

31 March 2019

Interim Management Report



Servizitalia

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
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1 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 Milanese	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 office 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 MTA, electronic stock market, STAR segment

Ordinary Share ISIN: IT0003814537, BLOOMBERG: SRI IM, REUTERS: SRI.MI

LEI Code: 815600C8F6D5ACBA9F86

Investor Relations

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2 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 wardrobes, the Company and its Italian and overseas subsidiaries forming the Servizi Italia Group, mainly provide a 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 March 2019, the Servizi Italia Group included the following Companies:

Company Name Parent Company and Subsidiaries	Registered Office	Share Capital	Interest of equity investments
Servizi Italia S.p.A.	Castellina di Soragna (Parma) - Italy	EUR 31,809,451	Parent
SRI Empreendimentos e Participações L.t.d.a.	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, São Paulo - Brazil	BRL 550,000	100% ^(*)
Maxlav Lavanderia Especializada S.A.	Jaguariúna, São Paulo - Brazil	BRL 2,825,060	65.1% ^(*)
Vida Lavanderias Especializada S.A.	Santana de Parnaíba, São Paulo - Brazil	BRL 3,600,000	65.1% ^(*)
SIA Lavanderia S.A.	Manaus, Amazonas - Brazil	BRL 9,766,227	100% ^(*)
Steriliza Serviços de Esterilização S.A.	São Paulo - Brazil	BRL 2,000,000	100% ^(*)
Aqualav Serviços De Higienização Ltda	Vila Idalina, Poá, State of São Paulo - Brazil	BRL 15,400,000	100% ^(*)
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	Ankara – Turkey	TRY 5,000,000	55%
Ergülteks Temizlik Tekstil Ltd. Sti.	Smirne - Turkey	TRY 1,700,000	57.5% ^(**)
Wash Service S.r.l.	Valbrembo (BG) - Italy	EUR 10,000	90%

(*) 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	Interest of equity investments
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	ALL 2,745,600	30%
Sanitary Cleaning Sh.p.k.	Tirana – Albania	ALL 2,798,800	40%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MAD 122,000	51%
Idsmmed Servizi Pte. Limited	Singapore – Singapore	SGD 1,000,000	30%

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

3 DIRECTORS' REPORT

This interim report as at 31 March 2019 includes the income statement, balance sheet and financial position figures extracted from the condensed consolidated financial statements as at 31 March 2019, drafted with less detail than required by the International Accounting Standard applicable to interim financial reporting, IAS 34, as permitted by Consob Communication No. DEM/5073567 of 4 November 2005, and must be read in conjunction with the information provided in the consolidated financial statements as at 31 December 2018. Moreover, in order to allow 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).

CHANGES TO THE ADOPTED ACCOUNTING PRINCIPLES

With effect from 1 January 2019, the Group applied the new accounting standard IFRS 16 "Leases", which replaces IAS 17 and its interpretations. IFRS 16 implies the recognition among fixed assets of the rights to use leased assets that fall within the scope of application of the standard and the recognition among liabilities of the related financial debt.

As allowed by the transition rules, the Group has chosen to apply IFRS 16 retrospectively, recording the cumulative effect of the application of the standard in shareholders' equity as at 1 January 2019, therefore the comparative data have not been restated. Where relevant, the effects of adopting the new standard are described in the following comparative analyses.

Main consolidated income statement figures

The table below presents a comparison of the main consolidated income statement figures as at 31 March 2019 with the results as at 31 March 2018 (in thousands of Euros):

(Euro thousands)	31 March 2019	31 March 2018	Change	Var. %	31 March 2019 (*)
Revenues	65,119	62,973	2,146	3.4%	65,119
EBITDA ^(a)	16,890	17,033	(143)		15,788
EBITDA %	25.9%	27.0%		-1.1%	24.2%
Operating profit (EBIT)	3,216	4,599	(1,383)		2,961
Operating profit (EBIT)%	4.9%	7.3%		-2.4%	4.5%
Net profit	2,730	3,542	(812)		2,875
Net profit %	4.2%	5.6%		-1.4%	4.4%

(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.

(*) Economic results net of the effects of IFRS 16 application.

Following the adoption of the new IFRS 16, lower rents for Euro 1,102 thousand, higher amortization and depreciation for Euro 847 thousand, higher financial charges for Euro 458 thousand and lower deferred taxes for Euro 58 thousand were recorded compared to an income statement drawn up with same accounting principles compared to the interim financial statements at 31 March 2018.

