 39/2010 as amended by Legislative Decree no. 135/2016 and the prohibitions set forth in article 5 European Regulation 537/2014 therein recalled. Based on these verification it has given its favourable opinion as required by Consob Communication DAC/RM/ 97001574 dated1997 and the applicable laws. The Board of Directors, on a motivated proposal of the Board, on 13 December 2018, authorized the assignment.
    - the Board acknowledges that during the year 2018, based on what reported by the same Independent Auditors, there was not conferred to Deloitte & Touche S.p.A. an assignment related to audit services and issue of certifications required by regulatory authorities.
    - there are no further evidence assignments to entities belonging to the same network, to shareholders, directors, members of supervisory bodies and/or employees of the said independent auditors, with the exception of the tasks relating to consulting services for support to the development and external growth of the company;
- stated, based on the declarations made by the Directors and taking note of the evaluations expressed by the Board of Directors, that criteria and inspection procedures adopted by the Board itself for evaluating the independency of its members have been correctly applied (we have verified the independence of 4 Board members: Paola Schwizer, Romina Guglielmetti, Chiara Mio and Antonio Aristide Mastrangelo);
- successfully carried out the annual verification of compliance with the criteria of independence of each member, as required by the Code of Conduct and Regulation of Organized Markets managed by Borsa Italiana S.p.A;
- carried out, pursuant to Italian Stock Exchange Issuers' Regulation, the compliance with the criteria for

Servizi Italia S.p.A. remaining in the STAR segment (ref. art. 2.2.3, paragraph 10 of the Borsa Italiana's Regulation and IA.4.2.3., paragraph 3, of the Instructions);

- verified the correct distribution of the total compensations within the Board of Directors, as approved by the Shareholders' Meeting on 20 April 2018;
- verified that the Directors, in accordance with CONSOB dispositions, have underlined in the Annual Financial Statement Report all the transactions carried out with companies of the Group and related parties. The Board has verified, with the help of the Internal Control Responsible, the compliance to the procedures which ensure that they were concluded under reasonable terms and in the interest of the Company;
- verified that the Company is able to regularly and promptly comply with the reporting obligations required by law, pursuant to art. 114, 2nd paragraph of the Legislative Decree 58/1998 for subsidiaries within the scope of consolidation;
- supervised, pursuant to ex art. 19, paragraph 1 of the Legislative Decree 39/2010, on the financial informative process, on the efficiency of the internal control system, of the audit system and of the risk management;
- received, pursuant to art. 19 paragraph 3 of the Legislative Decree 39/2010, the report of the Independent Auditors issued on 29 April 2019, explaining the key matters arisen from the statutory audit and any significant weakness connected to the internal control system and related to the financial reporting process;
- examined the coherence of the information included the Report on Corporate Governance and financial structure 2018, drafted according to the provisions of art. 123-bis of the Consolidated Law on Finance with the Separated and consolidated Balance Sheet. The Independent Auditors did not express any comment nor indicated any information reference with regard to the Report;
- examined the coherence of the information included in the Consolidated Non-Financial Statement, drafted in compliance with the guidelines Global Reporting Initiative (GRI) Sustainability Reporting Standards. The Independent Auditors did not express any comment nor indicated any information reference with regard to the mentioned Report.
- attended the meetings of the Remuneration and Nomination Committee which were held during 2018 and taken note of what the Committee reported during the Board of Directors with regard to (i) the Annual Bonus System (ABS) for the reference year; (ii) and the Long Term Incentive Cash Plan for the three-year period 2018-2019-2020; (iii) the 2018 Report on remuneration drafted according to the provisions of the framework nr. 7-bis and art. 123-ter of the Consolidated Law on Finance, which deals with the general policy adopted by the Company on the remuneration of Directors vested with particular offices, Executives with strategic responsibilities, Senior Managers and Executives.

Herewith, the Board gives also acknowledge of the following;

- the Company has adopted an Internal Dealing Code of Conduct and the subsequent communication obligations for those considered as relevant subjects for what concerns purchase, sale, underwriting, trading and any other operation which transfers the ownership of Servizi Italia's shares or other financial instruments linked to them, even through third parties;
- the Company activated an integrated risk management model based on the Enterprise Risk Management international principles, whose continuous development is connected to the changing needs of the Company, this model works as support to the administrative and control bodies of the Company. We herewith inform that on 7 March 2019, the Company promptly announced that in February an exceptional malfunction occurred within the primary data center, located at the facilities of the data hosting and network connectivity

service provider. This made unavailable part of the Group's accounting information system (hereinafter the "IT Incident"), also determining the loss of part of the accounting records for the 2018 financial year. The restore procedures subsequently launched presented a series of technical problems that prevented the timely restoration of the machines involved in the IT Incident. Furthermore, the disaster recovery procedure from the secondary site, located in a different structure of the data hosting service provider, also did not work properly. The Company, through the Director in charge of the internal control and risk management system, the Financial Reporting Manager and the Information Technology Managers, promptly initiated all the necessary procedures for recovering and restoring the compromised machines. Meanwhile, technical and control tasks have been entrusted to qualified third parties and providers of network infrastructures and services are currently under control in order to identify the causes of the malfunction. This also entailed the review of the risk assessment and management processes by the Management, with the support of the Control and Risk Committee and the Board of Statutory Auditors, to identify and implement the remedial actions for the disaster recovery procedures and to check the integrity of information systems and accounting data, aimed at preventing the repetition of similar events. It should also be noted that the IT incident in no way detracted from the ordinary operations of the Group and the services provided to customer structures. The Company carried out the activities of restoring the information system and reconstructing the accounting information with data available on management and auxiliary systems that were not affected by the event occurred, also having the possibility of comparing the data restored with the accounting situation as of 31 December 2018, drafted prior to the date of the IT Incident. Pending the restoration activities, the Board of Directors of Servizi Italia S.p.A. has deemed it necessary to postpone the approval of the separate and consolidated financial statements as at 31 December 2018 within the broader terms set by current legislation. As of today, the aforementioned restoration procedures have been successfully completed;

- from Deloitte & Touche S.p.A. audit plan emerged that within controls on IT systems, the following deficiencies concerning the internal control system were detected:
    1. "Backup scheduling": it was not possible to have evidence of backup schedules set for all the applications in scope, due to the unavailability of the system impacted by the IT Incident;
    2. "Monitoring of backup activities": it was found that backup activities on systems being verified are not timely and promptly monitored;
    3. "Management of utilities and profiling": it was not possible to get evidence of adequate compensatory controls following the IT incident (system log to demonstrate the appropriateness of the actions carried out) compared to some users having extensive privileges".

  The Company has activated a remediation plan concerning the significant deficiencies pertaining to the internal control system that emerged as a result of the IT Incident and in relation to: point 1) has implemented a new backup system; point 2) regularly carries out the activity of backup monitoring; 3) promptly reactivated log management;
- the company took the necessary measures to ensure compliance with the provisions of Regulation EU 2016/679 ("GDPR") and with current national legislation governing personal data protection. In particular, as the company does not fall among the cases for which appointment of a DPO is mandatory under GDPR, to prove its accountability, Servizi Italia S.p.A. appointed an internal privacy manager. With the appropriate organisational model, this will monitor and provide support and advice to all company functions on the application of and compliance with the GDPR and current national legislation governing personal data protection;
- for what concerns the Safety Management System (SMS) and the Environment Management System (EMS),

the Company has maintained its certifications according to BS OHSAS 18001 and UNI EN ISO 14001 standards and complies with Legislative Decree no. 81 dated 9 April 2008 "Consolidated law on health and safety at work" and Legislative Decree no. 152 dated 3 April 2006 "Environmental Regulations";

- the Company has drafted, in due time, the half-year financial report according to the provisions of art. 2428 of the Italian Civil Code. The report has been received by the Board of Auditors, made available to the public at the registered office of the Company and on the Company Internet website www.si-servizitalia.com, according to the applicable law;
- the Company carried out activities to promote the adoption of a Code of Ethics and a group policy, based on the analysis of the risks of corporate processes, the preparation of procedures, regulations and formats to ensure the ongoing monitoring of processes at risk of unlawful acts and corruption, auditing by the Parent Company/third parties and staff training aimed at disseminating the knowledge and application of the prevention system.

Atypical and unusual operations

No atypical or unusual operations result.

Transactions with group companies and related parties

Transactions with related parties are regulated in accordance with the provisions of the Regulation adopted by Consob with resolution no. 17221 dated 12 March 2010, as subsequently amended and Procedure for Transactions with Related Parties approved by the Company on 24 November 2010 and subsequently amended on 13 November 2015, 12 May 2017 and 14 November 2018.

The transactions with related parties, as defined by the International Accounting Standard (IAS) 24, that the Company carried out during 2018 with subsidiaries, associates, joint ventures and parent companies mainly refer to: (i) dealings associated with commercial service agreements; (ii) financial dealings, represented by loans. From an economic, equity and financial point of view, the group of main transactions constitute ordinary transactions conducted under conditions equivalent to market or standard conditions and are regulated by the appropriate contracts. These reflect the actual use of the services and their correct execution in the interest of the Company, as they are aimed at rationalising the use of the Group's resources. Information on the transactions with related parties is presented in the Notes to the financial statements and, with reference to the Group, to the consolidated financial statements; the information herein is deemed to be adequate also in consideration of the company's size and structure; reference is thus made to these sections, which also indicate the characteristics of the transactions and the consequent economic effects.

During 2018, the Board monitored the compliance with the Regulations for Transactions with Related Parties and followed the preliminary procedure relating to: (i) the adjustment of the rent for the property in Castellina di Soragna (PR), against the partial demolition of the compendium of the old office buildings; (ii) the signing of the new rental contract, including the buildings for productive use and the headquarters of Castellina di Soragna (PR). On this last transaction with the related party Focus S.p.A., pursuant to the Regulation approved with Consob resolution no. 17221/2010 and the Regulation with Related Parties adopted by Servizi Italia, it has been acquired the prescribed opinion issued by the Control and Risk Committee acting as Committee for Transactions with Related Parties and it has been published an addendum to the information prospectus relating to the transaction.

During the year, the Board of Auditors has not issued opinions in accordance with art. 2389 of the Italian Civil Code, it has not received any notification from the Supervisory Body and it has not received any notification according to art. 2408 of the Italian Civil Code, nor complaint by shareholders or third parties.

No omissions, wrongful acts or irregularities have been detected during the supervisory activity.

All this considered, as far as we are concerned, we have verified:

- The respect of the laws, the articles of association and the principles a correct administration must comply with;
- The adequacy of the organizational structure of the Company, of its internal control and accounting system, in their practical operation;
- The compliance with laws concerning the drafting and setting of the Company Annual Financial Statement and Group Consolidated Financial Statement, even through direct verifications and obtaining information from the Independent Auditors;
- The compliance of the Procedure for Transactions with Related Parties, drafted by the Company, pursuant to Consob Regulation 17221 dated March 12, 2010, to principles included in the Regulation itself as well as the respect of the same Procedure by the Company;
- The adequacy of the instructions issued by the Company to its subsidiaries.

In addition to that, the Independent Audit Company Deloitte & Touche S.p.A. has transmitted to the Board its Reports about (i) the Separated and consolidated Balance Sheet of the Group; (ii) the Consolidated Non-financial Statement 2018, pursuant to art. 14 of the Legislative Decree 39 dated 27 January 2010 where an opinion with no remarks on the Company financial statement and Consolidated Financial Statement of the Group is expressed.

The activity of the Board has been reported in the minutes of meetings held during 2018. For what concerns the Consolidated Balance Sheet of the Group, the Statutory Auditors analysed the contents and they have no comments, pointing out that – pursuant to C.F.L., art. 165 paragraph1 bis, the independent auditors of your Company, as listed Parent Company, are fully responsible for the review of such Financial Statements.

Proposal to the General Shareholders' Meeting

The Board expresses its favourable opinion:

- for approving the Balance Sheet as at 31 December 2018 and agrees with the Net Income allocation proposed by the Board of Directors.
- for approving the Consolidated Non-financial Statement: 2018 Sustainability Report.

Castellina di Soragna – Italy, 29 April 2019

THE CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS

Gianfranco Milanesi

PERMANENT MEMBERS

Annamaria Fellegara

Simone Caprari

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CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of Euros)	Note	31 December 2018	*of which with related parties (Note 8)*	31 December 2017	*of which with related parties*
ASSETS					
Non-current assets					
Property, plant and equipment	**6.1**	129,609	-	124,172	-
Intangible assets	**6.2**	4,809	-	4,638	-
Goodwill	**6.3**	67,926	-	70,784	-
Equity-accounted investments	**6.4**	24,463	-	22,257	-
Equity investments in other companies	**6.5**	3,725	-	3,612	-
Financial receivables	**6.6**	6,844	*4,000*	6,987	*4,660*
Deferred tax assets	**6.7**	3,023	-	2,112	-
Other assets	**6.8**	6,444	-	5,281	-
Total non-current assets		**246,843**		**239,843**	
Assets held for sale	**6.9**	**-**		**334**	-
Current assets					
Inventories	**6.10**	6,197	-	5,915	-
Trade receivables	**6.11**	75,900	*9,209*	74,539	*3,872*
Current tax receivables	**6.12**	1,961	-	1,972	-
Financial receivables	**6.13**	8,030	*5,867*	7,946	*5,599*
Other assets	**6.14**	8,868	-	10,703	-
Cash and cash equivalents	**6.15**	7,003	-	7,999	-
Total current assets		**107,959**		**109,074**	
TOTAL ASSETS		**354,802**		**349,251**	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Group shareholders' equity					
Share capital	**6.16**	31,430	-	31,799	-
Other reserves and retained earnings	**6.16**	93,045	-	93,506	-
Profit (loss) for the year		11,600	-	13,770	-
Total shareholders' equity attributable to shareholders of the parent company		**136,075**		**139,075**	
Total shareholders' equity attributable to non-controlling interests		**2,163**		**2,564**	
TOTAL SHAREHOLDERS' EQUITY	**6.16**	**138,238**		**141,639**	
LIABILITIES					
Non-current liabilities					
Due to banks and other lenders	**6.17**	36,044	-	40,210	-
Deferred taxes liabilities	**6.18**	2,014	-	2,645	-
Employee benefits	**6.19**	10,179	-	10,322	-
Provisions for risks and charges	**6.20**	2,651	-	2,447	-
Other financial liabilities	**6.21**	6,421	-	6,076	-
Total non-current liabilities		**57,309**		**61,700**	
Current liabilities					
Due to banks and other lenders	**6.17**	61,184	-	51,383	-
Trade payables	**6.22**	74,140	*10,201*	69,854	*9,106*
Current tax payables	**6.23**	61	-	157	-
Employee benefits	**6.18**	-	-	877	-
Other financial liabilities	**6.24**	3,602	*2,460*	5,176	*2,460*
Other payables	**6.25**	20,268	-	18,465	-
Total current liabilities		**159,255**		**145,912**	**-**
TOTAL LIABILITIES		**216,564**		**207,612**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**354,802**		**349,251**	

CONSOLIDATED INCOME STATEMENT

(thousands of Euros)	Note	31 December 2018	*of which with related parties (Note 8)*	31 December 2017	*of which with related parties*
Sales revenues	**7.1**	**250,908**	*16,540*	**252,102**	*6,318*
Other income	**7.2**	5,607	*1,094*	4,657	*772*
Raw materials and consumables	**7.3**	(26,633)	*(131)*	(25,946)	*(57)*
Costs for services	**7.4**	(78,192)	*(21,291)*	(76,866)	*(20,520)*
Personnel expense	**7.5**	(85,358)	*(5,547)*	(81,964)	*(5,148)*
- of which non-recurring		-		*(557)*	
Other costs	**7.6**	(1,909)	*(15)*	(2,154)	*(424)*
Depreciation/amortisation, impairment and provisions	**7.7**	(50,069)	-	(53,453)	-
Operating profit		**14,354**		**16,376**	
Financial income	**7.8**	2,081	*587*	2,059	*553*
Financial expenses	**7.9**	(3,197)	-	(2,442)	-
Income/(expense) from equity investments	**7.10**	144	-	750	-
Share of profit/loss of equity-accounted investments	**6.4**	(704)	-	1,018	-
Profit before tax		**12,678**		**17,761**	
Current and deferred taxes	**7.11**	(558)		(3,397)	
- of which non-recurring				*(134)*	
Profit (loss) for the year		**12,120**		**14,364**	
of which: Attributable to shareholders of the parent company		11,600		13,770	
Attributable to non-controlling interests		520		594	
Basic earnings per share (in Euros)	**7.12**	**0.364**		**0.435**	
Diluted earnings per share (in Euros)	**7.12**	**0.364**		**0.435**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euros)	Note	31 December 2018	31 December 2017
Profit (loss) for the year	**7.1**	**12,120**	**14,364**
Other comprehensive income that will not be reclassified to the Income Statement			
Actuarial gains (losses) on defined benefit plans	**6.18**	131	22
Income taxes on other comprehensive income	**6.7 6.17**	(36)	(5)
Other comprehensive income that may be reclassified to the Income Statement			
Gains (losses) from translation of foreign financial statements		(7,963)	(7,068)
Share of comprehensive income of the investments measured using the equity method	**6.4**	(501)	-
Income taxes on other comprehensive income		-	-
Total other comprehensive income after taxes		**(8,369)**	**(7,051)**
Total comprehensive income for the period		**3,751**	**7,313**
of which: Attributable to shareholders of the parent company		3,518	6,946
Attributable to non-controlling interests		233	367

CONSOLIDATED CASH FLOW STATEMENT

(thousands of Euros)	Note	31 December 2018	*of which with related parties (Note 8)*	31 December 2017	*of which with related parties*
Cash flow generated (absorbed) by operations					
Profit (loss) before tax		12,678	-	17,761	-
Payment of current taxes		(1,273)	-	(1,492)	-
Depreciation	**7.7**	49,459	-	52,607	-
Impairment and provisions	**7.7**	610	-	846	-
Gains/losses on on equity investments	**6.4 7.10**	560	-	(1,767)	-
Gains/losses on disposal	**7.2 7.6**	(334)	-	(708)	-
Interest income and expense accrued	**7.8 7.9**	1,116	-	382	-
Interest income collected	**7.8**	1,164	-	987	-
Interest expense paid	**7.9**	(2,605)	-	(1,683)	-
Provisions for employee benefits	**6.18**	396	-	229	-
		61,771		**67,162**	
(Increase)/decrease in inventories	**6.9**	(72)	-	(805)	-
(Increase)/decrease in trade receivables	**6.10**	(6,844)	*(5,337)*	(2,993)	*(2,259)*
Increase/(decrease) in trade payables	**6.22**	9,556	*1,095*	8,050	*741*
Increase/(decrease) in other assets and liabilities		(1,686)	-	(3,370)	-
Settlement of employee benefits	**6.18**	(1,349)	-	(777)	-
Cash flow generated (absorbed) by operations		**61,376**		**67,267**	
Net cash flow generated (absorbed) from investment activities in:					
Intangible assets	**6.2**	(1,412)	-	(708)	-
Property, plant and equipment	**6.1**	(55,649)	-	(48,236)	-
Dividends received	**7.10**	144	-	291	-
Acquisitions	**3.3**	(1,746)	-	(4,214)	-
Equity investments	**6.4 6.5**	(2,741)	-	(1,448)	-
Net cash flow generated (absorbed) by investment activities		**(61,404)**		**(54,315)**	
Cash flow generated (absorbed) from financing activities in:					
Financial receivables	**6.6 6.12**	(308)	*392*	1,266	*156*
Dividends paid	**6.15**	(5,681)	-	(4,713)	-
Net (purchase)/sales of treasury shares	**6.15**	(1,361)	-	1,620	-
Share capital increase	**6.15**	-	-	-	-
Other changes in equity	**6.15**	-	-	(1,755)	-
Current liabilities to banks and other lenders	**6.16**	11,100	-	448	-
Non-current liabilities to banks and other lenders	**6.16**	(3,756)	-	(6,561)	-
Cash flow generated (absorbed) from financing activities		**(6)**		**(9,695)**	
(Increase)/decrease in cash and cash equivalents		**(34)**		**3,257**	
Opening cash and cash equivalents	**6.15**	**7,999**		**5,463**	
Effect of exchange rate fluctuations		**962**		**721**	
Closing cash and cash equivalents	**6.15**	**7,003**		**7,999**	

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(thousands of Euros)	Share capital	Share premium reserve	Legal reserve	Retained earnings	Translation reserve	Profit (loss) for the year	Reserves and profit (loss) of non-controlling interests	Total Shareholders' Equity
Balance as at 31 December 2016	**31,461**	**51,967**	**4,772**	**39,427**	**(867)**	**10,451**	**545**	**137,756**
Allocation of profit from the previous year	-	-	594	5,144	-	(5,738)	-	-
Distribution of dividends	-	-	-	-	-	(4,713)	-	(4,713)
Change in the consolidation area	-	-	-	(1,990)	-	-	1,439	(551)
Share capital increase	-	-	-	-	-	-	213	213
Treasury share transactions	338	1,282	-	-	-	-	-	1,620
Profit (loss) for the year	-	-	-	-	-	13,770	594	14,364
Other components of comprehensive income	-	-	-	17	(6,840)	-	(227)	(7,050)
Balance as at 31 December 2017	**31,799**	**53,249**	**5,366**	**42,598**	**(7,707)**	**13,770**	**2,564**	**141,639**
IFRS 9 first application				(115)				**(115)**
Balance as at 1 January 2018	**31,799**	**53,249**	**5,366**	**42,483**	**(7,707)**	**13,770**	**2,564**	**141,524**
Allocation of profit from the previous year	-	-	-	8,364	-	(8,364)	-	-
Distribution of dividends	-	-	-	-	-	(5,406)	(275)	(5,681)
Acquisition non-controlling interests	-	-	-	363	-	-	(359)	4
Treasury share transactions	(369)	(991)	-	-	-	-	-	(1,360)
Profit (loss) for the year	-	-	-	-	-	11,600	520	12,120
Other components of comprehensive income	-	-	-	(406)	(7,676)	-	(287)	(8,369)
Balance as at 31 December 2018	**31,430**	**52,258**	**5,366**	**50,804**	**(15,383)**	**11,600**	**2,163**	**138,238**

EXPLANATORY NOTES

Introduction

The Consolidated Financial Statements of Servizi Italia S.p.A., comprising the Statement of Financial position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Shareholders' Equity and Explanatory Notes, were drafted in compliance with the International Financial Reporting Standards (IFRS) issued by the International Financial Reporting Standards Board and the interpretations issued by the IFRS Interpretations Committee, based on the text published in the Official Journal of the European Communities (O.J.E.C.).