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 March 2019 with the figures as at 31 December 2018 and 1 January 2019, including effects coming from the first application of IFRS 16 (in thousands of Euro):

<i>(thousands of Euros)</i>	31 March 2019	1 January 2019	Change	Chg %	31 December 2018
Net operating working capital (a)	17,609	7,957	9,652	121.3%	7,957
Other current assets/liabilities (b)	(10,664)	(13,102)	2,438	-18.6%	(13,102)
Net working capital	6,945	(5,145)	12,090	-235.0%	(5,145)
Non-current assets – Medium/Long term provisions	264,320	259,290	5,030	17.2%	225,578
<i>of which right of use for IFRS 16</i>	<i>34,278</i>	<i>33,712</i>	<i>566</i>	<i>1.7%</i>	<i>-</i>
Invested capital	271,265	254,145	17,120	23.1%	220,433
Shareholders' equity (B)	139,206	138,238	968	0.7%	138,238
Net financial debt (d) (A)	132,059	115,907	16,152	13.9%	82,195
<i>of which financial liabilities for IFRS 16</i>	<i>33,898</i>	<i>33,712</i>	<i>186</i>	<i>0.6%</i>	<i>-</i>
Invested capital (c)	271,265	254,145	17,120	20.1%	220,433
Gearing [A/(A+B)]	48.7%	45.6%			37.3%
Debt/Equity (A/B)	94.9%	83.8%			59.5%

(b) 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.

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

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

(e) 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.

The adoption of the new IFRS 16 resulted in the recording of an asset for "Rights of use" in tangible fixed assets and a corresponding financial liability of Euro 33,712 thousand at 1 January 2019.

Company information and business performance

During the first three months of 2019, the operating performance showed an increase in the consolidated **turnover** of the Servizi Italia Group (+3.4%) compared to the interim report as at 31 March 2018; the growth (+1.6%) has been confirmed on a like-for-like basis in terms of exchange rates and consolidation area, with revenues from sales and services totaling Euro 65,119 thousand.

It is considered relevant to highlight that the revenues of the Brazilian area were characterized by an organic growth in local currency of 10.1%, which was however negatively impacted by a devaluation of Brazilian Real against Euro of 7.4% (overall this area recorded a net positive change in turnover of 2.7%); this happened in the Turkish area as well, with an organic growth in local currency of 12.2%, however negatively offset by a devaluation of the Turkish Lira against the Euro of 26.0%.

Please note the following as regards revenue from sales and services by sector as at 31 March 2019 and 31 March 2018

- Revenues from wash-hire services (which in absolute terms represent 73.6% of the Group's revenues) rose from Euro 45,758 thousand in the first three months of 2018 to Euro 47,913 thousand, with an increase of 4.7% mainly due to the acquisition of Wash Service S.r.l. and the business unit relating to Lavanderia Bolognini M&S S.r.l. Net of the above changes, the wash-hire turnover would have been stable compared to the same period of the previous year.

- Revenues from textile sterilization services (steril B) (which in absolute terms represent 8.3% of the group's revenues) decreased from Euro 5,730 thousand in the first three months of 2018 to Euro 5,378 thousand, with a decrease of 6.1% due to the termination of some contracts in Friuli and Emilia Romagna areas.
- Revenues from surgical instruments sterilization services (steril C) (18.2% of the group's revenues) rose from Euro 11,485 thousand in the first three months of 2018 to Euro 11,828 thousand, with an increase of 3%, caused by the entry into service of new customers.

The consolidated **EBITDA** has gone from Euro 17,033 thousand in the first quarter of 2018 to Euro 16,891, with an incidence on revenues equal to 25.9% (gross of IFRS 16 effect), down to 27% of the previous period. There were increases in personnel costs for new hires, both in hotel sector and structure staff.

There were also increases linked to energy costs (specifically linked to the cost of gas, whose price considerably increased compared to last year), costs for transports for managing the new hotel sector and cost of third party services, linked in particular to the management of certain warehouses.

The operating result (**EBIT**), going from Euro 4,599 thousands as at 31 March 2018 to Euro 3,216 thousands as of 31 March 2019, decreased as a percentage of turnover from 7.3% to 4.9% (5.7% at constant exchange rate and perimeter). Amortisation and depreciation, net of the effects of IFRS 16, was substantially stable compared to the first quarter of the previous year. As a result, the difference in terms of EBIT is attributable to cost increases which impacted on EBITDA.

Financial management showed an almost stable financial income. Net of the application of the new IFRS16 accounting standard, financial charges increased compared to the same period of the previous year mainly due to the significant increase in interest rates on the Turkish financial market.

Income taxes for the period amounted to Euro 156 thousand, with a pre-tax margin of 0.2%, down compared to 1.1% in 2018, mainly due to the tax benefits deriving, in the Italian area, from the deduction of the so-called "super and hyper-amortisation", as provided for by the 2017 Budget Law (Law 232/2016).

The consolidated interim financial statements as at 31 March 2019 therefore close with a **net profit** of Euro 2,730 thousand, down compared to the same period of the previous year (Euro 3,542).

Significant events and transactions

On 28 January 2019, the Company announced to have signed an agreement for the acquisition of the majority stake 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 clothing 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 Company promptly initiated all the procedures for restoring the compromised machines and the procedures necessary for restoring the information system and reconstructing the accounting information with the data

already available on management and auxiliary systems that were not affected by the event, also having the possibility to compare the restored data with the accounting situation as at 31 December 2018 drawn up 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. It should be noted, however, that the IT Incident, now successfully resolved, did not in any way affect the ordinary operations of the Group and the services provided to customer structures.

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.

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

Customer	Description of service provided	Duration years	Contract value per year (Euros thousands)
Regione Emilia Romagna Intercenter (Area Modena)	Wash-hire services	5	3,800
Regione Emilia Romagna Intercenter (Area Parma)	Wash-hire services	5	3,500
Regione Emilia Romagna Intercenter (Area Reggio E.)	Wash-hire services	5	3,700

Significant events after the end of the quarter

On 9 April 2019, the Shareholders' Meetings of the Brazilian companies SIA Lavanderias S.A. and Steriliza Serviços de Esterilização 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).

On 29 April, the Board of Directors also resolved to update the financial events calendar by postponing the approval of the Interim Management Report as of 31 March 2019, which was scheduled on 13 May 2019, to 30 May 2019. This in order to enable the control processes to be completed preliminary to its publication and consistently with the calls for the Shareholders' Meeting, called to approve the financial statements at 31 December 2018.

In data 30 maggio 2019, l'Assemblea degli Azionisti

- in sede ordinaria: (i) ha approvato il bilancio chiuso al 31 dicembre 2018 e la distribuzione di un dividendo unitario lordo di Euro 0,16 con l'esclusione delle azioni proprie in portafoglio. Il dividendo sarà posto in pagamento a partire dal 12 giugno 2019, con stacco cedola il 10 giugno 2019, record date 11 giugno 2019, e verrà corrisposto alle azioni che saranno in circolazione che saranno in circolazione alla data della record date per la legittimazione al pagamento del dividendo di cui all'art. 83-terdecies del D. Lgs. n. 58/98; (ii) ha rinnovato l'autorizzazione all'acquisto e alla disposizione di azioni proprie, secondo quanto proposto dal Consiglio di Amministrazione, previa revoca

dell'autorizzazione all'acquisto e alla disposizione di azioni proprie deliberata in data 20 aprile 2018 per quanto non utilizzato. La delibera autorizza l'acquisto di massime n. 6.361.890 azioni ordinarie del valore nominale di euro 1,00 cadauna, corrispondente alla quinta parte del capitale sociale della Società (tenuto conto delle azioni di volta in volta già possedute dalla Società) per un periodo di 18 mesi dalla data odierna, mentre la durata dell'autorizzazione relativa alla disposizione delle azioni proprie non ha limiti temporali.

- in sede straordinaria, ha approvato le modifiche proposte dal Consiglio di Amministrazione agli articoli 2, 13,15 e 20 dello Statuto sociale.

In data 27 maggio 2019, la Società ha comunicato che fino al 24 maggio 2019, ha complessivamente acquistato sul Mercato regolamentato e gestito da Borsa Italiana n. 508.931 azioni proprie, pari allo 1,6% del capitale sociale.

Business outlook

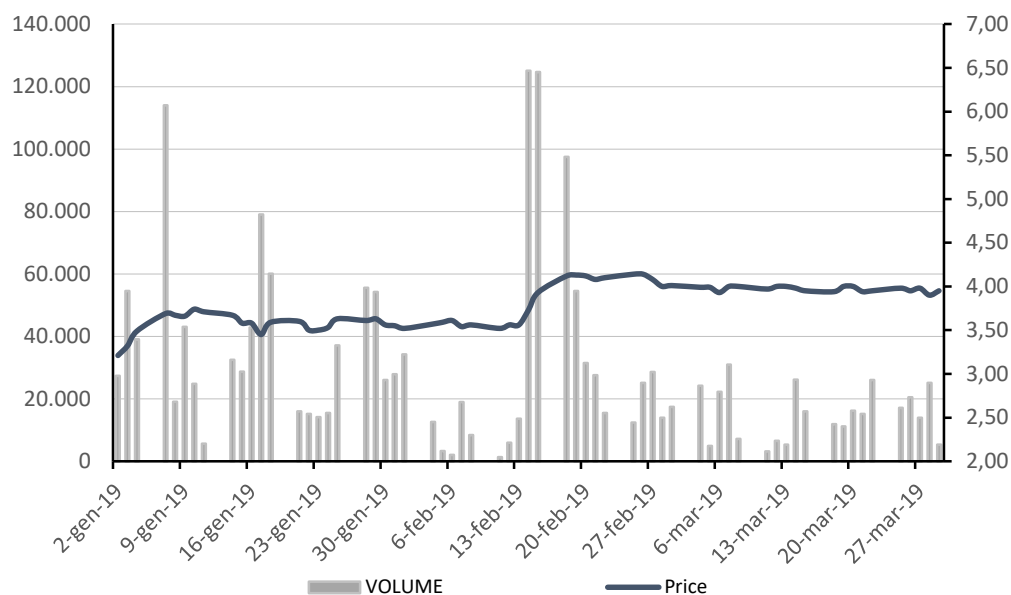
The results achieved in the first quarter of 2019 confirm the importance of the internationalization strategy for continuous improvement. The Group's objective is to strengthen its position in the countries in which it operates, in order to drive organic growth; as well as to record a favourable trend in revenues, thanks to the diversification of services/customers and the main profitability indicators. These targets will be achieved through investments aimed at external growth, continuing with a constant focus on management and organisational execution.