These financial statements were approved on 29 April 2019 by the Board of Directors, which authorised their publication.

The accounting standards illustrated below have been applied on a consistent basis to all the periods presented.

The amounts shown in the explanatory notes are expressed in thousands of Euros, unless specified otherwise.

The financial statement schedules adopted by the group have the following characteristics:

- in the Statement of Financial Position, assets and liabilities are classified by maturity and are divided between current or non-current;
- in the Income Statement, costs and revenues are classified by nature;
- a separate Statement of Comprehensive Income has been provided;
- the Cash Flow Statement has been prepared using the indirect method, as permitted under IAS 7;
- the Consolidated Statement of Comprehensive Income has been prepared according to the provisions of IAS 1.

IFRS accounting standards, amendments and interpretations applied as from 1 January 2018

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Group starting on 1 January 2018:

- On 22 September 2016, with Regulation 2016/1905, the European Commission adopted **IFRS 15 *Revenue from contracts with customers,*** which introduces a new model in five stages that is applied to the contracts with customers. IFRS 15 provides for revenues to be recognised in an amount corresponding to the consideration to which the entity expects to be entitled in exchange for the goods or services transferred to the customer. The new standard, which has replaced all previous IFRS standards concerning revenue recognition, was adopted by the Group as from 1 January 2018, with retrospective effect.

  The main steps for revenue recognition according to the new model are:

  - identifying the agreement in place with the customer;
  - identifying the performance obligations in the agreement;

- defining the transaction price;
- allocating the price to the performance obligations in the agreement;
- revenue recognition criteria when the entity meets all performance obligation.

The revenues of the Group derive from the sale of services under long-term contracts. The Group carried out an analysis of these contracts and concluded that the different services promised to the customers represent a single performance obligation. Revenues from the provision of services are recognised in the period in which the services are provided, since the customer has benefited of the service (and obtains its control) at the time in which this is provided. The services are paid and invoiced at regular intervals. The revenues of the sales of goods, a residual component of the revenues of the Group, are recognised at the time the control of the goods is transferred to the customer.

The application of IFRS 15 did not have a significant impact on the revenues recognised and the corresponding information in the financial statements of the Group.

- With Regulation 2016/2067, issued on 22 November 2016, the European Commission adopted IFRS **9 – *Financial Instruments***. IFRS 9 covers all aspects related to the issue of the recognition of financial assets and liabilities: classification and valuation, impairment and hedge accounting. The standard is effective for the years after 1 January 2018. The introduction of this new standard is aimed at improving financial disclosures, addressing the issues identified in this area during the financial crisis. In particular, IFRS 9 responds to the need to transition to a more prudent model for the recognition of the losses expected on financial assets. More specifically, the new standard:

    - for financial assets, uses a single approach based on the management approach adopted for financial instruments and on the characteristics of the contractual cash flows of the financial assets to select the evaluation criteria, replacing the many different rules provided by IAS 39. For financial liabilities, instead, the main change concerns the accounting treatment of the changes in the fair value of financial liabilities indicated as financial liabilities measured at fair value through profit or loss, when these changes are due to a change in the creditworthiness of the issuer of the liability. According to the new standard, these changes must be recognised among the other components of comprehensive income and no longer in the Income Statement. The innovations introduced by IFRS 9 in terms of valuation and classification of financial instruments have not had an impact on the consolidated financial statements.

    - The requirements and the rules for the application of hedge accounting have been revised, simplifying somewhat the IAS 39 rules and widening in practice the range of cases in which hedge accounting may be used. In particular, the standard has introduced a) an increase in the types of transactions eligible for hedge accounting, including also the risk of non-financial assets/liabilities; b) a change in the recognition of forward contracts and options when these are included in a hedge accounting relationship to reduce volatility in the Income Statement; c) a change to the effectiveness test, with the current procedure based on the 80-125% parameter being replaced with the standard of the “economic relationship” between hedged item and hedging instrument; also, retrospective testing of the effectiveness of the hedging relationship is no longer required. The Group does not make use of hedge accounting, and therefore was not affected by the changes introduced.

- Lastly, the new standard requires the impairment of financial assets to be recognised in the financial statements according to an Expected Loss approach, instead of the IAS 39 framework, which is generally based on the valuation of the Incurred Loss, using supportable information, available without unreasonable costs or effort including historic, current and forecast data. The standard provides for the same impairment model to be applied to all financial instruments, i.e. to financial assets valued at amortised cost, to those valued at fair value through other comprehensive income, to receivables deriving from lease agreements and to trade receivables. The Group has reviewed its assessment of the recoverability of trade receivables and other financial assets. This has produced a negative change in equity as at 1 January 2018, date of first application of the standard, equal to Euro 115 thousand compared to the closing shareholders' equity as at 31 December 2017.

The standard was applied as from 1 January 2018 without carrying out a restatement of the comparative figures as at 31 December 2017.

- Amendment to **IFRS 2** "***Classification and measurement of share-based payment transactions***" (issued on 20 June 2016). This document provides clarifications on how to account for the effects of vesting conditions in cash-settled share-based payments, how to classify share-based payments that include net settlement features and how to account for changes to the terms and conditions of a share-based payment that turn cash-settled share-based payment to equity-settled share-based payment. These changes were applied as from 1 January 2018. The adoption of this amendment did not impact the consolidated financial statements of the Group.

- Document "***Annual Improvements to IFRSs: 2014-2016 Cycle***", issued on 8 December 2016 (including IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*, IAS 28 *Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or to consistent policy choice*, IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*), which partially supplement the pre-existing standards. Most of the changes were applied as from 1 January 2018. The adoption of these amendments did not impact the consolidated financial statements of the Group.

- Amendments to **IAS 40** "***Transfers of Investment Property***" (issued on 8 December 2016). These amendments provide clarifications on the transfer of properties to, or from, investment properties. Specifically, an entity should only reclassify a property asset to or from investment property when there is evidence of a change in use of that asset. Such change in use must be supported by a specific event occurred in the past. A change in intention by the entity's management alone is not sufficient. These changes were applied as from 1 January 2018. The adoption of these amendments did not impact the consolidated financial statements of the Group.

- Interpretation **IFRIC 22** "***Foreign Currency Transactions and Advance Consideration***" (published on 8 December 2016). This interpretation provides guidelines on foreign currency transactions when non-monetary advance consideration paid or received is recognised before recognition of the relating asset, expense or income. This document clarifies how an entity should identify the date of a transaction and therefore the spot exchange rate to be used for foreign currency transactions for which the consideration is paid or received in advance. IFRIC 22 was applied as from 1 January 2018.

The adoption of this interpretation did not have effects on the consolidated financial statements of the Group.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, still not applicable on a mandatory basis and not adopted early by the group as at 31 December 2018

- On 31 October 2017, the Regulation 2017/1986 was published, which adopts **IFRS 16 - Leases**, meant to improve the accounting recognition of leasing agreements. The context of application of the new standard is basically unchanged with respect to that of IAS 17, which it is replaces. Leases are defines as contracts that confer the right to control a specific asset ("right of use"), for a pre-specified period of time, in exchange for a consideration. The new standard however eliminates for the lessee the need to distinguish between operating and leasing finance lease made by IAS 17. All the different cases are brought back to a single category, distinguishing leasing and service agreements by identifying the following distinguishing factors: asset identification, right of replacement of the asset, right to obtain substantially all the economic benefits deriving from the use of the asset and right to control the use of the asset underlying the agreement.

  Upon the effective date, the lessee shall acquire the asset consisting of the right of use and the leasing liability. The asset that consists in the right of use is measured at cost, while the liability is equal to the current value of the payments due and not yet paid at this date, discounted at the implicit interest rate of the contract. The leases with duration less than twelve months that do not include a redemption option and those related to assets the value of which is insignificant ("low-value assets") may be excluded from the application of the new accounting standard.

  Application of the new standard is required as from 1 January 2019. The application of IFRS 16 will have a significant impact on the amounts and the information in the consolidated financial statements of the Group, given the significance of the lease agreements of the facilities in which the washing and sterilization activity is carried out.

  The Group completed the preliminary assessment of the potential impact of the application of the new standard at the transition date (1 January 2019). This process was articulated in different stages, including the complete mapping of the agreements potentially suited to contain a lease and their review aimed at identifying the clauses relevant for the purposes of IFRS 16.

  The Group has decided to apply the standard retrospectively, recognising however the cumulative effect of the application of the standard in shareholders' equity as at 1 January 2019, according to the provisions of IFRS 16:C7-C13. In particular, for those lease agreements previously classified as operating leases, the Group will recognise:

  - a financial liability, equal to the current value of the residual future payments at the transition date, discounted using for each agreement the incremental borrowing rate that can be applied at the transition date;
  - a right of use, equal to the value of the financial liability at the transition date, net of accruals and deferrals referred to the lease, recognised in the statement of financial position at the reporting date.

The estimated effects on shareholders’ equity as at 1 January 2019 are provided below:

(thousands of Euros)	**Effects as at 1 January 2019**
Non-current assets	
Property, plant and equipment	33,712
Non-current liabilities	
Other financial liabilities	2,730
Current liabilities	
Other financial liabilities	30,982
Total effect on the equity reserves	**0**

The transition to IFRS 16 introduce some options that involve the definition of some accounting policies and the use of assumptions and estimates in regard to the lease term and to the definition of the incremental borrowing rate. The main ones are summarised below:

- the Group reviewed all lease agreements and for each identified the lease term, which is given by the “non-cancellable” period, plus the effects of any extension or early termination clause the exercise of which is thought to be reasonably certain. More specifically, for real estate, this valuation has taken into account the specific facts and circumstances of each asset. With regard to other asset categories, mainly company cars, the Group has usually concluded that the exercise of any extension or early termination clauses is unlikely, in view of the prevailing practices;
- definition of the incremental borrowing rate: since most lease agreements concluded by the Group do not have an implicit interest rate, the discount rate to be applied to the future lease payments was calculated as the risk-free rate with maturity corresponding to the duration of the specific lease.

In adopting IFRS 16, the Group will make use of the exemption granted by Par. IFRS 16:5(a) in regard to the short-term lease for the following asset classes:

- motor vehicles;
- plants and equipment.

Likewise, the Group will make use of the exemption granted by IFRS 16:5(b) in regard to the lease agreements for which the underlying asset can be qualified as low-value asset (that is, the assets underlying to the contract of lease are worth less than Euro 5,000 when new). The contracts for which was applied the exemption mainly fall in the following categories:

- computers, telephones and tablets;
- printers;
- other electronic devices;
- furniture and fixtures.
- pressure-relieving mattresses.

For these contracts the introduction of IFRS 16 will not involve the recognition of the financial liabilities of the *lease* and the corresponding right of use, but the lease payments will be recognised in the income statement on straight-line basis for the duration of the respective contracts.

The following table shows the future commitments for lease payments (not discounted) corresponding to the lease agreements for which were applied the provisions of IFRS 16 for the entire lease term considered (therefore including the effects of the extension or early termination clauses the exercise of which is thought to be reasonably certain):

(thousands of Euros)	Within 3 months	Within 12 months	Within 24 months	Within 60 months	After 60 months	Total
Commitments for lease payments	1,395	3,257	4,444	11,623	27,873	48,592

- Amendment to **IFRS 9** "***Prepayment Features with Negative compensation"*** (issued on 12 October 2017). This document specifies that the instruments that required an early repayment could respect the "SPPI" test also if the "reasonable additional compensation" to be paid in case of early repayment is a "negative compensation" for the lender. The amendment applies as from 1 January 2019, though early adoption is allowed. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.

- On 7 June 2017, the IASB published the interpretative document **IFRIC 23 –** ***Uncertainty over Income Tax Treatments***. The document addresses the uncertainties over income tax treatments. The document requires the uncertainties over the determination of liabilities or assets for income taxes to be recognised in the financial statements only when it is probable that the entity will pay or receive the amount in question. Therefore, the interpretation does not provide any new mandatory disclosure; however, the entity should assess whether is necessary to provide disclosures on the management consideration done in relation to the uncertainty inherent to the recognition of the income taxes, in accordance with IAS 1. This interpretation applies as from 1 January 2019, though early adoption is allowed. Directors do not expect any significant effect on the separate financial statements when these amendments are adopted.

- Amendment to **IAS 28** "***Long-term Interests in Associates and Joint Ventures"*** (issued on 12 October 2017). This document clarifies the need to apply IFRS 9, including the requirements linked to the impairment, to the other long-term interests in associates and joint ventures to which the equity method does not apply. The amendment applies as from 1 January 2019, though early adoption is allowed. Directors do not expect any significant effect on the separate financial statements when these amendments are adopted.

IFRS accounting standards, amendments and interpretations still not approved by the European Union.

At the reference date of these consolidated financial statements, the competent bodies of the European Union have not yet concluded the endorsement process needed for the adoption of the amendments and standards described below, in respect of which the Directors do not expect significant effects on the Group consolidated financial statements.

- Document ***"Annual Improvements to IFRSs 2015-2017 Cycle"***, issued on 12 December 2017 (including IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements – Remeasurement of previously held interest in to joint operation*, IAS 12 *Income Taxes – Income tax consequences of payments on financial instruments classified as equity*, IAS 23 *Borrowing costs Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation*), which acknowledges the amendments to some standards as part of the annual improvement process. The amendments apply as from 1 January 2019, though early adoption is allowed.

- Bringing to an end a long consultation period, on 18 May 2017, the IASB issued the new international accounting standard **IFRS 17 - *Insurance contracts***, which will replace the pre-existing standard, IFRS 4. The new standard sets the rules for the recognition, measurement, presentation and disclosure for insurance contracts; it will apply to all insurance contracts through a reference accounting model based on the discounting of the expected cash flows, the explicit definition of a risk adjustment and a Contractual Service Margin (CSM). The objective of the new standard is to ensure that an entity provides relevant information, providing a truthful representation the rights and the obligations deriving from the insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses of the existing accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, included the reassurance contracts that an insurance company holds. The new standard also sets requirements of presentation and disclosure to improve the comparability between the entities that belong to this sector.

- Amendment to **IAS 19 *"Plant Amendment, Curtailment or Settlement"*** (issued on 7 February 2018). The document clarifies that an entity must recognise a modification (i.e. a curtailment or settlement) of a defined benefit plan. The amendments require an entity to update its assumptions and remeasure the net liability or asset deriving from the plan. The amendments clarify that, after the verification of said event, an entity uses updated assumptions to measure the current service cost and interest for the rest of the reference period after the event. The amendments apply as from 1 January 2019, though early adoption is allowed.

- Amendment to **IFRS 10 and IAS 28** *"**Sales or Contribution of Assets between an Investor and its Associate or Joint Venture**"* (issued on 11 September 2014). The purpose of these amendments was to resolve the conflict between IAS 28 and IFRS 10 concerning the measurement of profit or loss arising from transfers or assignments of a non-monetary asset to a joint venture or associate in return for its shares. The IASB has suspended the application of these amendments for the time being.

- On 22 October 2018, the IASB published the document "***Definition of a Business (Amendments to IFRS 3)***". The document provides some clarifications in regard to the definition of business for the purposes of the correct application of IFRS 3. In particular, the amendment clarifies that, while a business usually produce an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. The amendment has also introduced a test ("concentration test"), optional for the entity, to establish whether a set of activities/processes and assets acquired represents a business. The changes must be applied to all business combinations and asset acquisitions carried out after 1 January 2020, but early adoption is allowed.

- On 31 October 2018, the IASB published the document "***Definition of Material (Amendments to IAS 1 and IAS 8)***". The document has introduced a change to the definition of "material" provided by IAS 1 - *Presentation of Financial Statements* and IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*. This amendment makes the definition of "material" more specific, by introducing the concept of "obscured information" alongside the concepts of omitted or misstated information already found in the two standards amended. The amendment clarifies that information is "obscured" if it was described in a way to produce for the primary readers of financial statements an effect similar to that which would have been produced if this information had been omitted or misstated.

1 Core Business

The Group primarily works in the domestic market as well as in the State of São Paulo (Brazil), Albania, India, Morocco, and Turkey, in supplying integrated rental, washing and sterilisation services for textiles and surgical instruments to social/welfare and public and private hospital facilities. In particular, the services provided by the Company are articulated in:

- wash-hire services, which include (i) planning and provision of integrated hire, reconditioning (disinfection, washing, finishing and packaging) and logistics (pick-up and distribution to usage centres) services for textile items, mattresses and accessories (pillowcases, curtains), (ii) rental and washing of high visibility "118" emergency service items and (iii) logistics, transport and management of hospital linen storage facilities;
- linen sterilisation services, which include the planning and rental of sterile medical devices for operating theatres (linens for operating theatres and scrubs) packed in sets for the operating theatre, in cotton or in re-usable technical fabric, as well as personal protection equipment (gloves, masks); and
- surgical instrument sterilisation services, which include (i) planning and provision of washing, packaging and sterilisation services for surgical instruments (owned or rented) and accessories for operating theatres and (ii) planning, installation and renovation of sterilisation centres.

2 The Company as part of a group

Servizi Italia S.p.A. is a subsidiary of the Coopservice S.Coop.p.A. group, with registered offices in Reggio Emilia, which holds a controlling shareholding via the Company Aurum S.p.A., the same, therefore, indirectly controls the Servizi Italia Group.

3 Consolidation principles and accounting standards

3.1 Consolidation principles

The consolidated financial statements include the financial statements of Servizi Italia S.p.A. and of the companies, over which it exercises direct or indirect control, beginning on the date on which it is acquired and until the date on which it is no longer held. Servizi Italia S.p.A. controls a company when, in exercising the power it holds on it, is exposed and is entitled to its variable returns, getting involved in its management, and has, at the same time, the possibility to impact the variable returns of the subsidiary. The exercise of rights on the subsidiary is based on: (i) of the voting rights, also potential, held by the Group and by virtue of which the Group can exercise the majority of the votes exercisable during the company's ordinary shareholders' meeting; (ii) of the content of any agreements between shareholders or the existence of particular article of association clauses, which assign the Group the power to govern the company; (iii) of the control by the Group of a number of votes sufficient to exercise the de facto control of the company's ordinary shareholders' meeting.

Joint control agreements in which the parties hold rights on the net assets of the agreement are defined as joint ventures, while the jointly controlled agreements in which the parties hold rights on the assets and obligations related to the agreement are defined as jointly controlled assets. Joint control is the sharing, on a contractual basis, of the control of an agreement, which exists solely when due to decisions relating to the significant activities the unanimous consent of all the parties, which share the control, is required.

The companies, in which Servizi Italia is able to participate in the definition of the operating and financial policies despite the same not being subsidiaries or jointly controlled parties, are associates.

Investments in associates and joint ventures are measured using the equity method. On the basis of the equity method, the equity investment is recognised in the statement of financial position at purchase cost, adjusted, upwards or downwards, for the portion pertaining to the Group of the changes in the net assets of the subsidiary. Goodwill pertaining to the subsidiary is included in the book value of the equity investment and is not amortised. The transactions generating internal gains realised by the Group with associates and companies under joint control are eliminated limited to the holding owned by the Group. Adjustments are made to the financial statements of companies carried at equity, necessary for bringing the accounting standards into line with those adopted by the Group. Jointly controlled assets (joint operations) are recorded by recognising the portion of asset and liability, cost and revenue that pertain thereto, directly into the financial statements of the company, which is part of the agreements.

The financial statements consolidated line-by-line were prepared as at 31 December 2018 and have been adjusted as required to bring them into line with the accounting standards of Servizi Italia S.p.A.:

- the assets and liabilities, expense and income are consolidated line-by-line allocating the minority shareholders, where applicable, the portion of shareholders’ equity and net result for the year due to the same;
- business merger transactions, by virtue of which control over an entity is acquired, are recognised in the accounts by applying the purchase method. The purchase cost corresponds to the fair value as at the date of purchase of the assets sold, the liabilities undertaken, the equities issued and any other directly attributable accessory charge. The difference between the purchase cost and the fair value of the assets and liabilities acquired, if positive, is allocated to the asset item Goodwill; if it is negative, after having re-checked the correct measurement of the fair values of the assets and liabilities acquired and the purchase cost, it is recognised directly in the income statement, as income. The cost incurred for the acquisition is immediately recorded in the Income Statement. If the acquisition agreement provides for an adjustment of the price that is different according to the profitability of the acquired business over a defined period of time, or until a pre-set future date (“earn-out”), the adjustment is included in the purchase price starting from the date of acquisition and is valued at fair value at the date of acquisition while the subsequent changes are recorded in the Income Statement;
- the acquisition or the transfer of minority shareholdings of third parties, subsequent to the acquisition of control and if the control is maintained, are recorded under net equity;
- significant gains and losses from transactions between companies consolidated line-by-line, not yet realised vis-à-vis third parties, are eliminated;
- receivable and payable transactions, costs and revenues, as well as the financial income and expense between companies consolidated line-by-line are eliminated;
- put options on minority shares lead to the recognition of a financial liability at the current value of the disbursement to be executed during the period. This liability reduces the non-controlling interests or the reserves of the Group in relation to the fact that the risks and benefits of said

interests have been transferred or otherwise to the purchaser. Any changes in the estimate of the disbursement are recognised in the income statement;

- the financial statements of each company belonging to the Group are prepared in the currency of the primary economic sphere in which it operates (reporting currency). For the purposes of the consolidated financial statements, the financial statements of each foreign entity are expressed in Euros, which is the reporting currency of the Group and the presentation currency for the consolidated financial statements. All the assets and liabilities of foreign companies in currency other than Euros, which fall within the scope of consolidation, are converted using the exchange rates existing as of the financial statement reference date (current exchange rate method). Income, costs and cash flows are converted at the average exchange rate for the period. The exchange differences deriving from the comparison between the opening shareholders' equity converted using the current rates and the same converted using the historical rates, as well as the difference between the profit/loss expressed using the average rates and that expressed using the current rates, are booked to other comprehensive income and recorded in a specific reserve;

- foreign currency transactions are recorded using the exchange rate in force as of the date of the transaction. Monetary assets and liabilities denominated in foreign currency are converted at the exchange rates existing as of the financial statement reference date. Non-monetary items valued at historical cost in foreign currency are converted using the exchange rate in force as of the date of initial recognition of the transaction. Non-monetary items recorded at fair value are converted using the exchange rate as of the date of determining this value;

- the exchange rates used for the conversion into Euros of the financial statements of the companies included in the scope of consolidation are illustrated below.