Servizi Italia and the financial markets

The Company shares have been traded in the STAR segment of the Borsa Italiana S.p.A. screen-based stock market (MTA) since 22 June 2009. The main share and stock exchange data as at 31 March 2019 is disclosed below along with share volume and price trends:

Share and stock exchange data	31 March 2019
No. of shares making up the share capital	31,809,451
Price at IPO: 04 April 2007	8.50
Price as at 31 March 2019	3.95
Maximum price during the period	4.14
Minimum price during the period	3.21
Average price during the period	3.79
Volumes traded during the period	1,816,237
Average volumes during the period	28,829

Share volume and price, 1 January - 31 March 2019



During 2019, the Investor Relations team held several individual and group meetings with analysts and investors and also organised guided tours of the production sites of sterilisation centres and industrial laundering sites for shareholders and potential investors who so requested. Servizi Italia 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.

Other information

Servizi Italia S.p.A, pursuant to article 3 of the Consob Resolution no. 18079 of 20 January 2012, decided to join the out-put regime set forth in article 70, paragraph 8, and 71, paragraph 1 bis, of the Consob Regulations n. 11971/99 (as amended), availing itself of the right to derogate from the obligation to publish the information documents as set forth in annex 3B of the above mentioned Consob Regulations when carrying out significant merging, demerging, share capital increases through contributions in kind, acquisitions and transfer operations.

With reference to the changes made in 2016 to the regulatory framework, Servizi Italia S.p.A. will publish the additional periodical information notwithstanding the obligations set forth for the issuers listed in the STAR segment, as specified in article 2.2.3, par. 3, of the Regulations of 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.

The Chairman of the Board
(Roberto Olivi)

4 ACCOUNTING SCHEDULES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(thousands of Euros)</i>	31 March 2019	31 December 2018
ASSETS		
Non-current assets		
Property, plant and equipment	167,300	129,609
Intangible assets	5,733	4,809
Goodwill	70,921	67,926
Equity-accounted investments	24,399	24,463
Equity investments in other companies	3,725	3,725
Financial receivables	6,578	6,844
Deferred tax assets	3,372	3,023
Other assets	5,903	6,444
Total non-current assets	287,931	246,843
Current assets		
Inventories	6,666	6,197
Trade receivables	89,209	75,900
Current tax receivables	1,844	1,961
Financial receivables	8,588	8,030
Other assets	12,263	8,868
Cash and cash equivalents	13,711	7,003
Total current assets	132,281	107,959
TOTAL ASSETS	420,212	354,802
SHAREHOLDERS' EQUITY AND LIABILITIES		
Group shareholders' equity		
Share capital	31,326	31,430
Other reserves and retained earnings	102,847	93,045
Profit (Loss) for the period	2,657	11,600
Total shareholders' equity attributable to shareholders of the parent	136,830	136,075
Total shareholders' equity attributable to non-controlling interests	2,376	2,163
TOTAL SHAREHOLDERS' EQUITY	139,206	138,238
LIABILITIES		
Non-current liabilities		
Due to banks and other lenders	73,077	36,044
Deferred taxes liabilities	2,383	2,014
Employee benefits	10,650	10,179
Provisions for risks and charges	2,692	2,651
Other financial liabilities	7,886	6,421
Total non-current liabilities	96,688	57,309
Current liabilities		
Due to banks and other lenders	81,281	61,184
Trade payables	78,266	74,140
Current tax payables	236	61
Other financial liabilities	5,828	3,602
Other payables	18,707	20,268
Total current liabilities	184,318	159,255
TOTAL LIABILITIES	281,006	216,564
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	420,212	354,802