Currency	Exchange rate as at 31 December 2018	Average exchange rate for 2018	Exchange rate as at 31 December 2017	Average exchange rate for 2017
Brazilian Real (BRL)	4.444	4.3085	3.9729	3.6041
Turkish Lira (TRY)	6.0588	5.7077	4.5464	4.1214[a]
Albanian Lek (LEK)	123.53	127.62	133.58	134.11
Indian Rupee (INR)	79.7298	80.7332	76.6055	73.5324
Moroccan Dhiram (MAD)	10.939	11.082	11.236	10.993[b]
Singapore Dollar (SGD)	1.5591	1.5800[c]	-	-

[a] *The average exchange rate used for the consolidation of the group Ankara Laundry was 4.32274 (average from 19 July 2017 - control acquisition date - to 31 December 2017).*

[b] *The average exchange rate used for the valuation using the equity method of the company Servizi Sanitari Integrati Marocco is the average from 22 February 2017 - the date of acquisition - to 31 December 2017*

[c] *The average exchange rate for the valuation using the equity method of the company Idsmed Serviziplus Pte. Ltd corresponds to the average from 26 June 2018 - date of acquisition - to 31 December 2018.*

3.2 Scope of Consolidation

The scope of consolidation includes the following subsidiaries (consolidated line-by-line):

Name of the Company	Registered office	Currency	Share capital as at 31 December 2018	Percentage shareholding as at 31 December 2018	Percentage shareholding as at 31 December 2017
San Martino 2000 S.c.r.l.	Genoa	EUR	10	60.0%	60.0%
Se.Sa.Tre. S.c.r.l. in liquidation	Genoa	EUR	20	60.0%	60.0%
Steritek S.p.A.	Malagnino (CR)	EUR	134	70.0%	70.0%
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	Ankara, Turkey	TRY	5,000	55.0%	55.0%
Ergülteks Temizlik Tekstil Ltd. Sti.(**)	Smyrna - Turkey	TRY	1,700	57.5%	57.5%
SRI Empreendimentos e Participacoes LTD	São Paulo (Brazil)	BRL	172,857	100.0%	100.0%
Lavsim Higienização Têxtil S.A.(*)	São Roque, State of São Paulo (Brazil)	BRL	550	100.0%	100.0%
Maxlav Lavanderia Especializada S.A.(*)	Jaguariúna, State of São Paulo (Brazil)	BRL	2,825	65.1%	50.1%
Vida Lavanderias Especializada S.A.(*)	Santana de Parnaiba, State of São Paulo - Brazil	BRL	3,600	65.1%	50.1%
Aqualav Serviços De Higienização Ltda*	Vila Idalina, Poá, State of São Paulo (Brazil)	BRL	15,400	100.0%	100.0%
SIA Lavanderia S.A.(*)	Manaus, State of Amazonas (Brazil)	BRL	9,766	100.0%	100.0%
Steriliza Serviços de Esterilização S.A.(*)	San Paolo, state of São Paulo (Brazil)	BRL	2,000	100.0%	100.0%

(*) *held through SRI Empreendimentos e Participações Ltda*
(**) *held through Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi*

On 9 October 2018 Servizi Italia S.p.A., through the company SRI Empreendimentos e Participacoes LTDA, has exercised the call option to acquire an additional 15% interest in the share capital of the Brazilian company Maxlav Lavanderia Especializada S.A. and Vida Lavanderia Especializada S.A., in which Servizi Italia S.p.A already had a 50.1% controlling interest as from 19 July 2013. Servizi Italia S.p.A., as a result of the acquisition of the additional 15%, holds currently 65.1% of the equity of both companies.

On 28 December 2018, Servizi Italia S.p.A., through the company SRI Empreendimentos e Participacoes LTDA, also acquired 49% of the share capital of Steriliza Serviços de Esterilização S.A. and SIA Lavanderia S.A. The companies were set up in 2018 in the context of a joint venture agreement with the Brazilian group Bringel, which was terminated on 28 December 2018 with a settlement agreement as described below in this note.

Investments in associates and joint ventures are measured using the equity method.

Name of the Company	Registered office	Currency	Share capital as at 31 December 2018	Percent interest as at 31 December 2018	Percent interest as at 31 December 2017
CO.SE.S S.c.r.l. in liquidation	Perugia	EUR	10	25%	25%
PSIS S.r.l.	Padua	EUR	10,000	50%	50%
Ekolav S.r.l.	Lastra a Signa (FI)	EUR	100	50%	50%
AMG S.r.l.	Busca (CN)	EUR	100	50%	50%
Steril Piemonte S.c.r.l.	Turin	EUR	4,000	50%	50%
Iniziative Produttive Piemontesi S.r.l.	Turin	EUR	2,500	37.63%	37.63%
Piemonte Servizi Sanitari S.c.r.l.	Turin	EUR	10	30% (*)	30% (*)
Finanza & Progetti S.p.A.	Padua	EUR	550	50%	50%
Arezzo Servizi S.c.r.l.	Arezzo	EUR	10	50%	50%
Brixia S.r.l.	Milan	EUR	10	23%	23%
Saniservice Sh.p.k.	Tirana – Albania	LEK	2,746	30%	30%

Name of the Company	Registered office	Currency	Share capital as at 31 December 2018	Percent interest as at 31 December 2018	Percent interest as at 31 December 2017
Shubhram Hospital Solutions Private Limited	New Delhi - India	INR	305,172	51%	51%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul - Turkey	TRY	6,742	51%	51%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MAD	122	51%	51%
Sanitary cleaning Sh.p.k.	Tirana – Albania	LEK	2,799	40%	-
IDSMED Servizi Pte. Limited	Singapore - Singapore	SGD	1,000	30%	-

(*) Indirect 15.05% interest through Iniziative Produttive Piemontesi S.r.l.

On 19 June 2018, Servizi Italia S.p.A. reached an agreement with the Asian group IDS Medical Systems Group Ltd. for the establishment of a corporate vehicle with registered office in Singapore under the name of IdsMED Servizi Pte Ltd. This will identify and develop new business opportunities in sterilisation and wash-hire services for healthcare facilities in the Asia-Pacific area.

On 16 July 2018, Servizi Italia S.p.A. acquired a 40% interest in Sanitary Cleaning Sh.p.k., an Albanian company that provides laundry and cleaning services for the public and private sector, hospitals and hotels in Albania, for Euro 1,300 thousand.

3.3 Information relating to the acquisition transactions carried out during the year

Acquisition of the industrial laundry business unit of Bolognini M&S S.r.l.

On 1 October 2018, Servizi Italia S.p.A. acquired from Lavanderia Bolognini M&S S.r.l. a business unit operating in the sector of industrial laundries for the private sector. The acquisition included the relations with the employees, linen and linen products, carts used to transport linen, the brand and contracts with transport providers. With this acquisition, the Servizi Italia Group has started to diversify its activities to the provision of high-quality wash-hire services for private tourism operators in North-East Italy and expects to be able to increase its turnover on an annual basis by approximately Euro 5.3 million.

A comparison between the fair value and the book value of the assets and liabilities acquired and the calculation of the goodwill generated by the acquisition are provided below:

(thousands of Euros)	1 October 2018	
	Fair value	Book value
Property, plant and equipment	1,294	1,294
Intangible assets	2	2
Trade and other receivables	41	41
Employee benefits	(14)	(14)
Current financial payables	(12)	(12)
Other current payables	(65)	(65)
Fair value of acquired assets/liabilities	**1,246**	**1,246**
Cash and cash equivalents as at the acquisition date	-	
Price acquisition of business unit	**3,246**	
Goodwill deriving from the acquisition	**2,000**	

After comparing the fair value of the assets and liabilities acquired with respect to the total consideration paid, equal to Euro 3,246 thousand, the Group has recognised goodwill for Euro 2,000 thousand.

Acquisition of Steriliza Serviços de Esterilização S.A. and SIA Lavanderia S.A. as a result of the rescission of the partnership with the Brazilian group Bringel

On 28 December 2018, the Servizi Italia Group reached a settlement agreement with the Brazilian group Bringel, with which it had launched a project of partnership for the development of the washing activities in the State of Amazonas and sterilization in the state of São Paulo. More specifically, the partnership agreement provided for:

- the establishment of a start-up, SIA Lavanderias S.A., for the “greenfield” construction, in the city of Manaus in the State of Amazonas, of an industrial laundry production site for the development of wash-hire service in the local market. The agreement included an investment by SIA, to be carried out in multiple stages, for an estimated total of R$ 38.0 million (around Euro 8.8 million). At the time of rescission of the partnership, the agreement had produced the following effects:
    - the establishment on 17 October 2018 of the joint venture SIA Lavanderias S.A. in which Servizi Italia S.p.A. held a 51% interest through SRI Empreendimentos e Participacoes LTDA, and SB Participacoes Societaria LTDA the remaining 49%, with equity of R$ 9.7 million;
    - the definition of a lease agreement of the property used as laundry, investment the cost of which was entirely borne by the Bringel Group and
    - the purchase of plants and machinery, in part still to be installed.
- the establishment, on 17 October 2017, of the start-up, Steriliza Serviços de Esterilizaçao S.A., for the analysis and execution of sterilization services in the state of São Paulo. Servizi Italia S.p.A. held a 51% interest in the company through SRI Empreendimentos e Participacoes LTDA, and SB Participacoes Societaria LTDA a 49% interest, with R$ 2 million equity, with R$ 600 thousand paid for.

  With the agreements for the rescission of the partnership, the Bringel Group signed a five-year non-competition agreement for the laundry activities on the entire Brazilian territory and to the sterilization activities in the South-East of Brazil that should have be originally carried out respectively by SIA and by Steriliza. In the agreements, Servizi Italia signed a five-year non-competition agreement for sterilization activities on the entire Brazilian territory, with the exception of the South-East of the country, having had access to the know-how of the Bringel Group concerning sterilization services in Brazil.

  Under the provisions of the agreements, the Servizi Italia Group acquired the residual 49% of SIA Lavanderias S.A. and Steriliza S.A. for a consideration respectively of R$ 1 million (around Euro 225 thousand) and R$ 50 thousand (around Euro 11 thousand). The Servizi Italia Group decided not to continue the SIA/Steriliza project alone and to allocate the plants and equipment formerly of SIA to other companies operating in the Brazilian market since they are compatible with the productive structures and the development programmes of the latter. The recoverable value of the investments started and later suspended, as well as the costs incurred by SIA and Steriliza until the acquisition of control, were taken into account in the valuation of the equity investments.

  Considering that at the time of the acquisition of the control, the companies were not running, had no employees nor plans for building the assets object of the economic initiative originally planned, the net assets acquired cannot be defined as a business pursuant to IFRS 3, therefore the acquisition was recognised as purchase of assets and liabilities at their fair value as described below:

(thousands of Euros)	Sia	Steriliza	28 December 2018 Total
Property, plant and equipment	1,445	-	1,445
Inventories	52	-	52
Trade and other receivables	59	-	59
Current financial payables	(46)	-	(46)
Trade payables	(886)	(4)	(890)
Other current payables	(54)	(12)	(66)
Fair value of acquired assets/liabilities	**570**	**(16)**	**554**
Cash and cash equivalents as at the acquisition date	**120**	**6**	**126**
Total	**690**	**(10)**	**680**
Value of equity investment already held (51%)	352	(5)	347
Purchase price of the 49% interest	225	11	236
Total	**577**	**6**	**583**
Value adjustment for non-competition agreement	**(113)**	**16**	**(97)**

The difference between the fair value of the assets and liabilities acquired and the consideration paid was allocated to the adjustment of the value of the non-competition agreement, valued at R$ 3.25 million (Euro 731 thousand) by the parties in the agreements for the rescission of the partnership. This is due to the joint negotiation of this value with the consideration for the purchase of the equity investments and after verifying that there were no other surplus amounts resulting from the net assets acquired.

3.4 Summary of the accounting standards and basis of preparation

The consolidated financial statements were drawn up in accordance with the criterion of cost, except in the cases specifically described in the following notes, for which the fair value was applied.

A. Property, plant and equipment

Tangible fixed assets include land and buildings, machinery and plant, returnable assets, industrial and commercial equipment, linen and other assets benefiting future periods.

The fixed assets are stated at purchase or production cost, inclusive of the related costs and costs necessary for making the asset available for use, net of accumulated depreciation. The costs subsequent to purchase are included in the value of the asset or recorded as a separate asset only if it is probable that the Company will receive future economic benefits associated with the assets and the cost can be measured. Maintenance and repairs are recognised in the income statement in the period in which they are incurred.

The depreciation of tangible fixed assets is calculated on a straight-line basis so as to spread the value of the assets over the estimated useful life according to the following categories:

	Years
Industrial buildings	33
Plant and machinery	12
General plant	7
Industrial and commercial equipment	4
Specific equipment	8
Linen	3
Furniture and fixtures	8
Electronic machinery	5
Cars	4
Other vehicles	5

The useful lives are reviewed, and adjusted if necessary, at the end of each period.

The individual components of an asset, which are characterised by a different useful life, are depreciated separately and on a consistent basis with their duration according to an approach by components. Returnable assets are depreciated over the residual duration of the contract within the sphere of which they are realised.

If there are indicators of impairment, the assets are subject to an “Impairment test” as per the following section E; any impairment may be subsequently reversed if the reasons for the impairment cease to apply. These fixed assets include the costs for the creation of the sterilisation and washing installations at the customer sites, which are used exclusively by the Group. These assets are depreciated over the useful life of the assets or the residual duration of the wash-hire contract, whichever is the shorter. The ownership of the asset is transferred to the customer on termination of the contract.

The financial expense is capitalised if directly attributable to the purchase, construction or production of an asset.

B. Finance leases

A lease agreement is said to be a finance lease if it involves the substantial transfer of all risks and benefits arising from owning the asset. Assets acquired via finance lease agreements are recognised under property, plant and equipment with the recognition under the liabilities of a financial payable for the same amount. The payable is progressively reduced on the basis of the repayment plan for the principal amounts included in the fees contractually envisaged, while the value of the assets recorded among property, plant and equipment is systematically depreciated in relation to the economic-technical life of said asset.

For operating lease agreements, instead, the instalments are recorded in the Income Statement on a straight-line basis over the life of the contract.

C. Intangible assets

Only identifiable assets, controlled by the enterprise, which are able to produce future economic benefits, can be defined as intangible assets.

These assets are recorded in the financial statements at purchase or production cost, inclusive of the related charges as per the criteria already indicated for property, plant and equipment. The development costs are also capitalised provided that the cost can be reliably determined and that it can be demonstrated that the asset is able to produce future economic benefits.

The intangible assets with a defined useful life are amortised systematically as from the moment the asset is available for use over the envisaged period of utility. They are mainly represented by software licences acquired for a consideration capitalised on the basis of the cost incurred. These costs are amortised on a straight-line basis according to their estimated useful life (3 years).

The value attributed, upon an acquisition, to the contract portfolio is amortised based on the residual duration of the related contracts and proportional to the time of the distribution of the benefit flow resulting therefrom.

D. Goodwill

Goodwill represents the additional costs incurred with respect to the fair value of the net assets identified at the time of acquisition of a subsidiary, associate or business. In the consolidated financial statements, goodwill related to the acquisition of associates and joint ventures is included in the cost recognised in the item "Equity investments recognised at shareholders' equity" measured as described in "Equity investments" below.

All goodwill is verified once a year to identify any impairment loss ("impairment test") and is recognised net of any impairment.

An impairment loss recognised for goodwill cannot be reversed in a subsequent period.

For the purposes of the impairment test, goodwill is allocated to the individual cash generating units ("CGUs"), or CGU groups, that are believed to be the source of the financial benefits from the acquisition to which goodwill refers.

E. Impairment test

In the presence of situations that may potentially generate impairment losses, impairment tests are carried out on property, plant and equipment and intangible assets, by measuring their recoverable value and comparing it with the corresponding net carrying value. If the recoverable value is less than the carrying value, the latter is adjusted accordingly. This reduction represents a loss in value, which is recognised in the Income Statement.

Goodwill and assets with an indefinite useful life or assets not available for use are subject at least once a year to an impairment test, to verify the recoverability of their value. An impairment test is carried out on assets that are amortised/depreciated on the occurrence of events and circumstances that indicate that the carrying value might not be recoverable. In such cases, the book value of the asset is written down until reaching the recoverable value.

The recoverable value is the greater of the *fair value* of the assets net of selling costs and the value in use. For the purposes of the Impairment test, the assets are grouped together at cash generating units ("CGUs") or groups of CGUs level.

As of each financial statements date, steps are taken to check any recovery of the impairments made on the non-financial assets further to impairment tests. If a write-down, previously carried out, no longer has a reason to exist, except for the goodwill, its book value is written back using the new value deriving from the estimate, provided that this value does not exceed the net carrying value that the asset would have had if no write-down was ever carried out. The write-back is also recorded in the Income Statement. Impairment losses recognised on goodwill cannot be reversed.

F. Equity investments

Investments in associates and joint ventures are measured using the equity method.

In application this valuation method, the investment is initially recognised at cost and the book value is increased or decreased to recognize the investor's share of the subsidiary's profits or losses. The attributable share of the profit (loss) for the year of the associate is recognised in the Income Statement. The dividends received reduce the book value of the equity investment. Adjustments to the book value may also be necessary as a result of changes in the equity investment or changes in the items of the statement of comprehensive income of the associate (e.g. changes deriving from foreign currency translation differences). The portion of these changes pertaining to the participant is recognised in other comprehensive income.

If the quota of losses of a subsidiary company is equal to or exceeds the value of the equity investment, after having eliminated the value of the interest, the additional losses are set aside and recognised as liabilities, only to the extent that there are legal or implicit obligations or payments have been made on behalf of the subsidiary company. If the subsidiary subsequently realizes profits, the investing firm will book the portion of profits pertaining to it only after it has equalled its share of unrealised losses.

Profits and losses deriving from transactions between an entity and associated firm or joint venture are booked in the entity's financial statements only for the portion of minority interests in the associate or joint venture. If a company valued with the equity method retains subsidiaries, associates or joint-ventures, the profit (loss) for the year, the other items of the statement of comprehensive income statement and the net assets considered during the application of the equity method are those recorded in the consolidated financial statements of the subsidiary company.

If there is objective evidence of a value loss, an impairment test is carried out on the equity investment, with the same procedures described for intangible and tangible fixed assets in paragraph E.

Equity investments in other companies include minority interests of less than 20% related to strategic and productive investments held since related to the management of orders or concessions. These equity investments usually cannot be freely transferred to third parties, since they are subject to rules and agreements that in practice prevent their free circulation. The equity investments in other companies are recognised at the fair value if there is an active market for the securities representative of these equity investments. The profits or the losses deriving from changes in the fair value are recognised directly in the Income Statement. If an active market is not available, which is the case for all equity investments held by the Group as at 31 December 2018, equity investments in other companies are recognised at the cost of purchase or setup, reduced for any impairment or capital refund, as best estimate of the fair value.

G. Financial instruments

Financial assets are initially recognised at fair value, increased (or decreased in the case of financial assets recognised at fair value through profit or loss) of the transaction costs directly related to the acquisition of the assets. The subsequent valuation depends on the nature of the cash flows generated by the asset and the model adopted by the Group for the management of the asset. In particular:

- if the cash flows of the asset consist only of principal repayments and interest on the principal due and if the model for managing financial assets provides only for the collection of the cash flows generated by the asset, the financial asset is measured with the amortised cost method. The financial assets recognised in the financial statements, consisting of financial receivables, trade receivables and other assets, fall among those recognised at amortised cost.
- If the cash flows of the asset consist only of principal repayments and interest on the principal due and if the model for managing financial assets provides for a combination of the collection of the cash flows from the asset and the cash flows deriving from the sale of the asset, the financial asset is measured at fair value with recognition of the effects in the statement of comprehensive income.
- If the cash flows of the asset are not represented only by payments of the principal and the interest on the amount of the principal due or if the management model of the financial assets provides for the collection of the cash flows deriving from the sale of the asset, the financial asset is measured at fair value, with recognition of the effects in the income statement.

Derivative instruments are recognised at fair value in the statement of financial position. The gains and losses realised are recognised in the income statement if the derivatives cannot be defined as hedges under IFRS 9 or they hedge a price risk (fair value hedge) or in the statement of comprehensive income if they hedge a future cash flow or a future contractual commitment already undertaken as at the reporting date (cash flow hedge).

Cash and cash equivalents are bank and post office deposits, marketable securities, which represent temporary investments of liquidity and financial receivables due within three months.

Financial liabilities are recognised initially at the fair value increased (or decreased in the case of financial liabilities recognised at fair value through profit or loss) of the transaction costs directly related to the issue of the liabilities. Later, they are measured at amortised cost, apart from financial derivatives or liabilities held for trading, which are recognised at fair value through profit or loss, or in the cases in which the Group chooses valuation at fair value through profit or loss for liabilities that would be otherwise recognised at the amortised cost. Financial liabilities, trade payables and other payables are recognised at amortised cost. No liabilities in the financial statements were recognised at fair value.

The value of the financial assets is adjusted for any impairment. Impairment is measured using the Expected Credit Loss model, which estimates the loss expected over a period more or less long according to credit risk:

- for financial assets that did not see a significant increase in credit risk from the time of the initial recognition or that have a low credit risk at the reporting date, the expected loss is calculated on the subsequent 12 months;
- for financial assets that have seen a significant increase in credit risk from the time of the initial recognition but for which there is not yet objective evidence of impairment, the expected loss is calculated on the whole life of the asset;
- for financial assets for which there is objective evidence of impairment, the expected loss is calculated on the whole life of the asset and, with respect to the previous section, the interest cash flows are calculated on the value less the expected loss.

For trade receivables that do not contain a significant financing component, the expected loss is calculated using a method that is simplified with respect to the general approach described above. Under the simplified approach, there is no need to monitor for significant increases in credit risk and entities are required to measure lifetime expected credit losses at all time In an additional derogation from the general method, for financial assets that have a low credit risk, when there is a low risk of default in the short term and in the presence of unfavourable changes in economic conditions, the 12-months expected loss is used.

The financial assets representing “white certificates” are allocated in relation to the achievement of energy savings through the application of efficient systems and technologies. The white certificates are recognised in the accounts on an accruals basis under “Other income”, in proportion to the TOE (tonne of oil equivalent) savings effectively made in the period. The recognition of the same is carried out at the average annual market value unless the year-end market value is significantly lower. The decreases due to sales of white certificates matured during the period or in previous periods are valued at the disposal price. The capital gains and losses deriving from the sales of certificates in periods different to those of maturity are recorded respectively under “Other income” or “Other costs”.

H. Other non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are valued at the lower of their previous book value and fair value net of sales costs. Non-current assets (and groups of assets being disposed) are classified as held for sale when their book value is expected to be recovered through a sale transaction rather than through their use in the company's operations. This condition is only met when the sale is considered highly probable and the asset (or group of assets) is available for immediate sale in its current conditions. The first condition exists when Management has made a commitment to the sale; this should take place within twelve months from the date of classification under this item. From the date in which these assets are classified in the category of non-current assets held for sale, the corresponding depreciation is suspended.