CONSOLIDATED INCOME STATEMENT

<i>(thousands of Euros)</i>	31 March 2019	31 March 2018
Sales revenues	65,119	62,973
Other income	895	1,257
Raw materials and consumables	(6,839)	(6,224)
Costs for services	(19,418)	(19,215)
Personnel expense	(22,497)	(21,380)
Other costs	(370)	(12,434)
Depreciation, amortization, write-downs, impairment and provisions	(13,674)	
Operating profit	3,216	4,599
Financial income	546	488
Financial expenses	(1,246)	(703)
Income/Expense from equity investments in other companies	-	-
Revaluation/Impairment of equity-accounted investments	370	(166)
Profit before tax	2,886	4,218
Current and deferred taxes	(156)	(676)
Profit (Loss) of the period	2,730	3,542
of which: Attributable to shareholders of the parent	2,657	3,321
Attributable to non-controlling interests	73	221

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(thousands of Euros)</i>	31 March 2019	31 March 2018
Profit (Loss) of the period	2,730	3,542
<i>Other comprehensive income that will not be reclassified to the Income Statement</i>		
Actuarial gains (losses) on defined benefit plans	-	-
Income taxes on other comprehensive income	-	-
<i>Other comprehensive income that may be reclassified to the Income Statement</i>		
Gains (losses) from translation of foreign financial statements	(333)	(2,262)
Portion of comprehensive income of the investments measured using the equity method	(360)	(150)
Income taxes on other comprehensive income	-	-
Total other comprehensive income after taxes	(693)	(2,412)
Total comprehensive income for the period	2,037	1,130
of which: Attributable to shareholders of the parent	2,005	1,034
Attributable to non-controlling interests	32	96

CONSOLIDATED NET FINANCIAL POSITION

<i>(thousands of Euros)</i>	31 March 2019	1 January 2019	31 December 2018	31 March 2018
Cash and cash equivalents in hand	53	54	54	41
Cash at bank	13,658	6,949	6,949	8,633
Cash and cash equivalents	13,711	7,003	7,003	8,674
Current financial liabilities	8,588	8,030	8,030	7,562
Current liabilities to banks and other lenders	(81,281)	(63,914)	(61,184)	(61,466)
<i>of which financial liabilities for IFRS 16</i>	<i>(2,885)</i>	<i>(2,730)</i>	-	
Current net financial debt	(72,693)	(55,884)	(53,154)	(53,904)
Non-current liabilities to banks and other lenders	(73,077)	(67,026)	(36,044)	(33,883)
<i>of which financial liabilities for IFRS 16</i>	<i>(31,013)</i>	<i>(30,982)</i>	-	
Non-current net financial debt	(73,077)	(67,026)	(36,044)	(33,883)
Net financial debt	(132,059)	(115,907)	(82,195)	(79,113)

5 NOTES

5.1 Introduction

The Interim Report as at 31 March 2019 has been prepared in compliance with Art. 154-ter of the Consolidated Law on Finance.

The accounting principles and criteria adopted to prepare this Interim Report as at 31 March 2019, which has not been audited, are the same as those used to prepare the annual financial statements, with the exception of the accounting standards, amendments and IFRS interpretations applied by the Group for the first time since 1 January 2019, as described in the following paragraph. As required by Consob Communication No. DEM/5073567 dated 4 November 2005, the Company has exercised the option to provide less detail than is required under IAS 34 (Interim Financial Reporting).

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 and Participações Ltda (parent company of companies: 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. in liquidation and SIA Lavanderia S.A. in liquidation) and Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi (parent company of the company: Ergülteks Temizlik Tekstil Ltd. Sti) and Wash Service S.r.l.

The estimation criteria used to prepare the Interim Report are basically the same as those applied in the Annual Financial Statements.

This Interim Report has been approved by the Board of Directors on 30 May 2019.

5.2 New IFRS accounting principles adopted starting from 1 January 2019

With effect from 1 January 2019, the Group applied the new accounting standard IFRS 16 "Leases", which replaces IAS 17 and its interpretations. Leases include contracts giving the right to control a specific activity ("right of use"), for a defined period of time, in exchange of a fee. The new principle eliminates for the lessee the distinction between operating leases and financial leases and brings all the different cases back to a single case, distinguishing between leasing contracts and service contracts, on the basis of the following discriminating factors: the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract.

At the lease effective date, the lessee shall recognize the asset consisting of the right of use and the liability under the lease. The asset consisting of the right of use shall be measured at cost, while the liability shall be equal to the present value of payments due and not yet paid at that date, discounted at the contract's implied interest rate.