I. Inventories

Inventories are recognised at purchase or production cost, inclusive of accessory charges, determined by applying the weighted average cost method or the estimated realisable value calculated on the basis of the market trend net of the sales costs, whichever is the lower.

J. Employee benefits

<u>Post-employment plans</u>
Consequent to the changes made to the employee severance indemnity (TFR) by Italian Law No. 296 dated 27 December 2006 (“2007 Finance Bill”) and subsequent Decrees and Regulations issued in the first few months of 2007, within the sphere of the supplementary welfare reform the related Provision is recognised as follows:

- Termination indemnity fund accrued as of 1 January 2007: falls within the category of defined-contribution plans both in the event of opting for supplementary welfare and in the case of assignment to the Treasury Fund of INPS. The accounting treatment is similar to that existing for other kinds of contributory payments.

- Termination indemnity fund accrued as of 31 December 2006: this remains a defined-benefits plan determined by applying an actuarial-type method; the amount of the rights accrued in the period by the employees is booked to the Income statement under the item payroll and related costs while the figurative financial expense which the company would incur if a loan was requested from the market for an amount equal to the severance indemnity is booked to net financial income (expense). The actuarial gains and losses which reflect the effects deriving from changes in the actuarial hypotheses used are recognised under other comprehensive income in accordance with the matters envisaged by IAS 19 Employee benefits, section 93A.

<u>Remuneration plans under the form of participation in the capital</u>
Under IFRS 2, stock option plans are classified as “share-based payments”. For those plans that fall in the “equity-settled” category (where the payment is made using instruments representative of equity), the standard requires the calculation - as of the assignment date- of the fair value of the option rights issued and its recognition as personnel expense to be allocated on a straight line over the period of accrual of the rights (“vesting period”), recognising a matching balance under shareholders’ equity reserves. This treatment is carried out on the basis of the estimate of the rights, which will effectively accrue in favour of the employees, taking into consideration the conditions of availability of the same not based on the market value of the rights.

Other long-term benefits

The accounting treatment of other long-term benefits is similar to that for the post-employment benefit plans, with the exception of the fact that the actuarial gains and losses and costs deriving from prior employment services are recognised in the income statement in full in the period they accrue.

K. Provisions for risks and charges

Provisions for risks and charges are allocated exclusively in the presence of a current obligation, consequent to past events, which can be legal, contractual in type or derive from declarations or conduct of the company such as to lead third parties to validly expect that the company itself is responsible or assumes responsibility for fulfilling an obligation (so-called implicit obligations). If the financial effect of time is significant, the liability is discounted back; the effect of this discounting back is recorded under financial expense.

Conversely, no allocation is made against risks for which the onset of a liability is only possible. In this case, a mention is entered into the appropriate information section regarding commitments and risk, and no allocation is made.

L. Revenue and cost recognition

Provision of services

The Group offers the following services:

- rental and treatment of linen, mattresses and high visibility personal protective equipment;
- rental, treatment and sterilization of medical devices, linen kits, medical surgical instrumentation devices assembled in kits and related services;
- technical services for clinical engineering and industry;
- marketing services for supplies;
- "turnkey" supplies, global service, project financing of healthcare facilities (construction/renovation, technological infrastructure, clinical engineering, medical-surgical devices, procurement processes).

Revenues from the provision of services are recognised in the period in which the services are provided, since the customer has benefited of the service (and obtains its control) at the time in which this is provided. The services are paid and invoiced at regular intervals. The contracts are generally long-term and include mechanisms for the regular adjustment of prices usually based on inflation indicators that are recognised in the income statement at the time the adjustments become effective and the corresponding services are provided.

Some contracts also include installation/restructuring activities to be provided at customers' washing and sterilization facilities. When these services are identified as separate performance obligations with respect to the washing and sterilization services, the corresponding considerations are recognised according to the progress towards completion of the work, calculated according to the costs incurred with respect to the estimate, regularly updated, of the total cost. For these contracts, as well as for all those that include multiple performance obligations, the price corresponding to each service is based on the standalone sale prices. If these prices cannot be directly observed, they are estimated based on the expected cost plus margin.

Sales of goods

Sales of goods are recognised when the control of the products is transferred, that is, when the products are delivered to the customer and there is no unmet obligation that could affect the acceptance of the products by this. The delivery is considered completed when the products were delivered to the specified location, the risk of obsolescence and loss was transferred and the customer has accepted the products according to the sale agreement, the terms for acceptance have expired, or the Group has objective proof that all criteria for the acceptance were met.

Revenues and income, costs and expense are recognised net of returns, discounts, allowances and premiums as well as the taxes directly associated with the sale of the goods and the provision of the services.

Other costs and revenues

The costs are correlated to goods and services sold or consumed in the period or deriving from systematic allocation, or when it is not possible to identify the future utility of the same, they are recognised and booked directly to the income statement.

Financial income and expense is recognised on an accruals basis. Financial expense is capitalised as part of the cost of property, plant and equipment and intangible assets to the extent it refers to the purchase, construction or production of the same. Dividends are recognised when the right to collection by the shareholder arises; this normally takes place in the period the shareholders' meeting of the associate, which resolves the distribution of profits or reserves, is held.

M. Income taxes

Current income taxes are recognised on the basis of an estimate of the taxable income in compliance with the rates and current provisions, or essentially approved at the year-end date.

Prepaid and deferred taxes are calculated on the timing differences between the value assigned to an asset or liability in the financial statements and the corresponding values recognised for tax purposes, on the basis of the rates in force at the time the timing differences will reverse. Prepaid taxes are only recorded to the extent that it is probable that there is taxable income available against which they can be used. The recoverability of the prepaid taxes recorded in previous years is valued as of closure of each set of financial statements.

When the changes in the assets and liabilities to which they refer are directly recognised under other comprehensive income, the current taxes, prepaid tax assets and deferred tax liabilities are also directly booked to other comprehensive income.

Deferred tax assets and liabilities are offset only if there is a legal right to exercise the offset operation and if it is intended to settle the items on a net basis, or realise the asset and simultaneously extinguish the liability.

N. Earnings per share

The basic earnings per share are calculated by dividing the profit/loss of the Servizi Italia Group by the weighted average of the ordinary shares in circulation during the period, excluding treasury shares. For the purpose of calculating the diluted earnings per shares, the weighted average of the shares in circulation is altered undertaking the conversion of all the potential shares, which have a dilutive effect.

O. Use of estimated values

The drafting of the financial statements requires the directors to apply accounting standards and methods, which, under certain circumstances, rest on difficult and subjective valuations and estimates based on past experience and assumptions, which are from time to time considered reasonable and realistic in relation to the related circumstances. The application of these estimates and assumptions influences the amounts shown in the financial statement schedules as well as the disclosure provided. The final results of the financial statement items for which the afore-mentioned estimates and assumptions have been used, may differ from those shown in the financial statements, which reveal the effects of the occurrence of an event subject to estimation, due to the uncertainty, which characterises the assumptions, and conditions on which they are based.

Particularly significant accounting standards

The accounting standards, which, more than others, require greater subjectivity by the directors when making the estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the consolidated financial data restated, are briefly described below.

- *Goodwill*: in accordance with the accounting standards adopted for the drafting of the financial statements, the Group checks the goodwill each year so as to ascertain the existence of any impairment to be recognised in the income statement. In detail, the check involves the allocation of goodwill to cash flow generating units and the subsequent determination of the related recoverable value. If it should emerge as lower than the book value of the cash flow generating units, steps shall have to be taken to impair the goodwill allocated to this. The identification of the cash flow generating units, the allocation of goodwill to these and the forecast of the future cash flows involve the use of estimates, which depend on factors, which may change over time with consequent effects, possibly significant, with respect to the valuations made by the directors.

- *Laundry asset*: the economic life of the Company's linen used in the production process has been estimated taking into consideration numerous factors that may affect it, such as for example the wear and tear deriving from the use and from the washing cycles. These factors are liable to changes over time and could significantly affect the depreciation of the linen.

- *Deferred taxes*: the recognition of deferred tax assets is carried out on the basis of the expectations of income envisaged in future periods. The valuation of the expected income for the purposes of recognition of the deferred taxation depends on factors, which may vary over time and determine significant effects on the valuation of the deferred tax assets.

- *Provisions for risks and charges*: in the presence of legal and tax-related risks, provisions are recognised representative of the risk of losing lawsuits. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate as of the financial statement data made by management. This estimate involves the adoption of assumptions which depend on factors which may change over time and which therefore could have significant effects with respect to the current estimates made by the directors for the drafting of the consolidated financial statements of the Servizi Italia Group.

- *Revenues from sales and services*: the revenues for services under way in relation to contracts, which envisage invoicing of advance payments and the balance on the basis of the data communicated by the customer (days of hospitalisation, number of operations), are estimated internally on the basis of the past data supplemented by the most up-to-date information available. This estimate involves the adoption of hypotheses on the performance of the variable to which the payment is linked.

- *Financial liabilities for put options on minority interests*: these are valuated at the current value of the disbursement on the date of their exercise. This estimate is based on the income statement and statement of financial position values taken from long-term plans whose underlying conditions and hypotheses may undergo changes over time with consequent significant impacts on the estimate of the liabilities.

4 Risk management policy

The management of the financial risks within the Servizi Italia Group is carries out centrally within the sphere of precise organisational directives, which discipline the handling of the same and the control of all the transactions, which have strict relevance in the composition of the financial and/or trade assets and liabilities.

The Servizi Italia Group's activities are exposed to various risk types, including interest rate fluctuations and credit, liquidity, cash flow risks and currency-type risks.

To minimise such risks, the Servizi Italia Group has adopted timescales and control methods, which allow the company management to monitor this risk and appropriately inform the Director in charge of the internal control system and (also through him) the Board of Directors.

4.1 Type of risks hedged

When carrying out its activities, the Group is exposed to the following financial risks:

- price risk;
- interest rate risk;
- credit risk;
- liquidity risk;
- exchange rate risk.

Price risk

This is the risk associated with the volatility of the prices of the raw materials and the energy commodity, with particular reference to electricity and gas used in the primary production processes and cotton to which the purchase cost of the linen is linked. Within the sphere of the tenders, the Group avails itself of clauses, which permit it to adjust the price of the services provided in the event of significant cost changes. The price risk is also controlled by means of the entering into of purchase agreements with price blocks and on-average annual timescales, joined by constant monitoring of the performance of the prices so as to identify opportunities for making savings.

Interest rate risk

The Group's net financial debt primarily comprises short-term payables which, as at 31 December 2018, represent approximately 62.9% of its debt, at an average annual rate of around 0.54%. The Group monitors the market and regularly assesses the opportunity to carry out hedging transactions to limit the negative impact of future interest rate changes on the income statement. In this regard, we note that no financial derivative contracts were taken out during the year. The table below demonstrates the effect that would be generated by a 0.5% increase or decrease in rates (in thousands of Euros).

(thousands of Euros)	0.5% rate increase		0.5% rate decrease	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial receivables	+68	+72	-68	-72
Financial payables	+536	+520	-536	-520
Factoring of receivables	+447	+458	-447	-458

Credit risk

The receivables, since they are essentially due from public bodies, are deemed certain in terms of collectability and, due to their nature, are not subject to the risk of loss. The collection times depend on the loans received, the Local Health Authorities, the Hospitals and the Regional Authorities and at present average collection days are 109.

The Group applies the "simplified approach" specified by IFRS 9 to measure the expected losses on receivables. This is based on the estimate of the loss expected for the entire life for trade receivables and contractual activities.

To measure the expected losses on receivables, trade receivables were divided according to their credit risk characteristics, mainly related to the nature of the customer (public or private) and the days to maturity.

The expected loss rates are based on the sale payment profiles in a period of 7 years before 1 January 2018 and the corresponding historical losses on receivables occurred in this period. The historical loss rates are adjusted to reflect current and expected future information on macroeconomic factors that affect the customers' ability to settle the amounts due.

A summary of trade receivables, net and gross of bad debt provisions, and the stratification by maturity of receivables as at 31 December 2018 is presented below:

(thousands of Euros)	Not yet due	Past due by less than 2 months	Past due by less than 4 months	Past due by less than 12 months	Past due by more than 12 months	Receivables with indications of impairment	Total
Expected loss rate	3.87%	0.31%	2.24%	0.22%	3.08%	76.77%	**7.63%**
Gross trade receivables	50,819	5,525	1,768	5,715	13,369	4,971	**82,167**
Loss expected as at 31 December 2018	**1,969**	**17**	**40**	**13**	**412**	**3,816**	**6,267**

The category "Not yet due" includes the receivables for late payment interest that are fully written-off on accrual and until the date of the actual collection.

The credit risk is constantly monitored by means of periodic processing of past due situations which are subject to the analysis of the Group's financial structure. The Group is also equipped with recovery procedures for problem receivables and avails itself of the assistance of legal advisors in the event of disputes being established. Having taken into account the characteristics of the credit, the risk could become more significant in the event of an increase in the private customer component, however this aspect is mitigated by a careful selection and financing of the customers. The predominant presence of receivables due from public bodies makes the credit risk absolutely marginal and shifts attention more towards the collection times rather than the possibility of losses.

Liquidity risk

In relation to the Group, the liquidity risk is linked to two main factors:

- delay in the payments from the public customer;
- maturity of the short-term loans.

Concentrating its business on orders contracted with the Public Administration Authorities, the Group is exposed to risks associated with delays in the payments for the receivables. In order to balance this risk, factoring agreements have been entered into with the without recourse formula, renewed also for 2018.

To correctly manage the liquidity risk, an adequate level of cash and cash equivalents must be maintained. In light of the predominantly public nature of the group's customers and the average collection times, cash and cash equivalents are mainly obtained from accounts receivable financing and medium-term loans. The loan agreements with Banca Intesa S.p.A., Banca Nazionale del Lavoro S.p.A., Banca Crédit Agricole Cariparma S.p.A., Banco BPM S.p.A. and Unicredit Banca S.p.A. include clauses for the early repayment with respect to the corresponding amortisation plan if certain financial indicators ("covenants") have not been met. As at 31 December 2018, all covenants included in the loan agreements had been met.

The following table analyses the "worst case" scenario with reference to the financial liabilities (including trade payables and other payables) in which all the flows indicated are future nominal cash flows, not discounted, calculated according to the residual contractual maturities, both for the principal and for the interest portion. The loans have been included on the basis of the first maturity on which the repayment can be requested and the non-revolving loans are considered callable on demand. The financial payables with a maturity of less than or equal to 3 months are almost entirely characterised by self-liquidating bank loans for invoice advances which, in as such, are replaced on maturity by new advances on newly-issued invoices. It should also be considered that the Group only partially uses the short-term bank credit facilities available.

(thousands of Euros)	Financial payables		Trade and other payables		Total	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Less than or equal to 3 months	38,784	30,944	68,710	68,507	107,494	99,451
3 to 12 months	26,585	25,502	24,349	19,180	50,934	44,682
1 to 2 years	21,205	23,005	-	-	21,205	23,005
More than 2 years	21,921	24,424	-	-	21,921	24,424
Total	**108,495**	**103,875**	**93,059**	**87,687**	**201,554**	**191,562**

<u>Exchange rate risk</u>

The investments in Brazil, Turkey, India, Albania, Morocco and South-East Asia have positioned the Group in an international context, exposing it to exchange rate risk generated by fluctuations in the Euro/Real, Euro/Turkish Lira, Euro/Indian Rupee, Euro/Albanian Lek and Euro/Moroccan Dirham and Euro/Singapore Dollar exchange rates.

The assessment of exchange rate risk weights the risk of currency fluctuations with the size and time distribution of the cash flows expressed in foreign currency and with the cost of any hedging transactions. The assessments, taking into account the fact that no capital repatriation is expected from abroad in the short term, have led to the decision not to hedge against currency risk.

It should be noted that the scope of consolidation includes subsidiary and associated companies that prepare their financial statements in a currency other than the Euro, the latter being used for the consolidated financial statements. This exposes the Group to translation risks, due to the conversion into Euro of the assets and liabilities of the subsidiaries and associated companies that operate with currencies other than the Euro. The main exposures to foreign exchange translation risk are constantly monitored and, at present, it is not believed necessary to adopt specific hedging policies covering these exposures. The following is a sensitivity analysis of the impacts on consolidated shareholders' equity of the two main currencies other than the Euro used within the scope of consolidation of the Servizi Italia group.

(thousands of Euros)	10% appreciation		10% depreciation	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Brazilian Real	+3,740	+3,482	-3,060	-2,849
Turkish Lira	+233	+283	-191	-231
Total relative to consolidated shareholders' equity	**+3,973**	**+3,765**	**-3,251**	**-3,080**

4.2 Fair value hierarchy and information

IFRS 13 requires that the classification of the financial instruments at fair value be determined on the basis of the quality of the sources of the inputs used in the valuation of the fair value, giving priority to the inputs with a higher quality level according to the following hierarchy:

- Level 1: determination of the fair value on the basis of prices listed (unadjusted) on active markets for identical assets or liabilities.
- Level 2: determination of the fair value on the basis of inputs other than the listed prices included in "Level 1" but which are directly or indirectly observable.
- Level 3: determination of the fair value on the basis of measurement models whose inputs are not based on observable market data.

The types of financial instruments present in the financial statement items are shown in the following table, with indication of the accounting treatment applied. Note that no financial instrument has been valued at fair value. With regard to the financial instruments valued at amortised cost, it is believed that the book value also represents a reasonable approximation of their valuation at fair value.

(thousands of Euros)	Fair value through profit or loss	Fair value through OCI	Amortised cost
Non-current assets			
Equity investments in other companies	3,725		
Financial receivables			6,844
Other assets			6,444
Current assets			
Trade receivables			75,900
Financial receivables			8,030
Other assets			8,868
Non-current liabilities			
Due to banks and other lenders			36,044
Other financial liabilities			6,421
Current liabilities			
Due to banks and other lenders			61,184
Trade payables			74,140
Other financial liabilities			3,602
Other payables			20,268

4.3 Supplementary information on the capital

The Group's objectives, in relation to the management of the capital and the financial resources, involve safeguarding the ability of the Group to continue to operate with continuity, remunerate the shareholders and the other stakeholders and at the same time maintain an optimum capital structure so as to minimise the related cost.

For the purpose of maintaining or adapting the structure of the capital, the Group may adjust the amount of the dividends paid to the shareholders, reimburse or issue new shares or sell assets to reduce the debt. On a consistent basis with other operators, the Group controls capital on the basis of the debt ratio (gearing) calculated as the ratio between the net financial debt and net invested capital.

(thousands of Euros)	Year ended as at 31 December			
	2018	**2017**	**Change**	**% change**
Shareholders' equity (B)	138,238	141,639	-3,401	-2.4%
Net financial debt[a] (A)	82,195	75,648	6,547	8.7%
Net invested capital (C)	**220,433**	**217,287**	**3,146**	**1.4%**
Gearing (A/C)	**37.29%**	**34.81%**		

[a] *The Group management has defined net financial debt as the sum of amounts Due to banks and other lenders net of Cash and cash equivalents and Current financial receivables.*

With regard to the main dynamics that have affected the indebtedness, see section 6.26.

5 Segment reporting

The Servizi Italia Group's segment reporting is organised as follows:

- *Wash hire*: this includes (i) planning and provision of integrated hire, reconditioning (disinfection, washing, finishing and packaging) and logistics (pick-up and distribution to usage centres) services for textile items, mattresses and accessories (pillowcases, curtains), (ii) rental and washing of high visibility "118" emergency service items and (iii) logistics, transport and management of hospital linen storage facilities;

- *Linen sterilisation* (Steril B): this includes the planning and rental of sterile medical devices for operating theatres (linens for operating theatres and scrubs) packed in kits for the operating theatre, in cotton or in re-usable technical fabric, as well as personal protection equipment (gloves, masks);

- *Sterilization of surgical instruments (Steril C*): this includes (i) the design and supply of washing, packaging and sterilization services for surgical instruments (owned or rented) as well as accessories for operating rooms, (ii) the design, installation and renovation of sterilization centres and, (iii) system validation and control services for sterilization processes and surgical instrument washing systems.

The Servizi Italia Group considers the breakdown by business area to be more significant. The core business areas are identified based on how the Group is managed, how management responsibilities are attributed and how business reporting is analysed by the management.

(thousands of Euros)	Year ended as at 31 December 2018			
	Wash-hire	**Steril B**	**Steril C**	**Total**
Revenues from sales and services	182,771	21,578	46,559	250,908
Other income	3,482	300	1,825	5,607
Raw materials and materials	(14,768)	(7,908)	(3,957)	(26,633)
Costs for services	(61,069)	(4,252)	(12,871)	(78,192)
Personnel expense	(62,749)	(5,383)	(17,226)	(85,358)
Other costs	(1,513)	(69)	(327)	(1,909)
EBITDA[a]	**46,154**	**4,266**	**14,003**	**64,423**

Depreciation, amortisation and impairment	(41,133)	(2,033)	(6,903)	(50,069)
Operating profit (EBIT)	**5,021**	**2,233**	**7,100**	**14,354**
Financial income and expense and income and expense from equity investments in other companies				(1,676)
Profit before tax				**12,678**
Taxes				(558)
Profit (loss) for the year				**12,120**
Of which portion attributable to shareholders of the parent				11,600
Of which portion attributable to non-controlling interests				520

[(a)] *EBITDA is not an accounting measurement under the IFRSs endorsed by the European Union. The Group management has defined EBITDA as the difference between the value of sales and services and operating costs before depreciation, amortisation, write-downs, impairment and provisions.*

(thousands of Euros)	**Year ended as at 31 December 2017**			
	Wash-hire	**Steril B**	**Steril C**	**Total**
Revenues from sales and services	190,162	20,479	41,461	252,102
Other income	2,010	209	2,438	4,657
Raw materials and materials	(16,010)	(7,036)	(2,900)	(25,946)
Costs for services	(58,900)	(5,001)	(12,965)	(76,866)
Personnel expense	(64,373)	(4,458)	(13,133)	(81,964)
Other costs	(1,726)	(128)	(300)	(2,154)
EBITDA[(a)]	**51,163**	**4,065**	**14,601**	**69,829**
Depreciation, amortisation and impairment	(44,004)	(2,002)	(7,447)	(53,453)
Operating profit (EBIT)	**7,159**	**2,063**	**7,154**	**16,376**
Financial income and expense and income and expense from equity investments in other companies				1,385
Profit before tax				**17,761**
Taxes				(3,397)
Profit (loss) for the year				**14,364**
Of which portion attributable to shareholders of the parent				13,770
Of which portion attributable to non-controlling interests				594

[(a)] *EBITDA is not an accounting measurement under the IFRSs endorsed by the European Union. The Group management has defined EBITDA as the difference between the value of sales and services and operating costs before depreciation, amortisation, write-downs, impairment and provisions.*

The revenues from wash-hire service went from Euro 190,162 thousand in 2017 to Euro 182,771 thousand, with a 3.9% decrease, mainly due to a slowdown in turnover from wash-hire services in Italy and the unfavourable exchange rate effect on revenues realised in Brazil (an area which, however, recorded natural positive growth in local currency). In relative terms, the wash-hire as at 31 December 2018 was 72.8% of the total amount of sales and services, down with respect to the 75.4% as at 31 December 2017.