Adopting IFRS 16, the Group made use of the exemption granted by paragraph IFRS 16:5(a) in relation to short-term leases for classes of motor vehicles and plant and equipment, as well as the exemption granted by IFRS 16:5(b) for lease contracts for which the underlying asset is a low-value asset (with a value not exceeding Euro 5,000 when new). For these contracts, the introduction of IFRS 16 will not result in the

recognition of the financial liability of the lease and the related right of use, but the lease payments will be recorded in the income statement on a straight-line basis for the duration of the respective contracts.

The Group has chosen to apply the standard retrospectively, recording the cumulative effect of the application of the standard in shareholders' equity as at 1 January 2019, in accordance with the provisions of paragraphs IFRS 16:C7-C13. In particular, in relation to the leases previously classified as operating leases, the Group has recognized:

- a financial liability, equal to the present value of the remaining future payments at the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date;
- a right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses relating to the lease and recognized in the balance sheet at the consolidated balance sheet date at 31 December 2018.

The effects on the balance sheet at 1 January 2019 of the adoption of IFRS 16 are shown below:

<i>(Euro thousands)</i>	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 equity reserves	-

5.3 Acquisition of 90% of Wash Service S.r.l.

On 27 February 2019, the Group acquired 90% of the share capital of Wash Service S.r.l., a company mainly active in northern Italy in the provision of washing and rental services for flat linen, guest linen and operating personnel of healthcare facilities, nursing homes and retirement homes. The purchase price of the shares was determined in Euro 5,002 thousand, partly already paid and partly to be paid in several tranches until 2022.

The acquisition resulted in the recognition of a liability for the deferred part of the price and the estimate of cash outflow corresponding to the reciprocal put/call options relating to the remaining 10% of Wash Service S.r.l., exercisable in 2024. As of that date, the options will be valued on the basis of a formula linked to the economic performance of the company in 2023 and the actual net financial position, subject to minimum and maximum limits with respect to the acquisition price. Taking into account the specific characteristics of the options, at the acquisition date a liability of Euro 860 thousand was recorded against the shareholders' equity of the Group.

The book values and current values of Wash Service assets and liabilities at the acquisition date are shown below:

<i>(Euro thousands)</i>	as at 27 February 2019	
	Fair value	Book value
Property, plant and equipment	3,002	1,496
Intangible assets	904	217
Deferred tax assets	3	-
Deferred tax liabilities	37	37
Trade receivables	3,025	3,073
Benefits for employees	(338)	(338)
Imposte differite passive	(328)	-

(Euro thousands)	as at 27 February 2019	
	Fair value	Book value
Non-current financial liabilities	(1,634)	(752)
Current financial liabilities	(1,046)	(898)
Trade liabilities	(1,810)	(1,810)
Current tax payables	(85)	(189)
Other current payables	(310)	(256)
Value of assets and liabilities acquired	1,420	580
Cash and cash equivalents at the date of acquisition	379	379
Amount paid within the date of acquisition	1,755	
Deferred amount (within 12 months of closing)	2,265	
Deferred amount (within 12 months of closing)	982	
Total amount paid for the acquisition of 90% of Wash Service share capital	5,002	
Goodwill arisen from the acquisition	3,383	

The comparison between assets and liabilities fair value of Wash Service S.r.l. as at 27 February 2019 and the total cost of Euro 5,002 thousand led to the determination of goodwill of Euro 3,383 thousand. This allocation, at the closing date of this report, is still provisional since the option granted by paragraph 45 of IFRS 3 has been applies.

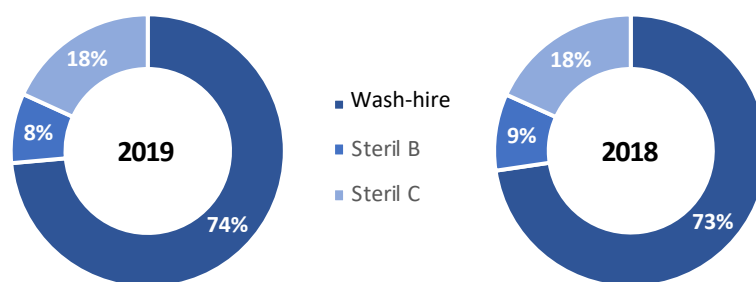
5.4 Performance by business segment and geographical area

The revenue from sales and services of Servizi Italia Group is shown below divided by business line for the periods ending 31 March 2019 and 2018.