Revenue from linen sterilisation services (which account for 8.6% of the revenues of the group in absolute terms) went from Euro 20,479 thousand for the year ended as at 31 December 2017 to Euro 21,578 thousand for the year ended as at 31 December 2018 with a 5.4% increase.

Revenues from surgical instrument sterilisation (which account for 18.6% of the revenues of the group in absolute terms) went from Euro 41,461 thousand for the year ended as at 31 December 2017 to Euro 46,559 thousand for the year ended as at 31 December 2018, with a 12.3% increase. The turnover of the line in 2018 was positively affected by the starting of services at some customers, as well as the consolidation of the subsidiary Steritek. Given the same consolidation perimeter, the turnover of the line would have been up by 8.4%.

In terms of margins, the wash-hire EBITDA was 25.3% compared to 26.9% in the previous year, and EBIT decreased from 3.8% to 2.7%. The contraction of the margin was the result of the slowdown in the wash-hire turnover in Italy, the increase in service costs, in particular those related to third-party services and energy consumption, and the entry in the hotel service sector, which has resulted in start-up costs against a turnover that is not yet at the expected level.

In terms of margins, the EBITDA of the linen sterilisation business was stable, at 19.8%; EBIT was also stable, at 10.3%.

The surgical instrument sterilization segment is the segment with the highest margins in terms both of EBITDA (30.1%) and of EBIT (15.2%). The EBITDA margin for the year ended 31 December 2018 fell by 4.1% in absolute value with respect to the value of the previous year, due to higher personnel costs at the surgical instrument sterilization facilities in Bergamo, Florence and Varese.

The greater incidence of amortisation of the surgical instrument sterilisation activities is linked to the nature of the business, which requires high investments for the creation, adaptation of the structural and plant engineering works and the purchase of surgical instruments. These investments are usually reimbursed over the duration of the contract by the customer.

The information in the tables below represents the assets directly attributable to investments by business segment.

(thousands of Euros)	31 December 2018			
	Wash-hire	**Steril B**	**Steril C**	**Total**
Total revenues from sales and services	**182,771**	**21,578**	**46,559**	**250,908**
Investments in property, plant and equipment and intangible assets	54,278	1,750	4,042	60,070
Depreciation of property, plant and equipment and amortisation of intangible assets	40,514	2,039	6,906	49,459
Net book value of property, plant and equipment and intangible assets	107,541	2,987	23,890	134,418

(thousands of Euros)	31 December 2017			
	Wash-hire	**Steril B**	**Steril C**	**Total**
Total revenues from sales and services	**190,162**	**20,479**	**41,461**	**252,102**
Investments in property, plant and equipment and intangible assets	42,955	1,888	4,718	49,561
Depreciation of property, plant and equipment and amortisation of intangible assets	43,161	2,002	7,444	52,607
Net book value of property, plant and equipment and intangible assets	98,394	3,804	26,612	128,810

As things stand, the disclosure regarding the book value of the segment assets and liabilities is deemed insignificant.

6 Balance sheet

6.1 Property, plant and equipment

Changes in property, plant and equipment and the associated accumulated depreciation are shown in the table below.

(thousands of Euros)	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Fixed assets under constr.	Total
Historical cost	6,356	129,852	39,110	62,383	129,449	3,124	370,274
Accumulated depreciation	(1,887)	(84,223)	(25,842)	(44,377)	(88,150)	-	(244,479)
Balance as at 1 January 2017	**4,469**	**45,629**	**13,268**	**18,006**	**41,299**	**3,124**	**125,795**

Translation differences	(91)	(1,525)	(201)	(37)	(589)	(156)	(2,599)
Change in the scope of consolidation	728	1,669	1	88	386	720	3,592
Increases	35	5,696	1,755	3,803	36,088	1,813	49,190
Decreases	-	(212)	(1)	(112)	(706)	(51)	(1,082)
Depreciation	(201)	(8,237)	(3,616)	(5,737)	(33,097)	-	(50,888)
Impairments (reinstatements)	-	164	(2)	-	-	2	164
Reclassifications	-	2,222	822	86	24	(3,154)	-
Balance as at 31 December 2017	**471**	**(223)**	**(1,242)**	**(1,909)**	**2,106**	**(826)**	**(1,623)**
Historical cost	7,088	131,312	32,137	62,106	136,051	2,298	370,992
Accumulated depreciation	(2,148)	(85,906)	(20,111)	(46,009)	(92,646)	-	(246,820)
Balance as at 31 December 2017	**4,940**	**45,406**	**12,026**	**16,097**	**43,405**	**2,298**	**124,172**
Translation differences	(163)	(1,434)	(162)	(47)	(732)	(25)	(2,563)
Increases	131	7,576	1,033	2,971	38,667	8,266	58,644
Decreases	(1)	(211)	-	(105)	(1,828)	(229)	(2,374)
Depreciation	(202)	(7,509)	(2,273)	(5,012)	(33,274)	-	(48,270)
Impairments (reinstatements)	-	-	-	-	-	-	-
Reclassifications	30	988	24	38	94	(1,174)	-
Balance as at 31 December 2018	**4,735**	**44,816**	**10,648**	**13,942**	**46,332**	**9,136**	**129,609**
Historical cost	7,061	135,653	32,235	63,471	138,900	9,136	386,456
Accumulated depreciation	(2,326)	(90,837)	(21,587)	(49,529)	(92,568)	-	(256,847)
Balance as at 31 December 2018	**4,735**	**44,816**	**10,648**	**13,942**	**46,332**	**9,136**	**129,609**

Notes on the main changes:

Land and buildings

The item Land and buildings shows increased investment for Euro 131 thousand, of which Euro 103 thousand carried out by Servizi Italia S.p.A. and related to the work carried out for the facility in Pavia di Udine.

Plant and machinery

The increases in Plant and machinery in 2018 were Euro 7,576 thousand and were mainly related to:

- investments for Euro 3,830 thousand at the facilities located in Italy (Castellina di Soragna for Euro 818 thousand, Travagliato for Euro 738 thousand, Arco di Trento for Euro 734 thousand, Florence Careggi for Euro 234 thousand, Podenzano Euro 143 thousand, Ariccia for Euro 140 thousand, Pavia di Udine for Euro 120 thousand, Genova Bolzaneto for Euro 112 thousand).
- investments for Euro 3,310 thousand at the facilities in Brazil and Euro 436 thousand at the facilities in Turkey.

In addition, the item includes reclassifications for Euro 998 thousand, of which Euro 924 thousand carried out by Servizi Italia S.p.A. and Euro 64 thousand related to the Brazilian companies.

Returnable assets

These mainly refer to investments made at customers to construct and renovate existing plants used for washing and sterilisation activities. These therefore represent plants the Group maintains control over and obtains benefits from, bearing the operating risk. The entity maintains ownership of the plants at the end of the wash-hire/washing/sterilisation contract. On the basis of contractual commitments, the Group bore the cost of the partial renovation and expansion of the industrial laundry facilities owned by the contracting entities, to increase the efficiency of the rented linen washing and sanitation service. These costs have been amortised in accordance with the amortisation schedules linked to the duration of the existing contract with the contracting entities, which is less than the useful life of the works completed.

The increases were mainly related to the redevelopment of the properties where the leased production sites are located and to the improvements and upgrades of the existing plants used for the performance of the activities (Euro 804 thousand in Italy and Euro 229 thousand in Brazil).

Industrial and commercial equipment

The new investments for 2018, equal to Euro 2.971 thousand, were mainly related to surgical instrument purchases, for Euro 1,326 thousand, carried out by Servizi Italia S.p.A. and to the purchase of equipment for use by the Italian (Euro 1,401 thousand) and Brazilian (Euro 244 thousand) production sites.

Other assets

The item is broken down as follows:

(thousands of Euros)	**as at 31 December 2018**	**as at 31 December 2017**
Linens and mattresses	43,617	41,032
Furniture and fixtures	341	391
Electronic machinery	1,469	1,178
Cars	45	33
Motor vehicles	645	642
Telephone switchboards	65	79
Other	150	50
Total	**46,332**	**43,405**

As at 31 December 2018, the balance of the item Other assets was equal to Euro 46,332 thousand.

The investments made during the year mainly derive from purchases of linen and mattresses, which totalled Euro 37,319 thousand, of which Euro 5,083 thousand in Brazil and Euro 32,236 thousand in Italy. These investments allow for increasingly efficient management of the warehouse supplied, so as to deal with both a partial renewal of contracts and a first supply for contracts acquired during the year in question.

Assets under construction

These are primarily investments under way at the end of the year.

During the year, there were increases for Euro 8,266 thousand and completed investments for Euro 1,174 thousand.

The item is broken down as follows as at 31 December 2018:

(thousands of Euros)	**as at 31 December 2018**	**as at 31 December 2017**
Sterilisation centre investments	2,653	749
Laundering facility investments	1,322	503
Investments on contracts	199	815
Investments at production sites in Brazil	1,824	231
Investments at production sites in Turkey	3,138	-
Total	**9,136**	**2,298**

Investments for sterilization plants mainly concern the construction or renovation of sterilization centres for surgical instruments. In particular, these investments were made by Servizi Italia S.p.A. and, in 2018, referred to the construction of the new sterilization plant for surgical instruments at ASST of Valle Olona for the hospital facilities in Busto Arsizio (Euro 1,553 thousand).

Investments for laundries, carried out mainly by Servizi Italia S.p.A., were related not only to the upgrading of production sites (for Euro 318 thousand) but also to the acquisition and/or adjustments of plants and machinery for the washing line (for Euro 991 thousand).

During the year, investments on contracts reported an increase of Euro 97 thousand and reductions for assets becoming operational of Euro 712 thousand. These investments are mainly related to the chip readers for the different linen storage facilities located in Italy.

The investments carried out by the Brazilian and Turkish companies also concern the upgrading of production sites (Euro 370 thousand in Brazil) as well as the acquisition and/or and upgrade of plants and machinery for the washing line (Euro 1,454 thousand in Brazil and 3,036 thousand in Turkey).

There is no property, plant and equipment under guarantee in favour of third parties.

6.2 Intangible assets

This item changed as follows:

(thousands of Euros)	Trademarks, Software, Patents and Intellectual Property Rights	Customer contracts portfolio	Other intangible assets	Assets under construction and payments on account	Total
Historical cost	4,466	7,435	1,016	73	12,990
Accumulated depreciation	(3,640)	(2,461)	(861)	-	(6,962)
Balance as at 1 January 2017	**826**	**4,974**	**155**	**73**	**6,028**
Translation differences	(44)	-	-	-	(44)
Change in the scope of consolidation	6	-	-	-	6
Increases	349	-	-	22	371
Decreases	(4)	-	-	-	(4)
Depreciation	(504)	(1,060)	(155)	-	(1,719)
Impairments (reinstatements)	-	-	-	-	-
Reclassifications	47	-	-	(47)	-
Balance as at 31 December 2017	**676**	**3,914**	**-**	**48**	**4,638**
Historical cost	4,662	7,435	1,016	48	13,161
Accumulated depreciation	(3,986)	(3,521)	(1,016)	-	(8,523)
Balance as at 31 December 2017	**676**	**3,914**	**-**	**48**	**4,638**
Translation differences	(33)	-	-		(33)
Increases	573	-	634	219	1,426
Decreases	(1)	-	-	(32)	(33)
Depreciation	(505)	(684)	-	-	(1,189)
Impairments (reinstatements)	-	-	-	-	-
Reclassifications	2		-	(2)	-
Balance as at 31 December 2018	**712**	**3,230**	**634**	**233**	**4,809**
Historical cost	5,133	7,466	634	233	13,466
Accumulated depreciation	(4,421)	(4,236)	-	-	(8,657)
Balance as at 31 December 2018	**712**	**3,230**	**634**	**233**	**4,809**

Investments in intangible assets mainly relate to software.

The item Trademarks, Software, Patents and Intellectual Property Rights represents software purchases for Euro 557 thousand (of which Euro 417 thousand for Servizi Italia S.p.A., Euro 66 thousand for Steritek, Euro 73 thousand for the Brazilian companies and Euro 1 thousand for the Turkish companies).

The item Other fixed assets includes an increase of Euro 634 thousand for the non-competition agreement concluded with the Bringel Group at the time of the rescission of the partnership agreement, as described in Par. 3.3.

6.3 Goodwill

Goodwill is allocated to the Servizi Italia Group's cash generating units identified on the basis of geographical area, which reflects the areas of operation of the companies acquired over the years.

Goodwill is allocated by geographical area as follows:

(thousands of Euros)	as at 31 December 2017	Increases/ (Decreases)	Translation differences	as at 31 December 2018
CGU Italy	45,364	2,000	-	47,364
CGU Turkey	15,066	-	(3,761)	11,305
CGU Brazil	10,354	-	(1,097)	9,257
Total	**70,784**	**2,000**	**(4,858)**	**67,926**

The change occurred in the goodwill value for the CGU Italy is due to the allocation of the price of acquisition of the business unit operating in the sector of the industrial laundries for the private sector from Lavanderia Bolognini M&S S.r.l. With regard to CGU Brazil and CGU Turkey, the change is due to the foreign currency translation difference resulting from the change in the respective exchange rates (respectively Brazilian Real and Turkish Lira). With the exception of the portion of goodwill relating to CGU Steritek (surgical instrument sterilization operating segment), all other goodwill is included in the wash hire operating segment, as defined for the purposes of the sector reporting required by IFRS 8.

The impairment test is carried out by comparing the overall book value of each goodwill and total net assets, that are autonomously able to produce cash flows (CGU) and to which said value can be reasonably allocable, with the greater value between the one used for the CGU and the value that is recoverable through sale. In detail, the value in use was determined by applying the "discounted cash flow" method discounting back the operating flows emerging from economic-financial projections relating to a period of five years. The long-term plans which have been used for the impairment tests were approved by advance by the Boards of Directors of the subsidiaries and/or by the parent company Servizi Italia S.p.A. The underlying hypotheses of the plans used reflect past experience and the information gathered at the time of purchase for the Brazilian/Turkish market, and are consistent with the external sources of information available. The Group has taken into consideration, with reference to the period in question, the expected performance resulting from the business plan set up for the 2019-2023 period.

The terminal value is calculated by applying to the operating cash flow pertaining to the last year of the plan appropriately normalised, a percentage growth factor of 1.71% for CGU Italy, 3.97% for CGU Brazil and 13.00% for CGU Turkey, substantially representative, on the one hand, of the inflation rate expected in Italy, Brazil and Turkey, based on which the service prices of the offer have been index-linked, and, on the other hand, of the uncertainties that characterise the various reference markets, particularly the Brazilian and Turkish markets which have macroeconomic risks. The discounting rates used to discount the cash flows of the CGUs located in Italy are 7.74% (5.87% in the previous year), 13.53% for the CGU Brazil (10.94% in the previous year) and 20.53% for the CGU Turkey (14.22% in the previous year). These rates reflect the current valuations of the market with reference to the current value of money and the specific risks associated with the activities. The discount rates have been estimated, after taxes, on a consistent basis with the cash flows considered, by means of the determination of the weighted average cost of the capital (WACC).

A sensitivity analysis was carried out about the recoverability of the accounting value of the goodwill according to the changes in the main assumptions used to determine the book value also considering a conservative approach to the choice of the financial parameters above. The analysis carried out showed that, to make the book value equal to the recoverable value, it would be necessary to:

- For CGU Servizi Italia: (i) a reduction in the growth rate of the terminal values of 3.3 percentage points or (ii) an increase of 30% of the WACC adopted or (iii) an annual reduction of the reference EBIT of 29%, all while maintaining unchanged, from time to time, the other assumptions of the plan.
- For the CGU Steritek (i) a decrease in the growth rate of terminal values of 14.9 percentage points or (ii) a WACC more than twice that of the one adopted or (iii) an annual decrease of the reference EBIT of 44%, all while maintaining unchanged, from time to time, the other assumptions of the plan.
- for the CGU Brazil - and in order to make the accounting value equal to the recoverable value – the following is required: (i) a reduction in the growth rate of terminal values of 4.4 percentage points or (ii) a 19% increase in the WACC adopted or (iii) an annual reduction of the reference EBIT of 17%, all while maintaining unchanged, from time to time, the other assumptions of the plan.
- For the CGU Turkey - and in order to make the accounting value equal to the recoverable value - the following is required (i) a reduction in the terminal value growth rate of 3.6 percentage points or (ii) an 12.3% increase in the WACC adopted or (iii) an annual reduction of the reference EBIT by 27%, all while maintaining unchanged, from time to time, the other assumptions of the plan.

With reference to 31 December 2018 and the previous years, the impairment tests carried out did not reveal any impairments to be booked to the recorded goodwill.

6.4 Equity-accounted investments

The value of equity-accounted investments changed as follows:

(thousands of Euros)	1 January 2018	Increases /(decreases)	OCI changes	Share of profit/loss	Translation differences	31 December 2018
Saniservice Sh.p.k.	(45)	-	-	628	20	603
Finanza & Progetti S.p.A.	9,250	-	(501)	128	-	8,877
Brixia S.r.l.	2,990	-	-	(130)	-	2,860
Arezzo Servizi S.c.r.l.	5	-	-	-	-	5
Consorzio Se.Sa.Tre. S.c.r.l. in liquidation	3	-	-	1	-	4
PSIS S.r.l.	3,898	-	-	87	-	3,985
Ekolav S.r.l.	115	-	-	38	-	153
Steril Piemonte S.c.r.l.	1,973	-	-	-	-	1,973
AMG S.r.l.	2,395	(120)	-	156	-	2,431
Iniziative Produttive Piemontesi S.r.l.	1,154	-	-	(39)	-	1,115
SE.STE.RO. S.r.l. in liquidation	114	(101)	-	(13)	-	-
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	-	-	3
Servizi Sanitari Integrati Marocco S.a.r.l.	84	-	-	(1)	(2)	81
SAS Sterilizasyon Servisleri A.Ş.	466	566	-	(29)	(104)	899
Shubhram Hospital Solutions Private Limited	(148)	227	-	(614)	(5)	(540)
Sanitary Cleaning Sh.p.k.	-	1,300	-	17	30	1,347
Idsmed Servizi Pte. Limited		187	-	(64)	4	127
Sia Lavanderias S.A.	-	793	-	(793)	-	-
Steriliza Serviços de Esterilizaçao S.A.	-	76	-	(76)	-	-
Total	**22,257**	**2,928**	**(501)**	**(704)**	**(57)**	**23,923**
of which recognised among provisions for risk and charges						540

of which recognised among equity-accounted investments	24,463

For the joint venture Shubhram Hospital Solutions Private Limited, the negative value of the equity investment, corresponding to the portion of the losses accrued in excess of the value initially recognised, was recognised among the provisions for risks and charges in view of the commitments taken with the Indian partner.

We note that the equity investments in SIA Lavanderia S.A. and Steriliza Serviços de Esterilização S.A. were written off as a result of the agreements for the rescission of the partnership with the Bringel Group. This has involved the recognition of a one-off cost for Euro 869 thousand.

The total values of the current and non-current assets, current and non-current liabilities, revenues, costs and profit/loss of the equity investments carried at equity are shown below:

(thousands of Euros)	Currency	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Shareholders' equity	Revenues	Costs	Profit/ (Loss)
SAS Sterilizasyon Servisleri A.Ş.	TRY	10,676	14,035	4,200	-	7,559	12,035	12,358	(323)
Saniservice Sh.p.k.	LEK	248,359	1,724,878	1,782,717	784,416	2,474,820	1,746,449	1,503,478	242,971
Shubhram Hospital Solutions Private Limited	INR	(84,372)	949,332	158,367	636,064	556,007	386,368	483,554	(97,186)
Finanza & Progetti S.p.A.	EUR	10,863	30,287	17,150	21	36,553	40,672	39,040	1,632
Arezzo Servizi S.c.r.l.	EUR	10	583	1,075	225	1,423	2,680	2,680	-
CO.SE.S S.c.r.l. in liquidation	EUR	10	-	153	14	129	52	48	4
PSIS S.r.l.	EUR	7,970	20,158	3,042	1,338	13,892	7,955	7,782	173
Ekolav S.r.l.	EUR	307	2,529	1,601	1,312	2,511	3,324	3,246	78
Steril Piemonte S.c.r.l.	EUR	3,945	4,018	1,756	-	1,829	2,878	2,878	-
AMG S.r.l.	EUR	2,767	2,033	2,195	589	872	4,506	4,194	312
Iniziative Produttive Piemontesi S.r.l.	EUR	1,712	578	3,119	250	1,735	3,046	3,149	(103)
Brixia S.r.l.	EUR	21	-	8,918	-	8,897	19,446	19,437	9
Servizi Sanitari Integrati Marocco S.a.r.l.	MAD	785	500	360	2	73	-	27	(27)
Piemonte Servizi Sanitari s.c.r.l.	EUR	10	6	703	-	699	1,022	1,022	-
Sanitary Cleaning Sh.p.k.	LEK	41,459	27,047	50,300	-	35,888	39,047	35,570	3,477
IDSMED Servizi Pte. Limited	SGD	662	2	875	26	189		338	(338)

The overall values of cash and cash equivalents, current and non-current financial liabilities, impairments and amortisation/depreciation, interest income, interest expense and income taxes of the joint ventures as at 31 December 2018 are presented below:

(thousands)	Currency	Cash and cash equivalents	Current fin. liabilities	Non-current fin. liabilities	Impairments and amortisation/depreciation	Interest income	Interest expense	Income taxes
SAS Sterilizasyon Servisleri A.Ş.	TRY	157	4,408	-	1,943	47	-	-
Shubhram Hospital Solutions Private Limited	INR	263	458,981	636,064	169,904	170	29,706	(65,600)
Saniservice Sh.p.k.	LEK	171,421	976,906	784,416	345,527	500	146,524	42,877
Servizi Sanitari Integrati Marocco S.a.r.l.	MAD	245	-	-	-	-	-	3
Finanza & Progetti S.p.A.	EUR	6,595	14,655	-	3,082	-	600	603
Arezzo Servizi S.c.r.l.	EUR	1	800	-	736	1	8	(14)
PSIS S.r.l.	EUR	218	9,201	1,237	1,921	3	154	71
AMG S.r.l.	EUR	199	-	-	538	-	1	104

6.5 Equity investments in other companies

The item changed as follows in 2018:

(thousands of Euros)	1 January 2018	Increases /(decreases)	Reinstatement/ (impairment)	31 December 2018
Asolo Hospital Service S.p.A.	464	-	-	464
Prosa S.p.A.	462	-	-	462
PROG.ESTE S.p.A.	1,212	-	-	1,212
Progeni S.p.A.	380	-	-	380
Sesamo S.p.A.	353	-	-	353
Synchron Nuovo San Gerardo S.p.A.	344	-	-	344
Spv Arena Sanità	278	-	-	278
Futura S.r.l.	25	64	-	89
CNS – Consorzio Nazionale Servizi Soc. Coop. a r.l	63	-	-	63
StirApp S.r.l.	-	49	-	49
Other	31	-	-	31
Total	**3,612**	**113**	**-**	**3,725**

Shareholdings in other companies relate to investments of a strategic and production nature, all of which are in fact held in relation to the management of contracts or licenses. These shareholdings have been valued at purchase or founding cost, since there is no active market for these securities which, for the most part, cannot even be freely transferred to third parties given that they are subject to rules and agreements which in fact prevent free circulation. In any case, the cost should be close to the fair value of each investment.

The total values of the assets, liabilities, revenues and profit/loss, on the basis of the last set of available financial statements, of the main equity investments in other companies are provided below, along with the corresponding interest held as at 31 December 2018:

(thousands of Euros)	Registered office	Assets	Liabilities	Revenues	Profit/(Loss)	Interest of equity investment
Asolo Hospital Service S.p.A.	Asolo (TV)	107,778	100,707	38,565	783	7.03%
Prosa S.p.A.	Carpi (MO)	8,343	3,385	1,570	643	13.20%
Progeni S.p.A.	Milan	281,102	284,234	43,634	295	3.80%
Sesamo S.p.A.	Carpi (MO)	36,205	28,374	17,910	1,159	12.17%
Prog.este. S.p.A.	Carpi (MO)	215,518	214,583	38,337	438	10.14%

6.6 Non-current financial receivables

The item changed as follows in 2018:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Prosa S.p.A.	119	189
Sesamo S.p.A.	353	353
Progeni S.p.A.	982	982
Prog.Este S.p.A.	531	531
Saniservice Sh.p.K.	4,000	4,000
Summano Sanità S.p.A.	2	2
SPV Arena Sanità	491	476
Synchron Nuovo San Gerardo S.p.A.	320	296
Futura S.r.l.	46	158
Total	**6,844**	**6,987**

Financial receivables refer to the interest-bearing loans granted to the companies Prosa S.p.A. (rate 3.50% plus 3-month Euribor), Sesamo S.p.A. (rate 3% plus 20-year IRS rate), Progeni S.p.A. (rate 7.81%), Prog.Este.

S.p.A. (rate 7.46%), Summano Sanità S.p.A. (rate 6.25%), Arena Sanità S.p.A. (rate 3.4% plus 6-month Euribor) and Synchron S.p.A. (rate 8%). These loans had a duration equal to the global service contracts for which the companies were established (expiration date, respectively, 21 February 2031, 31 December 2037, 31 December 2033, 31 December 2031, 31 December 2035, 20 August 2032, 14 June 2042). Loans have also been granted to Futura S.r.l. (expiring on 30 June 2040) and to the Albanian associate Saniservice Sh.p.K. The loans granted to Prosa S.p.A. and Futura S.r.l. decreased due to a partial repayment carried out in 2018, while the loans granted to Arena Sanità S.p.A. and Synchron S.p.A. increased because of the capitalisation of the interest accrued during the year.

6.7 Deferred tax assets

This item changed as follows:

(thousands of Euros)	Share capital increase costs	Property, plant and equipment	Employee benefits	Previous tax losses	Other costs with deferred deductibility	Total
Deferred taxation as at 1 January 2017	**12**	**756**	**208**	**918**	**457**	**2,351**
Change in the consolidation area	-	-	-	-	67	67
Changes recognised in the income statement	(9)	34	(21)	(116)	(189)	(301)
Changes recognised in equity	-	-	-	-	-	-
Changes recognised in other comprehensive income	-	-	(5)	-	-	(5)
Deferred taxes as at 31 December 2017	**3**	**790**	**182**	**802**	**335**	**2,112**
Adoption of new loan impairment model (IFRS 9)					36	36
Deferred taxes as at 1 January 2018	**3**	**790**	**182**	**802**	**371**	**2,148**
Changes recognised in the income statement	(3)	109	(80)	1,042	(59)	1,009
Changes recognised in equity	-	-	-	-	-	-
Changes recognised in other comprehensive income	-	(10)	(32)	(92)	-	(134)
Deferred taxes as at 31 December 2018	**-**	**889**	**70**	**1,752**	**312**	**3,023**

Deferred tax assets referring to property, plant and equipment represent the deferred taxation related to the ordinary process of depreciation of the linen. The prepaid tax assets on the tax losses increased mainly for the effects, on the tax base of the Parent Company, of the deductions on the investments in capital goods (known as “hyper and super-amortisation”) and the corporate income tax deduction “ACE”. The prepaid tax assets on the tax losses are recoverable with the taxable income forecasts in the business plans prepared for the different CGUs for the 2019-2023 period and already used for impairment testing purposes.

6.8 Other non-current assets

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Substitute tax Italian Decree Law 185/2008 subsequent years	4,106	2,885
Receivables for IRES reimbursement request pursuant to Art. 2 par. 1-quater Italian Decree Law No. 201	175	175
Aqualav receivable, in escrow account	1,805	2,019
Other non-current assets	358	202
Total	**6,444**	**5,281**

The increase in the Substitute tax item is mainly due to the redemption of goodwill resulting from the merger of Tintoria Lombarda Divisione Sanitaria S.r.l. into Servizi Italia S.p.A., through the payment of the substitute tax as set forth in Decree Law 185/2008. This substitute tax was recognised as a prepaid current tax and is released to the income statement over the period of time in which the parent company benefits from the tax deductions connected with the goodwill. The reduction of the receivable in escrow account towards the shareholders selling Aqualav Serviços De Higienização Ltda is due to the devaluation of the Real Brazilian.

6.9 Assets held for sale

As at 31 December 2017, non-current assets held for sale were equal to Euro 334 thousand and were related to linen and surgical instruments of Se.Sa.Tre. S.c.r.l. in liquidation. All the assets in question were sold in the first months of 2018.

6.10 Inventories

Inventories at year-end primarily included disposable washing products, chemical products, packaging, spare parts and consumables. No impairments were made to the value of the inventories in the current and previous years.

6.11 Trade receivables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Due from third parties	71,113	71,000
Due from associates and joint ventures	4,526	3,353
Due from parent company	240	184
Receivables from companies under the control of the parent companies	21	2
Total	**75,900**	**74,539**

Trade receivables due from third parties

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Due from customers	77,380	76,893
Bad debt provision	(6,267)	(5,893)
Total	**71,113**	**71,000**

During the year, the Servizi Italia Group carried out some transactions involving the disposal of the receivables described below:

- trade receivables were factored without recourse to Credemfactor S.p.A. for Euro 53,785 thousand, for a consideration of Euro 53,663 thousand;
- trade receivables were factored without recourse to Unicredit Factoring S.p.A. for Euro 35,563 thousand, for a consideration of Euro 35,498 thousand.

The bad debt provision changed as follows in 2017 and 2018:

(thousands of Euros)	
Balance as at 1 January 2017	**5,502**
Utilizations	(51)
Adjustments	(252)
Provisions	694
Balance as at 31 December 2017	**5,893**
Adjustment due to adoption of new impairment model (IFRS 9)	151
Balance as at 1 January 2018	**6,044**

Utilizations	(136)
Adjustments	(149)
Provisions	508
Balance as at 31 December 2018	**6,267**

Trade receivables due from associates, joint ventures and parent company

The balance as at 31 December 2018 of the trade receivables towards associates and joint ventures, equal to Euro 4,526 thousand, consists mainly of trade receivables towards the Company Brixia S.r.l. for Euro 1,245 thousand, Saniservice Sh.p.k. for Euro 2,091 thousand, PSIS S.r.l. for Euro 86 thousand, Steril Piemonte S.c.r.l. for Euro 195 thousand, Finanza & Progetti S.p.A. for Euro 178 thousand, Akan & Ankateks JV for Euro 520 thousand, Ekolav S.r.l. for Euro 77 thousand and SAS Sterilizasyon Servisleri A.Ş. for Euro 74 thousand. Furthermore, there is a credit balance due from the parent company Coopservice Soc.Coop. p.A. for Euro 240 thousand.

6.12 Current tax receivables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Tax receivables	2,977	6,289
Tax payables	(1,016)	(4,317)
Total	**1,961**	**1,972**

This item includes primarily the amount exceeding the receivable for advances on the current taxes of 2018, net of related tax payables of the Parent Company.

6.13 Current financial receivables

The item in question changed as follows in 2018:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Asolo Hospital Service S.p.A.	1,783	1,777
P.S.I.S. S.r.l.	3,845	3,891
Ekolav S.r.l.	470	172
Arezzo Servizi S.c.r.l.	403	403
Steril Piemonte S.c.r.l.	150	651
Iniziative Produttive Piemontesi S.r.l.	91	90
Gesteam S.r.l.	312	313
Saniservice Sh.p.k.	703	-
Other	273	649
Total	**8,030**	**7,946**

Financial receivables are for loans granted to the companies indicated above, which are due within the year or repayable on demand. The increase with respect to 31 December 2017 is due to the increase in the loan to Ekolav S.r.l. equal to Euro 296 thousand and to the portion of the interest accrued on the loan to the company Saniservice Sh.p.k. equal to Euro 280 thousand, net of the Euro 500 thousand reduction of the loan to Steril Piemonte S.c.r.l. as a result of offsetting against trade payables.

6.14 Other current assets

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Due from others	7,466	9,623
Prepayments	1,157	956
Guarantee deposits receivable	205	120
Accrued income	40	4
Total	**8,868**	**10,703**

The item Receivables from others consists of the receivables of the subsidiaries Se.Sa.Tre. S.c.r.l. in liquidation and San Martino 2000 S.c.r.l. from the consortium company Servizi Ospedalieri S.p.A. in the amount of Euro 992 thousand, the VAT receivable for Euro 4,322 thousand (Euro 4,509 as at 31 December 2017) and, for the remaining part, mainly by advances and receivables from social security and welfare institutions, all collectable within the year. Prepayments increased primarily as a result of rentals and insurance premiums that were recognised at the beginning of the year. The item Guarantee deposits refers to energy utilities and rentals.

6.15 Cash and cash equivalents

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Bank and postal deposits	6,949	7,950
Cheques	10	-
Cash in hand	44	49
Total	**7,003**	**7,999**

6.16 Shareholders' equity

Share Capital and reserves

The share capital (fully underwritten and paid up) of Servizi Italia S.p.A. was equal to Euro 31,809,451, represented by 31,809,451 ordinary shares with a par value of Euro 1.00 each.

In 2018, the Parent Company purchased 369,326 treasury shares for Euro 1,361 thousand. These were equal to 1.16% of the share capital with an average purchase price of Euro 3.68 per share. Following these transactions, the Parent Company held 379,876 treasury shares equal to 1.88% of the share capital as at 31 December 2018. Their nominal amount as at 31 December 2018, of Euro 1,410 thousand, was classified as a decrease to share capital for their nominal amount of Euro 380 thousand, and the value exceeding the nominal amount, totalling Euro 1,030 thousand, was recognised as a reduction in the share premium reserve.

The legal reserve and other reserves increased due to the allocation of the 2017 profit, after the payment of dividends for Euro 5,406 thousand.

There was also a negative effect equal to Euro 7,676 thousand as a result of the change in the translation reserves in the equity of the companies that prepare their financial statements in foreign currency, mainly as a result of the devaluation of the Brazilian Real and the Turkish Lira.

6.17 Due to banks and other lenders

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018			as at 31 December 2017		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowing	60,927	35,223	**96,150**	51,255	40,172	**91,427**
Payables due to other lenders	257	821	**1,078**	128	38	**166**
Total	**61,184**	**36,044**	**97,228**	**51,383**	**40,210**	**91,593**

Bank borrowing

The portion of the payable falling due within 12 months relating to the item Due to banks as at 31 December 2018 increased with respect to 31 December 2017 by Euro 9,672 thousand due to instalments due within 12 months of the new loans undersigned net of the repayment of the loan instalments expired during the year.

The portion of the payable falling due beyond 12 months related to the item Due to banks as at 31 December 2018 fell with respect to 31 December 2017 by Euro 4,949 thousand. This decrease is related to the reclassification to short-term of the loan instalments due within the subsequent 12 months, to the early repayment of the loan obtained on 2 November 2015 from the Banca Popolare di Milano S.Coop. a r.l (residual borrowing equal to Euro 9,094 thousand) and having natural maturity on 31 March 2021 and to the new unsecured loan granted by Banco BPM S.p.A. in the amount of Euro 20,000 thousand (residual borrowing due after 12 months equal to Euro 13,333 thousand), to the early repayment of the loan concluded on 27 April 2015 with the Cassa di Risparmio di Parma e Piacenza S.p.A. (residual borrowing equal to Euro 1,271 thousand) and having natural maturity on 27 April 2019 and to the new unsecured loan granted by Banca Crédit Agricole Cariparma S.p.A. in the amount of Euro 10,000 thousand (residual borrowing due after 12 months equal to Euro 7,500 thousand). New loans had to be taken out to fund the investments planned, the payment of the price set for the exercise of the call option aimed to the acquisition of an additional 15% interest in the share capital of the Brazilian company Maxlav Lavanderia Especializada S.A. and Vida Lavanderia Especializada S.A. and the price for the purchase, from Lavanderia Bolognini M&S S.r.l., of a business unit operating in the sector of the industrial laundries for the private sector, keeping a balance between short- and medium-term borrowing.

Covenants

The loan stipulated with Banca Nazionale del Lavoro S.p.A. requires the maintenance of a net financial position of less than 1.5 times the value of shareholders' equity and less than 2.0 times EBITDA, conditions that had been met as at 31 December 2018. The loans stipulated with Banca Intesa S.p.A., Unicredit Banca S.p.A. and Cassa di Risparmio di Parma e Piacenza S.p.A. require the maintenance of a net financial position of less than 1.5 times the value of shareholders' equity and less than 2.5 times EBITDA, conditions that had been met as at 31 December 2018. The loan stipulated with the Banco BPM S.p.A. requires the maintenance of a net financial position of less than 2 times the value of shareholders' equity and less than 2.0 times EBITDA, conditions that had been met as at 31 December 2018. The loan stipulated with Banca Crédit Agricole Cariparma S.p.A. requires the maintenance of a net financial position of less than 1.8 times the value of shareholders' equity and less than 2.8 times EBITDA, conditions that had been met as at 31 December 2018.

The portion of debt with a maturity of over 12 months also includes the medium-term debt of the subsidiary Steritek SpA. for an amount of Euro 1 thousand, of the Brazilian subsidiaries for an amount of Euro 31 thousand and of the Turkish subsidiaries for an amount of Euro 206 thousand.

Amounts due to banks are shown below by maturity:

(thousands of Euros)	**as at 31 December 2018**	**as at 31 December 2017**
Less than or equal to 6 months	43,300	36,809
6 to 12 months	17,627	14,446
1 to 5 years	35,223	40,172
More than 5 years	-	-
Total	**96,150**	**91,427**

Non-current amounts due to banks are broken down by maturity as follows:

(thousands of Euros)	**as at 31 December 2018**	**as at 31 December 2017**
1 to 2 years	16,006	21,927
2 to 5 years	19,217	18,245
More than 5 years	-	-
Total	**35,223**	**40,172**

The average effective interest rates as at 31 December 2018 were as follows:

	as at 31 December 2018	**as at 31 December 2017**
Advances on invoices	0.54%	0.45%
Bank loan	2.26%	1.56%

Payables due to other lenders

Payables to other lenders as at 31 December 2018, for the current portion, include the amount due to Unicredit Factor S.p.A. for Euro 10 thousand related to a payment made to us but attributable to Unicredit and payables related to foreign activities for a total of Euro 247 thousand.

The non-current portion of the balance as at 31 December 2018 is attributable to the debt incurred by the Turkish subsidiary Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi.

Payables to other lenders are broken down by maturity below:

(thousands of Euros)	**as at 31 December 2018**	**as at 31 December 2017**
Less than or equal to 6 months	103	109
6 to 12 months	154	19
1 to 5 years	821	38
More than 5 years	-	-
Total	**1,078**	**166**

Non-current amounts due to other lenders are broken down by maturity as follows:

(thousands of Euros)	**as at 31 December 2018**	**as at 31 December 2017**
1 to 2 years	315	28
2 to 5 years	506	10
More than 5 years	-	-
Total	**821**	**38**

The following table shows the breakdown of the amounts due to other lenders by type of rate:

(thousands of Euros)	**as at 31 December 2018**	**as at 31 December 2017**
Floating rate	1,057	113

Fixed rate	21	53
Total	**1,078**	**166**

6.18 Deferred taxes liabilities

Deferred tax liabilities are broken down below by nature of the timing differences that generated them:

(thousands of Euros)	Leasing	Property, plant and equipment and intangible assets	Goodwill	Other	Total
Deferred tax liabilities as at 1 January 2017	**44**	**1,312**	**1,277**	**-**	**2,633**
Change in the consolidation area	-	158	-	58	216
Changes recognised in the income statement	(19)	(237)	101	(49)	(204)
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred tax liabilities as at 31 December 2017	**25**	**1,233**	**1,378**	**9**	**2,645**
Change in the consolidation area	(17)	(787)	116	14	(674)
Changes recognised in the income statement	-	43	-	-	43
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred tax liabilities as at 31 December 2018	**8**	**489**	**1,494**	**23**	**2,014**

There are no deferred taxes which have not been recognised, since the related payment is deemed unlikely.

The reduction of the item "Property, plant and equipment and intangible assets" refers to the detaxation of the unrealised gains allocated to the contract portfolio of Tintoria Lombarda Divisione Sanitaria S.r.l. resulting from the merger by incorporation carried out in 2017.

6.19 Employee benefits

This item changed as follows:

(thousands of Euros)	2018	2017
Initial balance as at 1 January	**10,322**	**11,217**
Change in the consolidation area	14	479
Provision	396	217
Financial expenses	82	85
Actuarial (gains)/losses	(131)	(22)
Transfers (to)/from other provisions	-	-
(Benefits paid)	(504)	(777)
(Reclassifications)	-	(877)
Final balance as at 31 December	**10,179**	**10,322**

The item includes the Provision for Employee Severance Indemnity recognised to the employees of Italian group companies and identified as a defined benefit plan.

It also includes the benefits accrued by Directors, Managers, Senior Managers and Executives with reference to the 2018-2020 LTI-Cash variable remuneration plan, which provides for the bonus to be paid in 2021 if certain economic and financial targets are met and in relation to the Servizi Italia share price, as well as the indemnity for termination of the office accrued by the CEO.

With the approval of the financial statements as at 31 December 2017, the vesting period related to the 2015-2016-2017 LTI-Cash Plan has come to an end. This Plan had been set up for Directors performing special tasks identified by the Board of Directors, Executives with strategic responsibilities, Senior Managers and special/key managers. The corresponding liability was recognised in the current portion of the benefits to the employees in the financial statements as at 31 December 2017 and disbursed in 2018.

Financial hypotheses adopted

The valuation techniques were carried out on the basis of the hypotheses described by the following table:

	2018	2017
Technical annual discounting back rate	1.13%	0.88%
Annual inflation rate	1.50%	1.50%
Annual growth rate of the severance indemnity	2.63%	2.63%

With regard to the discount rate, the iBoxx Eurozone Corporates AA 7 - 10 index as of the valuation date was taken as reference for the valuation of this parameter. The duration of the liability is 8.10 years.

Demographic hypotheses adopted

- With regard to the probabilities of demise, those established by the State General Accounting Office, known as RG48, differentiated by gender:
- for the probabilities of disability those, differentiated by gender, adopted in the INPS model for the projections through 2010. These probabilities have been created starting off from the distribution by age and gender of the pensions in force as at 1 January 1987 as from 1984, 1985 and 1986 relating to lending industry personnel;
- with regard to the retirement period for the active generic the achievement of the first of the pension requirements valid for Mandatory General Insurance was presupposed;
- for the probabilities of leaving employment for reasons other than death, annual frequencies of 7.50% have been considered;
- with regard to the probability of advance, a year-by-year value of 3.00% was supposed.

Further to the supplementary welfare reform as per Italian Legislative Decree No. 252 dated 5 December 2005, for employees who have decided to allocate the indemnity as from 1 January 2007 to the INPS Treasury Fund, the advances as per Article 2120 of the Italian Civil Code are calculated on the entire value of the severance indemnity accrued by the worker.

These advances are disbursed by the employer within the limits of the capacity of the amounts accrued by virtue of the provisions made up until 31 December 2006. If the amount of the advance is not covered by the amount accrued care of the employer, the difference is disbursed by the Treasury Fund set up care of INPS.

With regard to the matters set forth above and for just the employees who have complied with the Treasury Fund and who have not requested advances on the indemnity, corrections have been made in the actuarial valuations increasing the requested percentage to be applied to the Fund accrued as at 31 December 2006 and revalued until the calculation date.

Sensitivity analysis

In accordance with the matters required by the reviewed version of IAS 19, sensitivity analysis is presented below in line with the change in the main actuarial hypotheses included in the calculation model.

(thousands of Euros)	Discount rate		Inflation rate		Duration	
	+0.50%	-0.50%	+0.25%	-0.25%	+1 year	-1 year
Change in liabilities	-309	+327	+92	-90	+83	-85

6.20 Provisions for risks and charges

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Opening balance	**2,447**	**2,798**
Provisions	576	25
Payments/resolutions	(125)	(376)
Translation differences	(247)	-
Closing balance	**2,651**	**2,447**

The provisions made in 2017 against tax risk were used following settlement of the amounts due to the Revenue Agency while the provisions for risks made during the acquisition of the Brazilian company Aqualav Serviços De Higienização Ltda was released as the corresponding risk no longer exists.

The provisions made during the year include Euro 540 thousand for the equity investment in Shubhram Hospital Solutions Private Limited corresponding to the portion of the losses in excess of the value of the equity investment initially recognised, which will be hedged in consideration of the commitments taken with the local partner for the development of business in the Indian market.