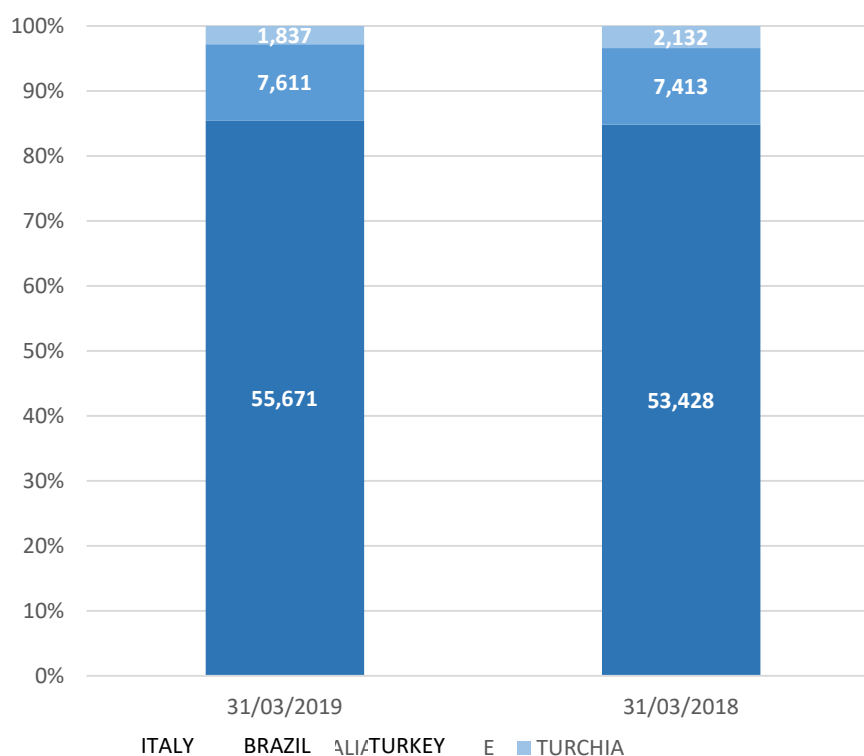
(thousands of Euros)	31 March 2019	%	31 March 2018	%	Changes
Wash-hire	47,913	73.6%	45,758	72.7%	4.7%
Linen Sterilization (STERIL B)	5,378	8.3%	5,730	9.1%	-6.1%
Surgical instrument sterilization (STERIL C)	11,828	18.2%	11,485	18.2%	3.0%
Sales revenue	65,119	100.0%	62,973	100.0%	3.4%

- Revenues from wash-hire services (which in absolute terms represent 73.6% of the Group's revenues) rose from Euro 45,758 thousand in the first three months of 2018 to Euro 47,913 thousand, with an increase of 4.7% mainly due to the acquisition of Wash Service S.r.l. and the business unit relating to Lavanderia Bolognini M&S S.r.l. Net of the above changes, the wash-hire turnover would have been stable compared to the same period of the previous year.
- Revenues from textile sterilization services (steril B) (which in absolute terms represent 8.3% of the group's revenues) decreased from Euro 5,730 thousand in the first three months of 2018 to Euro 5,378 thousand, with a decrease of -6.1% due to the termination of some contracts in Friuli and Emilia Romagna areas.
- Revenues from surgical instruments sterilization services (steril C) (18.2% of the group's revenues) rose from Euro 11,485 thousand in the first three months of 2018 to Euro 11,828 thousand, with an increase of 3%, caused by the entry into service of new customers.

The following graphic representation shows the breakdown of revenues by line of business:



The table below shows revenue from sales and services of the Servizi Italia Group, broken down by geographical area, for the periods ending on 31 March 2019 and 31 March 2018:



5.5 Notes on the main changes in the statement of financial position

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	Assets under construction	Total
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
Effects for first application IFRS 16	32,636			264	812		33,712
Balance as at 1 January 2019							
Translation differences	4	68	19	8	114	(117)	96

<i>(thousands of Euros)</i>	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Assets under construction	Total
Change in the consolidation scope	675	1,209	202	287	629	-	3,002
Increases	21	145	34	570	10,188	3,249	14,207
Decreases	(1)	-	-	-	(2)	(102)	(105)
Amortization	(773)	(1,924)	(494)	(1,205)	(8,825)	-	(13,221)
Write-downs (reinstatements)	-	-	-	-	-	-	-
Reclassifications	-	2,204	-	-	2	(2,206)	-
Balance as at 31 March 2019	37,297	46,518	10,409	13,866	49,250	9,960	167,300
Historical cost	40,408	139,604	32,831	65,033	152,198	9,960	440,034
Accumulated depreciation	(3,111)	(93,086)	(22,422)	(51,167)	(102,948)	-	(272,734)
Balance as at 31 March 2019	37,297	46,518	10,409	13,866	49,250	9,960	167,300

The change in the consolidation scope includes the balances of Wash Service S.r.l., acquired on 27 February 2019.

The translation difference refers to the exchange rate variation for the Brazilian (Lavsım Higienizaão Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A., SRI Empreendimentos e Participaões L.t.d.a., Aqualav Servios De Higienizaão Ltda and SIA Lavanderia S.A.) and Turkish companies (Ankateks Turizm İnřaat Tekstil Temizleme Sanayi ve Ticaret Ltd řirketi and Ergülteks Temizlik Tekstil Ltd. Sti.).