6.21 Other non-current financial liabilities

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Payables to Area S.r.l.	500	1,000
Payables to Steritek S.p.A. shareholders	225	225
Payables to Lavanderia Bolognini M&S S.r.l.	1,000	-
Deferred price Aqualav Serviços De Higienização Ltda	116	217
Payable for put options Maxlav Lavanderia Especializada S.A. Vida Lavanderias Especializada S.A.	2,685	2,638
Payable for Steritek S.p.A. put options	1,800	1,996
Other payables	95	-
Total	**6,421**	**6,076**

The main items refer to the residual borrowing related to the acquisition from Lavanderia Bolognini M&S S.r.l. of the business unit that operates in the sector industrial washing and wash-hire for private facilities, to the put options on the 34.9% interests in the subsidiaries Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A. and to the put option on the 30% interest in the subsidiary Steritek S.p.A.

6.22 Trade payables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Due to suppliers	65,373	62,051
Due to associates and joint ventures	2,945	2,877
Due to parent company	5,355	4,013
Due to companies under the control of the parent companies	467	913
Total	**74,140**	**69,854**

Due to suppliers

The balance as at 31 December 2018 refers entirely to trade payables due within 12 months.

Due to associates and joint ventures

The balance as at 31 December 2018 consists of trade payables due to Steril Piemonte S.c.r.l. for Euro 825 thousand, Ekolav S.r.l. for Euro 677 thousand, AMG S.r.l. for Euro 742 thousand, Arezzo Servizi S.c.r.l. for Euro 479 thousand, Piemonte Servizi Sanitari S.c.r.l. for Euro 176 thousand, Brixia S.r.l. for Euro 37 thousand, Co.Se.S. S.c.r.l. in liquidation for Euro 6 thousand and PSIS S.r.l. for Euro 3 thousand.

Due to parent company

These are amounts due to the parent company Coopservice S.Coop.p.A. for the services provided by this.

Payables to companies under the control of the parent companies

Trade payables to companies under the control of the parent company Coopservice S.Coop.p.A. refer for Euro 298 thousand to Focus S.p.A., for Euro 154 thousand to Archimede S.p.A. and Euro 15 thousand to Adpersonam S.r.l.

6.23 Current tax payables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Tax receivables	(700)	(2,103)
Tax payables	761	2,260
Total	**61**	**157**

The amount refers to current tax payables of the subsidiaries included in the consolidation area.

6.24 Other current financial liabilities

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2018	as at 31 December 2017
Payable to Area S.r.l.	500	1,000
Payable to Steritek S.p.A. shareholders	-	225
Payable to Finanza e Progetti S.p.A.	2,460	2,460
Deferred price Aqualav Serviços De Higienização Ltda	142	375
Payable for put options on Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	-	1,116
Payables to Lavanderia Bolognini M&S S.r.l.	500	-
Total	**3,602**	**5,176**

The change of the item is related in particular to the balance to the payment of the rate of deferred price for the purchase of the equity investments of Brixia S.r.l. and Steritek S.p.A. and for the exercise of the first put option related to the acquisition of an additional 15% of the share capital of Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.

6.25 Other current payables

The table below provides a breakdown of other current liabilities:

(thousands of Euros)	**as at 31 December 2018**	**as at 31 December 2017**
Accrued liabilities	122	202
Deferred income	240	435
Payables due to social security and welfare institutions	5,865	5,359
Other payables	14,041	12,469
Total	**20,268**	**18,465**

Payables due to social security and welfare institutions

Amounts due to social security and welfare institutions include contributions to INPS/INAIL/INPDAI (National Social Security Institution/Italian Institution for Insurance Against Workplace Accidents/National Welfare Institute for Industrial Managerial Employees), all falling due within the year.

Other payables

The item is broken down as follows:

(thousands of Euros)	**as at 31 December 2018**	**as at 31 December 2017**
Due to employees	9,902	9,457
Employee/professional IRPEF (personal income tax) payable	2,398	2,219
Other payables	1,741	793
Total	**14,041**	**12,469**

6.26 Net financial debt

The Group's net financial debt as at 31 December 2018 and as at 31 December 2017 is shown below:

(thousands of Euros)	**as at 31 December 2018**	**as at 31 December 2017**
Cash and cash equivalents in hand	54	49
Cash at bank	6,949	7,950
Cash and cash equivalents	**7,003**	**7,999**
Current financial receivables	8,030	7,946
Current liabilities to banks and other lenders	(61,184)	(51,383)
Current net financial debt	**(53,154)**	**(43,437)**
Non-current liabilities to banks and other lenders	(36,044)	(40,210)
Non-current net financial debt	**(36,044)**	**(40,210)**
Net financial debt	**(82,195)**	**(75,648)**

The increase in Net financial debt was mainly due to the loan for the investments carried out during the year.

In particular, analysing the individual items, there was a decrease in cash and cash equivalents for an amount equal to Euro 996 thousand, as a result of the lower liquidity of the subsidiary Turkish Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, after funding the investments carried out during the year.

Financial receivables as at 31 December 2018 were essentially stable with respect to 31 December 2017.

Payables to banks and other current lenders increased by Euro 9,801 thousand, due both to a greater use of self-liquidating credit lines and to the instalments due within 12 months of the new loans taken out, net of the repayment of loan instalments falling due during the year.

Payables to banks and other non-current lenders were down by Euro 4,166 thousand, as a result of the repayment of the loan instalments falling due during the year, net of the reclassification as short-term of the loan instalments due within the subsequent 12 months, the early repayment of the loan concluded on 2 November 2015 with Banca Popolare di Milano S.Coop. a r.l (residual borrowing equal to Euro 9,094 thousand) and having natural maturity on 31 March 2021 and to the new unsecured loan granted by Banco BPM S.p.A. of the value of Euro 20,000 thousand (residual borrowing due after 12 months equal to Euro 13,333 thousand), to the early repayment of the loan concluded on 27 April 2015 with the Cassa di Risparmio di Parma e Piacenza S.p.A. (residual borrowing equal to Euro 1,271 thousand) and having natural maturity on 27 April 2019 and to the new unsecured loan granted by Banca Crédit Agricole Cariparma S.p.A. in the amount of Euro 10,000 thousand (residual borrowing due after 12 months equal to Euro 7,500 thousand). New loans had to be taken out to fund the investments planned, the payment of the price set for the exercise of the call option aimed to the acquisition of an additional 15% interest in the share capital of the Brazilian company Maxlav Lavanderia Especializada S.A. and Vida Lavanderia Especializada S.A. and the price for the purchase, from Lavanderia Bolognini M&S S.r.l., of a business unit operating in the sector of the industrial laundries for the private sector, keeping a balance between short- and medium-term borrowing.

The net financial position below has been prepared in accordance with CESR, now ESMA, recommendation of 10 February 2005, and reports the value of "Other current financial liabilities" in "Other current payables" and the value of "Other non-current financial liabilities" in "Other non-current payables".

(thousands of Euros)	**as at 31 December 2018**	*of which with related parties*	**as at 31 December 2017**	*of which with related parties*
A. Cash	54	-	49	-
B. Other cash equivalents	6,949	-	7,950	-
C. Securities held for trading	-	-	-	-
D. Cash and cash equivalents (A)+(B)+(C)	**7,003**		**7,999**	
E. Current financial receivables	8,030	*5,867*	7,946	*5,630*
F. Current bank borrowings	(30,750)	-	(18,856)	-
G. Current portion of non-current borrowings	(30,434)	-	(32,527)	-
H. Other current financial payables	(3,602)	*(2,460)*	(5,176)	*(2,460)*
I. Current financial debt (F)+(G)+(H)	**(64,786)**		**(56,559)**	
J. Current net financial debt (I)-(E)-(D)	**(49,753)**		**(40,614)**	
K. Non-current bank borrowings	(36,044)	-	(40,210)	-
L. Bonds issued	-	-	-	-
M. Other non-current payables	(6,421)	-	(6,076)	-
N. Non-current financial debt (K)+(L)+(M)	**(42,465)**		**(46,286)**	
O. Net financial debt (J)+(N)	**(92,218)**		**(86,900)**	

6.27 Financial guarantee contracts

The table below provides the details of the guarantees given by the Group as at 31 December 2018 and 31 December 2017:

(thousands of Euros)	**as at 31 December 2018**	**as at 31 December 2017**
Guarantees issued by banks and insurance companies for tenders	62,007	59,454
Guarantees issued by banks and insurance companies for lease agreements and utilities	637	613
Guarantees issued by banks and insurance companies in favour of third parties	47,629	42,821
Owned assets held by third parties	79	82
Third party assets held at our facilities	11	14
Pledge on shares Asolo Hospital Service S.p.A. given as loan guarantee	464	464
Pledge on shares Sesamo S.p.A. given as loan guarantee	237	237
Pledge on shares Prog.Este S.p.A. given as loan guarantee	1,212	1,212
Pledge on shares Progeni S.p.A. given as loan guarantee	380	380
Pledge on quote Futura S.r.l. given as loan guarantee	25	-
Total	**112,681**	**105,277**

The guarantees issued and the other commitments refer to:

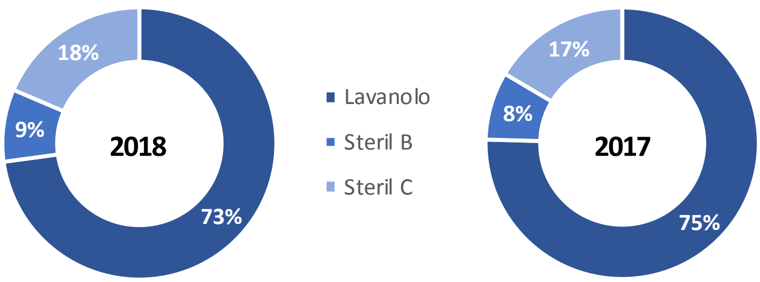
- Guarantees issued by banks and insurance companies for tenders: these were issued on behalf of the Group in favour of customers or potential customers for participation in tenders, to guarantee the correct execution of the service.
- Guarantees issued by banks and insurance companies for lease agreements and utilities: these were issued on behalf of the company to guarantee the payment of lease instalments and invoices for the supply of electricity and gas.
- Guarantees issued by banks and insurance companies in favour of third parties: these are guarantees issued to back the payment of the company's portion of project financing and guarantees issued in favour of PSIS S.r.l., Steril Piemonte S.c.r.l., I.P.P. S.r.l., Ekolav S.r.l., Saniservice Sh.p.k. and Shubhram Hospital Solutions Private Limited to back loan agreements.
- Pledge on shares/units of Asolo Hospital Service, Sesamo, Progeni, Prog.Este and Futura to back the loans granted to project companies: this pledge was granted to the banks providing the project financing on the shares representing the Group's interest in the special purpose entity.

7 Income statement

7.1 Revenues from sales

The item is broken down as follows by business:

(thousands of Euros)	**Year ended as at 31 December**	
	2018	**2017**
Wash-hire	182,771	190,162
Steril B (Linen Sterilization)	21,578	20,479
Steril C (Surgical Instruments Sterilization)	46,559	41,461
Sales revenues	**250,908**	**252,102**



Revenue and services by geographical area are broken down as follows:

(thousands of Euros)	**Year ended as at 31 December**	
	2018	**2017**
Italy	215,125	215,629
Brazil	29,195	32,203
Turkey	6,588	4,270
Sales revenues	**250,908**	**252,102**

At the consolidated level, group revenues were slightly down (-0.5%) with respect to the previous year. The revenues from wash-hire services went from Euro 190,162 thousand in 2017 to Euro 182,771 thousand, with a 3.9% decrease, mainly due to a slowdown in turnover from wash-hire services in Italy and the unfavourable exchange rate effect on revenues realised in Brazil (an area which, however, recorded natural positive growth in local currency).

Revenues from linen sterilisation services increased by 5.4% to Euro 21,578 thousand in the year ended 31 December 2018 from Euro 20,479 thousand in the year ended 31 December 2017.

Revenues from surgical instrument sterilisation services increased by 12.3% from Euro 41,461 thousand in the year ended 31 December 2017 to Euro 46,559 thousand in the year ended 31 December 2018. The turnover of the line in 2018 was positively affected by the starting of services at some customers, as well as the consolidation of the subsidiary Steritek. Given the same consolidation perimeter, the turnover of the line would have been up by 8.4%.

Given the same consolidation perimeter and exchange rate, the consolidated revenues for 2018 provided a stable performance with respect to the previous year.

7.2 Other income

Other income went from Euro 4,657 thousand as at 31 December 2017 to Euro 5,607 thousand as at 31 December 2018. The increase was mainly related to revenues from sale of white certificates recognised in 2018 for euro 780 thousand and proceeds from A.T.I. related to some customers of the Veneto region.

During the year, the Group received grants, contributions, paid positions and in any case economic advantages public administrations of the Italian State, directly or through affiliates, as set forth in Italia Law No. 124/2017, Art. 1, Par. 25, equal to Euro 13 thousand. Here below the details regarding funders, amount or value of the assets received and a brief description of the reasons for benefit:

(Euro thousands)		
Funders	**Cause**	**Contribution received**
Veneto Lavoro	Contribution payment ex art. 13 l. 68/99	13
Total		**13**

7.3 Raw materials and consumables

As at 31 December 2018, consumption of raw materials was equal to Euro 26,633 thousand, up by Euro 687 thousand with respect to the same period of the previous year. The consumption was mainly due to washing products, chemical products, packaging, consumables, spare parts, disposable materials and procedure kits for new customers acquired in 2018 and to the start of new sterilization facilities.

7.4 Costs for services

The item is broken down as follows:

(thousands of Euros)	**Year ended as at 31 December**	
	2018	**2017**
External laundering and other industrial services	23,347	22,551
Travel and transport	13,159	13,981
Utilities	11,731	11,397
Administrative costs	2,663	2,314
Consortium and sales costs	7,705	8,629

Personnel expense	2,940	2,514
Maintenance	7,640	6,137
Use of third-party assets	7,333	7,254
Other services	1,674	2,089
Total	**78,192**	**76,866**

Service costs increased by Euro 1,326 thousand with respect to the previous year.

Costs for external laundering services and other industrial services increased by Euro 726 thousand. This was due to an increase in miscellaneous third-party services, such as advisory and technical services, in particular for the management of some warehouses.

Travel and transportation expenses fell by Euro 822 thousand with respect to 31 December 2017. This reduction was particularly marked in Liguria where the contractual agreements with a few clients has changed following the award of the new contracts with the Liguria Region.

Consortium and sales costs fell by Euro 924 thousand, mainly due to the lower consortium and temporary consortium costs for the contracts related to the San Giovanni Hospital in Rome and to the Alessandria Hospital.

Maintenance costs increased, mainly reflecting increased surgical instrument maintenance activities in North-East Italy.

7.5 Personnel expense

The item is broken down as follows:

(thousands of Euros)	**Year ended as at 31 December**	
	2018	**2017**
Costs for directors' fees	2,399	1,782
Salaries and wages	58,333	56,562
Temporary work	2,190	2,465
Social security charges	18,901	17,830
Employee severance indemnity	3,287	3,080
Other costs	248	245
Total	**85,358**	**81,964**

The figures were affected by the consolidation of Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Anonim Şirketi for Euro 901 thousand and Steritek S.p.A. for Euro 730 thousand. In Italy, personnel costs also increased with respect to the comparison figures due to the hiring of new employees, in particular at the surgical instrument sterilization facilities in Bergamo, Florence and Varese, starting from the second half of 2017, and at the new registered office, as a result of the corporate reorganisation started in January 2018. In the Brazilian area, there was instead a drop in personnel cost, equal to Euro 1,632 thousand, mainly due to the effects of the Real/Euro devaluation compared to the same period of the previous year.

The table below shows the average composition of workforce:

	Average number of employees	
	2018	**2017**
Executives	15	17
Middle managers	38	25
White-collar staff	258	229
Blue-collar staff	3,260	3,223
Total	**3,571**	**3,494**

7.6 Other costs

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2018	**2017**
Tax-related expense	328	365
Contingent liabilities	64	388
Membership fees	201	185
Gifts to customers and employees	161	128
Other	1,155	1,088
Total	**1,909**	**2,154**

Contingent liabilities and tax charges for 2017 consist of one-off costs for the settlement of registration tax and accessory charges for the acquisition of Lavanderia Industriale Z.B.M. S.p.A. for Euro 361 thousand. In addition, the indemnity of Euro 408 thousand to the company Focus S.p.A., for the redevelopment of the complex of Castellina di Soragna (PR), had been recognised in 2017.

7.7 Depreciation/amortisation, impairment and provisions

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2018	**2017**
Amortisation of intangible assets	1,189	1,719
Depreciation of property, plant and equipment	48,270	50,888
Impairment and provisions	610	846
Total	**50,069**	**53,453**

The decrease in absolute value of the depreciation related to the intangible fixed assets is due to lower amortisation on client portfolios and to the end, in the previous year, of the depreciation of the non-competition agreement signed with the previous CEO. The decrease in the depreciation of tangible fixed assets, which went from Euro 50,888 thousand to Euro 48,270 thousand, was instead due to the placement into liquidation of the consortium Se.Sa.Tre. S.c.r.l. and the contextual transfer of plants, machinery and surgical instruments to Azienda ULSS n. 2 Marca Trevigiana.

The reduction in the item impairment and provisions is due to the lower write-down of loans posted as at 31 December 2018 compared to 31 December 2017.

7.8 Financial income

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2018	**2017**
Bank interest income	357	358
Default interest	614	742
Interest income on loans to third-party companies	697	655
Other financial income	413	304
Total	**2,081**	**2,059**

Default interest payments were down on some customers such as Lazio Region and Terme di Salsomaggiore. The item Other financial income benefited in 2018 of the discount obtained in Brazil from some suppliers of chemical products during the renewal of the supply contract.

7.9 Financial expenses

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2018	**2017**
Interest expense and bank commission	1,822	1,314
Interest and expense to other lenders	206	254
Financial expense on employee benefits	83	88
Net exchange rate losses	326	63
Other financial expenses	760	723
Total	**3,197**	**2,442**

The increase of the item Interest expense and bank commission is mainly due to the significant interest rate increase on the Turkish financial market. Exchange rate losses are the result of the devaluation of the Euro/Real and the Euro/Turkish Lira exchange rates.

7.10 Income and expense from equity investments

The item Income and expense from equity investment consists of dividends collected in 2018, in particular for Euro 61 thousand from the associate Sesamo S.p.A., Euro 81 thousand from the associate Prosa S.p.A. and Euro 2 thousand from other companies. The value for 2017 included income for Euro 1,212 thousand related to the re-measurement at fair value of the 40% interest in the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, which in turn controls the company Ergülteks Temizlik Tekstil Ltd. Sti. (Ankara Group), with respect to the value at cost previously recognised, due to of the purchase by steps of the control and the resulting consolidation of the Turkish group.

7.11 Income taxes

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2018	**2017**
Current taxes	2,157	3,410
Deferred tax assets/(liabilities)	(1,599)	(13)
Total	**558**	**3,397**

The incidence of the taxes on the pre-tax result is reconciled with the theoretical rate in the table below:

(thousands of Euros)	Year as at 31 December			
	2018	**Incidence**	**2017**	**Incidence**
IRES (company earnings tax) reconciliation				
Profit before tax from Income statement	12,678		17,761	
Theoretical taxes	**3,043**	**24.0%**	**4,263**	**24.0%**
Tax effects of the permanent differences:				
on increases	725	5.7%	926	5.2%
on decreases	(3,826)	-30.2%	(3,986)	-22.4%
substitute taxes	504	4.0%	458	2.6%
differential on foreign taxes	(527)	-4.2%	967	5.4%
Total effective IRES taxes	**(81)**	**-0.6%**	**2,628**	**14.8%**
IRAP (regional business tax)	639	5.0%	769	4.3%
Total effective taxes	**558**	**4.4%**	**3,397**	**19.1%**

The current taxes were basically zero in Italy due to the recognition of prepaid tax assets on the tax losses deriving from the effects of the deductions on the investments in capital goods (known as "super-amortisation") and the corporate income tax deduction "ACE".

7.12 Earnings per share

Basic and diluted earnings per share are calculated in the tables below.

(thousands of Euros)	Year ended as at 31 December	
	2018	**2017**
Profit/loss attributable to shareholders of the parent company	11,533	13,770
Average number of shares	31,690	31,680
Basic earnings per share	**0.364**	**0.435**

(thousands of Euros)	Year ended as at 31 December	
	2018	**2017**
Profit/loss for the year attributable to the Group:	11,533	13,770
Average number of shares outstanding	31,690	31,680
Number of shares with dilutive effect	-	-
Average number of shares used to calculate diluted EPS	31,690	31,680
Diluted earnings per share	**0.364**	**0.435**

8 Transactions with group companies and related parties

The transactions of the Servizi Italia Group with subsidiaries, associates, joint ventures or parent companies are conducted in compliance with the applicable Regulations governing transactions with related parties and concern primarily:

- dealings associated with commercial service agreements;
- financial dealings, represented by loans.

From an economic, equity and financial point of view, the group of main transactions constitute ordinary transactions conducted under conditions equivalent to market or standard conditions and are regulated by the appropriate contracts. With reference to the amount reported in the financial statements of the reference period, this was generated by the renewal of existing contracts or contracts stipulated in the period.

No new loans were stipulated with related parties during the year ended as at 31 December 2018 that had a significant impact on the financial disclosures of the Servizi Italia Group. The financial transactions with the related parties of the Servizi Italia Group are shown below as at 31 December 2018:

(thousands of Euros)	31 December 2018							
Economic transactions	**Sale of goods and services**	**Other income**	**Purchases of goods and services**	**Personnel expense**	**Purchases of property, plant and equipment and intangible assets**	**Other costs**	**Financial income**	**Income from equity inv.**
Coopservice S.Coop.p.A. (parent company)	94	52	10,664	-	-	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	-	8	1,287	-	-	-	3	-
Consorzio Co.Se.S. (associate)	-	-	8	-	-	-	-	-
IDSMED SERVIZIPLUS PTE LMD (associate)	-	19	-	-	-	-	-	-
Psis S.r.l. (associate)	262	128	7	-	48	-	45	-
Amg S.r.l. (associate)	372	11	1,077	-	28	-	-	-
Ekolav S.r.l. (associate)	60	3	1,692	-	5	-	3	-
Steril Piemonte S.c.r.l. (associate)	37	312	1,439	-	-	-	1	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	14	300	-	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	21	13	10	-	-	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	74	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-	-	-	-
Saniservice Sh.p.k. (associate)	1,132	403	-	-	-	-	480	-
Servizi Sanitari Integrati Marocco S.a.r.l. (associate)	-	-	-	-	-	-	-	-
Finanza & Progetti S.p.A. (associate)	-	50	-	-	-	-	-	-
Brixia S.r.l. (associate)	3,866	-	38	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	-	10	-	-	-	-	-
Focus S.p.A. (affiliated)	-	-	2,743	-	-	14	-	-
Archimede S.p.A. (affiliated)	-	-	15	1,210	-	-	-	-
Gesta S.p.A. (affiliated)	-	7	-	-	-	-	-	-
New Fleur S.r.l. (affiliated)	32	-	1,515	-	-	-	-	-
Ad Personam S.r.l. (affiliated)	-	-	20	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	49	-	-	-	-	-
Everest S.r.l. (related party)	-	-	289	-	-	1	-	-
Ospedal Grando S.p.A. (related party)	8,632	-	19	-	-	-	-	-
Akan & Ankateks JV (associate)	1,457	-	-	60	-	-	-	-
Akan (related party)	528	-	9	84	-	-	-	-
Nimetsu & Ankateks JV (associate)	-	-	-	-	-	-	-	-
Atala (related party)	47	-	-	-	-	-	-	-
Ankor (related party)	-	-	4	-	-	-	-	-
Ozdortler (related party)	-	-	-	-	-	-	-	-
Oguzalp Ergul (related party)	-	-	-	-	-	-	55	-
Feleknaz Demir (related party)	-	-	-	-	-	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	-	185	-	-	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	-	42	-	-	-	-	-
Total	**16,540**	**1,094**	**21,422**	**1,354**	**81**	**15**	**587**	**-**

(thousands of Euros)	31 December 2018				
Statement of financial position	**Amount of trade receivables**	**Amount of trade payables**	**Amount of financial receivables**	**Amount of financial payables**	**Amount of other liabilities**
Coopservice S.Coop.p.A. (parent company)	240	5,355	-	-	-

(thousands of Euros)	**31 December 2018**				
Statement of financial position	**Amount of trade receivables**	**Amount of trade payables**	**Amount of financial receivables**	**Amount of financial payables**	**Amount of other liabilities**
Aurum S.p.A. (parent company)	-	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	8	479	403	-	-
Consorzio Co.Se.S. (associate)	1	6	-	-	-
IDSMED SERVIZIPLUS PTE LMD (associate)	19	-	-	-	-
Psis S.r.l. (associate)	173	3	3,845	-	-
Amg S.r.l. (associate)	1	742	-	-	-
Ekolav S.r.l. (associate)	77	677	470	-	-
Steril Piemonte S.c.r.l. (associate)	203	825	150	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	15	176	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	21	-	91	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	74	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-
Saniservice Sh.p.k. (associate)	2,232	-	4,703	-	-
Servizi Sanitari Integrati Marocco S.a.r.l. (associate)	5	-	-	-	-
Finanza & Progetti S.p.A. (associate)	178	-	-	-	2,460
Brixia S.r.l. (associate)	1,245	37	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	6	-	-	-
Focus S.p.A. (affiliated)	-	298	-	-	-
Archimede S.p.A. (affiliated)	-	154	-	-	-
Gesta S.p.A. (affiliated)	1	-	-	-	-
New Fleur S.r.l. (affiliated)	188	1,292	-	-	-
Ad Personam S.r.l. (affiliated)	-	15	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	-	-	-
Everest S.r.l. (related party)	-	118	-	-	-
Ospedal Grando S.p.A. (related party)	3,987	-	-	-	-
Akan & Ankateks JV (associate)	520	-	-	-	-
Akan (related party)	21	-	-	-	-
Nimetsu & Ankateks JV (associate)	-	-	-	-	-
Atala (related party)	-	-	-	-	-
Ankor (related party)	-	6	-	-	-
Ozdortler (related party)	-	-	-	-	-
Oguzalp Ergul (related party)	-	-	205	-	-
Feleknaz Demir (related party)	-	-	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	9	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	3	-	-	-
Total	**9,209**	**10,201**	**9,867**	**-**	**2,460**

Aside from the figures shown above, as at 31 December 2018, transactions with related parties included directors' fees for Euro 2,067 thousand and executive personnel expense for Euro 2,126 thousand. As at 31 December 2017 the remunerations for directors were equal to Euro 1.485 thousand and costs related to the management for Euro 2.152 thousand.

The most significant relationships are shown below, broken down by Company where the transactions related to the individual contracts actually fall within the Company's ordinary business:

Coopservice S.Coop.p.A.

Revenues from sales and the associated trade receivables as at 31 December 2018 refer primarily to linen and textile washing services within the cleaning activities provided to the parent company.

From the parent company, the Servizi Italia Group purchases: (i) road-based transport services for textiles and/or surgical instruments; (ii) services for the management of linen storage facilities at customer sites; (iii) use of third party staff; (iv) technical cleaning services that are carried out at some production/operating sites of Servizi Italia and surveillance/security services provided to some facilities, through night patrols and alarm-based interventions.

Arezzo Servizi S.c.r.l.

The company's purpose is the provision of wash-hire services to "Aziende dell'Area Vasta Sud-Est" and, to a lesser extent, to the hospital of the Arezzo LHA. As at 31 December 2018, purchase costs and the relative trade payables regard the charge-back of costs incurred by Arezzo Servizi S.c.r.l., which are divided amongst the shareholders on the basis of their shareholdings. The financial receivable is for a Euro 403 thousand loan granted to the associate.

Psis S.r.l.

As at 31 December 2018, revenues from the sale of goods and services to PSIS S.r.l. were related to the charge-back of administrative management services. The financial receivable relates to a loan granted for Euro 3,845 thousand to support current investments.

AMG S.r.l.

At the end of 2018, financial transactions were mainly for external laundering services at the LHAs in Asti and Casale Monferrato and at the Turin 3 LHA; the revenues derive from linen sterilization services and supply of disposable medical devices for surgical procedures.

Ekolav S.r.l.

Purchases of goods and services and the corresponding trade payables due to the Company Ekolav S.r.l. are primarily for laundering and transport services. The financial receivable is for a Euro 470 thousand loan granted to the associate.

Steril Piemonte S.c.r.l.

As at 31 December 2018, revenues from the sale of goods and services and purchase costs associated with Steril Piemonte S.c.r.l. were related to the charge-back of costs incurred by the Group and Consortium for surgical instrument sterilisation activities at the LHA of the Piedmont Region. The financial receivable is related to a loan granted to the associate for Euro 150 thousand, of which Euro 500 thousand was repaid during the year.

Iniziative Produttive Piemontesi S.r.l.

As at 31 December 2018, revenues from the sale of goods and services to Iniziative Produttive Piemontesi S.r.l. were mainly related to validation services. The financial receivable is for a Euro 91 thousand loan granted to the associate.

Saniservice Sh.p.k.

As at 31 December 2018, the revenues from the sale of goods and services to Saniservice Sh.p.k. were mainly related to the supply of material for the management of the sterilization facilities, validation services and business management services. The financial receivable is for a Euro 4,703 thousand loan granted to the associate.

Finanza & Progetti S.p.A.

As at 31 December 2018, revenues from the sale of goods and services to Finanza & Progetti S.p.A. were mainly related to the reimbursement of the cost of the surety issued to Ospedal Grando S.p.A. The value of other liabilities relates to the commitment to the future increase in share capital of Euro 2,460 thousand.

Brixia S.r.l.

As at 31 December 2018, revenues from the sale of goods and services to Brixia S.r.l. were mainly related to the wash-hire service at the ASST Spedali Civili of Brescia.

Ospedal Grando S.p.A.

As at 31 December 2018, the revenues from the sale of goods and services and the corresponding trade receivables towards Ospedal Grando S.p.A. were mainly related to the service carried out by the Parent Company as a result of the awarding of the wash-hire and sterilization service under concession with the Azienda ULSS n. 2 Marca Trevigiana of the Veneto Region.

Focus S.p.A.

Financial and equity relationships with Focus S.p.A. were related to lease agreements on the Castellina di Soragna (PR), Montecchio Precalcino (VI), Ariccia (RM) and Genova Bolzaneto (GE) properties. In 2018, the total consideration for leased properties amounted to Euro 2,743 thousand.

The lease agreements of Montecchio Precalcino (VI) and Ariccia (RM) have a duration of six years, renewable for another six, while for Genova Bolzaneto (GE) the lease agreement has a duration of fourteen years, renewable for another six.

With reference to the development in Castellina di Soragna (PR), which includes manufacturing facilities and headquarters, a new lease agreement was concluded in 2018, of the duration of twelve years renewable for another six, effective January 2019. With this contract, the two previous agreements, the object of which was, respectively, the headquarters and the manufacturing facilities, were terminated. For more information, refer to the prospect available on the issued on the website of the Servizi Italia Group.

Everest S.r.l.

The business and equity relationships with Everest S.r.l. concern the lease agreements of the properties of Travagliato and Podenzano, the duration of which is six years, renewable for an additional six years. In 2018, the total consideration for leased properties amounted to Euro 289 thousand. The transactions with Everest S.r.l. in relation to lease agreements were entered into in compliance with the Regulations for related party transactions in force.

Akan & Ankateks JV

Company 49% owned by Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE and set up for participation in a hospital contract in the city of Ankara. Purchases of assets and services and the corresponding trade payables towards Akan & Ankateks JV were mainly related to laundry services.

Oguzalp Ergul

Related party as a non-controlling shareholder of Ergülteks Temizlik Tekstil Ltd. Sti. The financial receivable is for a Euro 205 thousand loan granted to the company.

Limpar Serviços Especializados e Comércio de Produtos Ltda

The purchases of assets and services and the corresponding trade payables towards the Company Limpar Serviços Especializados and Comércio de Produtos Ltda were mainly related to cleaning services at the facilities of Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.

Lilian Promenzio Rodrigues Affonso

Financial and equity relationships with Lilian Promenzio Rodrigues Affonso concern primarily the lease agreement of the properties of Maxlav Lavanderia Especializada S.A., with a 10-year duration.

9 Income from non-recurring, atypical and/or unusual transactions

No income from non-recurring transactions was recognised during the year.

During the year, there were no atypical and/or unusual transactions as defined in Consob communication No. 6064293 dated 28 July 2006.

In the previous year, non-recurring transactions had produced greater costs, for Euro 557 thousand, due to incentives, indemnities and Naspi (acronym for Italian monthly compensation for unemployment) to employees, as a result of restructuring and reorganisation activities, related to the termination of the activities at the Barbariga (BS) facility.

10 Treasury shares

The Shareholders' Meeting of 20 April 2018, authorised the Board of Directors to purchase and sell treasury shares, subject to revocation of the resolution of 20 April 2017.

The approved own share purchase and placement plan meets the need to gain access to opportunities for the efficient investment of company liquidity and to have the possibility of using it for strategic transactions and/or to complete subsequent share purchase and sale transactions, to the extent allowed by permitted market practices. The plan has a maximum duration of 18 months as from 20 April 2018, date of issue of the authorisation by the Shareholders' Meeting.

The maximum number of shares that can be purchased, not exceeding 20% of the share capital of the company, as at the date of the Shareholders' Meeting resolution, is 6,361,890.00 and it results from the difference between the maximum number of own shares that the Company may purchase and the number of own shares which at the date of the resolution of 19 April 2017, were held by Servizi Italia S.p.A., in implementing the resolution issued on 20 April 2016, and totalled 101,629 shares. The purchases and sales of treasury shares are carried out on the organised market, in compliance with the applicable legislative and regulatory provisions, according to the operating formalities established by Article 132 of the CFL, Article 144 bis of the Issuers' Regulations, in compliance with the EC Regulation 2273/2003 dated 22 December 2003 and in observance of the shareholders' meeting resolution dated 20 April 2017. Treasury shares are purchased for a maximum equivalent value to the extent to which can be covered by distributable reserves and available reserves as set forth in the latest duly approved financial statements. The purchase of own shares is carried out at a minimum purchase price no less than 20% of the weighted average of the official prices of the shares as recorded by Borsa Italiana in the 3 days preceding each single operation, and a maximum price of purchase no greater than 20% of the weighted average of the official prices of shares recorded by Borsa Italiana in the 3 days preceding each single operation.

The broker chosen for the execution of treasury share purchases is INTERMONTE SIM S.p.A. This shall make the trading decisions on the timing of the purchase of Servizi Italia shares, with full independence from the Company but within the limits set by the Shareholder’s Meeting.

As at 31 December 2018, the number of treasury shares in the portfolio amounted in total to 379,876 shares, corresponding to 1.19% of the share capital.

11 Fees, stock options and equity investments of directors, officers with strategic responsibilities and statutory auditors

As regards:

- remunerations to Directors and Statutory Auditors;
- stock options to Directors;
- Directors' shareholdings;

please see the Remuneration Report, drawn up pursuant to article 123-ter of CFL for 2018.

12 Payment plans based on financial instruments

As at 31 December 2018, there were no remuneration plans based on financial instruments.

13 Significant events and transactions

Please see the related section of the Directors’ Report on Operations.

14 Significant events after the end of the year

On 28 January 2019, the Company announced that it had signed an agreement for the acquisition of a majority interest in the company Wash Service S.r.l., operating mainly in Northern Italy in the offer of wash-hire services of flat linen, guest linen and clothing of the personnel of hospital facilities, assisted living facilities, nursing homes and retirement facilities.

On 7 March 2019, the Company promptly announced that in February an exceptional malfunction occurred within the primary data center, located at the facilities of the data hosting and network connectivity service provider. This made unavailable part of the Group's accounting information system (hereinafter the "IT Incident"), also determining the loss of part of the accounting records for the 2018 financial year. The restore procedures subsequently launched presented a series of technical problems that prevented the timely restoration of the machines involved in the IT Incident. Furthermore, the disaster recovery procedure from the secondary site, located in a different structure of the data hosting service provider, also did not work properly.

The Company, through the Director in charge of the internal control and risk management system, the Financial Reporting Manager and the Information Technology Managers, promptly initiated all the necessary procedures for recovering and restoring the compromised machines. Meanwhile, technical and control tasks have been entrusted to qualified third parties and providers of network infrastructures and services are currently under control in order to identify the causes of the malfunction. This also entailed the review of the risk assessment and management processes by the Management, with the support of the Control and Risk Committee and the Board of Statutory Auditors, to identify and implement the remedial actions for the disaster recovery procedures and to check the integrity of information systems and accounting data, aimed at preventing the repetition of similar events. It should also be noted that the IT incident in no way detracted from the ordinary operations of the Group and the services provided to customer structures.

The Company carried out the activities of restoring the information system and reconstructing the accounting information with data available on management and auxiliary systems that were not affected by the event occurred, also having the possibility of comparing the data restored with the accounting situation as of 31 December 2018, drafted prior to the date of the IT Incident.

Pending the restoration activities, the Board of Directors of Servizi Italia S.p.A. has deemed it necessary to postpone the approval of the separate and consolidated financial statements as at 31 December 2018 within the broader terms set by current legislation.

As of the date of publication of this document, the aforementioned restoration procedures have been successfully completed.

On 21 March 2019, Servizi Italia announced to have signed a binding agreement for acquiring the 25% of StirApp S.r.l., by subscribing a reserved capital increase in one or more tranches. StirApp (www.stirapp.it) is an innovative start-up mainly active in app/websites design and management dedicated to the booking and managing of laundry and ironing services both for private citizens (through B2C channel) and corporate companies (through B2B and B2B2C channels). In this compound, it has recently signed service contracts with some important companies of industrial and financial segments.

On 9 April 2019, the Shareholders' Meetings of the Brazilian companies SIA Lavanderias S.A. and Steriliza Serviços de Esterilizaçao S.A. took place and resolved for their liquidation.

On 18 April 2019, the Company announced to have called the Board of Directors for the approval of the draft of the separate financial statements and the consolidated financial statements as at 31 December 2018 for 29 April 2019. It also announced that the Shareholders' Meeting will take place on 30 May 2019 (First Call) and 31 May 2019 (Second Call).

The Chairman of the Board of Directors
(Roberto Olivi)

Certification of the consolidated financial statements pursuant to Art. 154-bis of Italian Legislative Decree 58/98

Castellina di Soragna, 29 April 2019

In consideration of the provisions of Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998, the undersigned Enea Righi, in his capacity as "CEO", and Ilaria Eugeniani, in her capacity as "Financial Reporting Manager" of Servizi Italia S.p.A., certify:

a) the adequacy in relation to the characteristics of the business and

b) the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2018.

It is also hereby stated that the consolidated financial statements as at 31 December 2018:

a) have been prepared in compliance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the books and accounting entries;

c) provide a true and fair view of the financial position, income and cash flows of the Company and all the companies included in the scope of consolidation.

The Directors' report includes a reliable analysis of the operating performance and result, as well as of the issuer's position and that of all the companies included in the scope of consolidation, together with a description of the main risks and uncertainties it is exposed to.

The CEO

Enea Righi

The Financial Reporting Manager

Ilaria Eugeniani

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Servizi Italia S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Servizi Italia S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Servizi Italia S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test on goodwill	
Description of the key audit matter	The consolidated financial statements of the Servizi Italia Group as of 31 December 2018 report goodwill of Euro 67,926 thousand of which Euro 45,243 thousand relating to the Servizi Italia cash-generating unit (CGU), including Euro 2.000 thousand related the business branch acquisition made in current year of Lavanderia Bolognini M&S S.r.l., Euro 2.121 thousand related to CGU Steritek, Euro 9,257 thousand relating to the Brazil CGU, and Euro 11,305 thousand relating to the Turkey CGU. No impairment losses were recorded during the year.

The explanatory notes to the consolidated financial statements "3.4 D Goodwill", "3.4 E Impairment test" and "3.4 O Use of estimated values – Particularly Significant accounting standards" report the disclosure to the assessment process adopted by Management that is based on assumptions regarding, in particular, the estimated cash flows of each CGU, the appropriate discount rate (WACC) and the long-term growth rate (g-rate). The assumptions reflected in the long-term plans of the CGUs concerned are influenced, furthermore, by future expectations and market conditions, which are affected by uncertainties especially with regard to the Brazil CGU and Turkey CGU, given the marked economic instability of those geographical areas.

In view of the significance of the goodwill reported in the financial statements and the subjective nature of the estimates made to determine the cash flows of the CGUs and the key variables of the impairment model, as well as the many unpredictable factors that might influence the performance of the markets in which the Group operates, we considered the impairment test on goodwill to be a key audit matter of the consolidated financial statements of the Servizi Italia Group as of 31 December 2018.

Note 6.3 presents information about the goodwill, including a sensitivity analysis that describes the effects of changing the key variables used to carry out the impairment test.

Audit procedures performed

In the context of our audit work we performed the following procedures, among others, partly with assistance from experts:

- examination of the approach taken by Management to determine the value in use of the CGUs, and analysis the methods and assumptions applied by Management to carry out the impairment test;
- understanding and verification of the operating effectiveness of the relevant controls implemented by the Servizi Italia Group over the impairment testing process;
- analysis of the reasonableness of the principal assumptions made in order to forecast cash flows, partly by analysing external data and obtaining information from Management that we deemed to be significant; in particular, our procedures included an examination of the forecast cash flows considering historical performances and the ability of the Group to make accurate forecasts;
- analysis of actual values in comparison with the original plans, in order to assess the nature of variances and the reliability of the budgeting process;
- assessment of the reasonableness of the discount rate (WACC) and the long-term growth rate (g-rate), partly via the appropriate identification of and reference to external sources that are normally used in professional practice and to key data for main comparables;
- verification of the mathematical accuracy of the model used to determine the value in use of the CGUs;
- verification that the carrying amount of the CGUs was determined properly;

- verification of the sensitivity analysis prepared by Management;
- examination of the adequacy of the information disclosed by the Group about the impairment test and its consistency with the requirements of IAS 36.

IT Incident	
Description of the key audit matter	Servizi Italia Group, in February 2019, encountered an exceptional malfunctioning of its primary data center which made part of the Group's accounting information system unavailable (hereinafter the "IT Incident"), also causing the loss of a portion of the 2018 accounting records. The restore and disaster recovery procedures for the underlying data did not work. The Management promptly initiated an action plan aimed at recovering and restoring the accounting information for the 2018 financial year necessary for finalizing the Group's consolidated financial statements. The Group implemented its action plan both through the involvement of internal resources and through the involvement of qualified third party consultants and professionals, in order to obtain adequate and timely technical support. The restoration of historical accounting information was successfully completed and the Group has reactivated the ordinary accounting activity of the Group for the 2019 fiscal year. The IT Incident has determined significant impacts on our audit activity, both in relation to the pervasive effect on the potential implications regarding the reliability of the financial information and the effects on the audit approach, as the unavailability of certain data and information did not allow to adopt an audit approach based on the reliability on Group internal controls, and therefore determined a change in our original audit strategy. In view of these reasons, we considered the IT Incident and the restoration of the Group's accounting information systems and accounting records a key audit matter of the audit of the consolidated financial statements of the Group as at December 31, 2018. The paragraph "Significant events after the end of the year" reports the information on the elements in question.
Audit procedures performed	In the context of our audit work we performed the following procedures, among others, partly with assistance from IT experts: • meetings and discussions with the Management of the Group, with its consultants in charge and the Board of Statutory Auditors for the purpose to acquire information about the IT Incident; • examination of the causes relating to the unavailability of the data center and the loss of accounting records of the Group and assessment of the effects of such malfunction on accounting information systems; • examination of the methods used by the Management for the planning of restoration activities of accounting information systems and accounting records, also through discussion with the third party consultants involved by the Group;

- extension of audit samples for the execution of validity tests and request for external confirmations, aimed at acquiring adequate audit evidence as a consequence of the change to our original audit approach due to the IT Incident;

- verification of correspondence of the accounting situation at the end of the period processed on the basis of the accounting records accounted for in the accounting information systems after the restoration activity with the accounting situation as at December 31, 2018 processed before the date of the IT Incident, in order to verify the completeness and accuracy of the restored accounting records;

- verification of the coherency of the audit evidence acquired before the IT incident with the data and information arising from the accounting information systems at the end of the restoration activities;

- verification on a sample basis of the information coming from the management and auxiliary systems not affected by the IT Incident and used by the Group in the restoration activity;

- examination of the information provided by the Group with reference to the IT Incident.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Servizi Italia S.p.A. has appointed us on April 22, 2015 as auditors of the Company for the years from December 31, 2015 to December 31, 2023.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Servizi Italia S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Servizi Italia Group as at December 31, 2018, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Servizi Italia Group as at December 31, 2018 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Servizi Italia Group as at December 31, 2018 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 54

The Directors of Servizi Italia S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Parma, Italy
April 29, 2019

This report has been translated into the English language solely for the convenience of international readers.