Investments in tangible fixed assets made in the first quarter of 2019, amounting to Euro 14,207 thousand, mainly relate to the acquisition of linen (Euro 9,886 thousand) as well as plant and works on third party assets still under construction at the end of the quarter (Euro 3,249 thousand).

In particular, the Group has been investing in the following projects: upgrading of Castellina di Soragna (Euro 121,000) and Barbariga (Euro 269,000) facilities, installation of new washing lines for the Brazilian companies Lavsım Higienizaão Têxtil S.A. (Euro 1,426,000), Aqualav Servios De Higienizaão Ltda (Euro 205,000) and Maxlav Lavanderia Especializada S.A. (Euro 161,000).

In addition, investments in plant and machinery made by companies in Italy totalled Euro 126,000, investments made by Brazilian companies totalled Euro 14,000 and investments made by Turkish companies totalled Euro 5,000.

It is to highlight reclassifications relating to the commissioning of a new washing plant by the Turkish company Ankateks Turizm İnřaat Tekstil Temizleme Sanayi ve Ticaret Ltd řirketi for Euro 2,204 thousand.

Intangible assets

This item changed as follows:

<i>(Euro thousand)</i>	Trademarks, Software and Patent and intellectual property rights	Customer contracts portfolio	Other intangible assets	Assets under construction and payments on account	Total
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
Translation differences	4	-	9	-	13
Change in the consolidation scope	2	902	-	-	904
Increases	63	-	-	201	264
Decreases	-	-	-	-	-
Depreciation	(100)	(124)	(33)	-	(257)
Write-downs (reinstatements)	-	-	-	-	-

<i>(Euro thousand)</i>	Trademarks, Software and Patent and intellectual property rights	Customer contracts portfolio	Other intangible assets	Assets under construction and payments on account	Total
Reclassifications	7	-	-	(7)	-
Balance as at 31 March 2019	688	4,008	610	427	5,733
Historical cost	5,211	8,368	643	427	14,649
Accumulated depreciation	(4,523)	(4,360)	(33)	-	(8,961)
Balance as at 31 March 2019	688	4,008	610	427	5,733

The increase in intangible assets is essentially due to the valuation of the portfolio contracted in the acquisition of Wash Service S.r.l.

Goodwill

Goodwill is allocated to cash generating units of the Servizi Italia Group identified according to a geographical logic that reflects the operating areas of the companies acquired over the years. In particular, goodwill is allocated by geographical area as follows:

<i>(Thousands of Euros)</i>	as at 31 December 2018	Increases/ (Decreases)	Translation differences	as at 31 March 2019
CGU Italy	47,364	3,383	-	50,747
CGU Turkey	11,305	-	(509)	10,796
CGU Brazil	9,257	-	121	9,378
Total	67,926	3,383	(388)	70,921

The change in the period is mainly attributable to goodwill arising from the acquisition of 90% of the share capital of Wash Service S.r.l.

Translation differences refer to exchange differences coming from the translation into Euro of goodwill arising from the acquisitions in Brazil and Turkey.

At the date of approval of this interim management report, there had been no events that might indicate a loss in value of the goodwill recognised and tested for impairment at the end of 2018.

Equity-accounted investments

This item shows the following movements:

<i>(Euro migliaia)</i>	as at 31 March 2019	as at 31 December 2018
Initial balance	23,923	22,257
Increases/(decreases)	-	2,928
Variations	(360)	(501)
Revaluations/(write-downs)	370	(704)
Translation differences	(89)	(57)
Final balance	23,844	23,923
of which recognized in provisions for risks and charges	555	540
of which recorded in equity investments valued by equity method	24,399	24,463

Revaluations and write-downs reflect the portion of profits and losses earned by investee companies in the period.

With reference to the shareholding in Shubhram Hospital Solutions Private Limited, in consideration of the commitments undertaken with the local Indian partner, the portion of the losses exceeding the value of the shareholding has been entered in the item Provisions for risks and charges.

Trade receivables

Trade receivables amount to Euro 89,209 as at 31 March 2019, up by Euro 13,309 thousand compared to 31 December 2018. The increase in receivables is essentially due to the lower disposals made in the second half of the quarter as a result of the IT accident announced on 7 March 2019.

During the first three months of 2019, the Servizi Italia Group carried out some transactions involving the disposal of receivables, as described below:

- transfer without recourse to Credemfactor S.p.A of Euro 11,003 in trade receivables for consideration of Euro 10,977 thousand;
- transfer without recourse to Unicredit Factoring S.p.A of Euro 7,832 in trade receivables for consideration of Euro 7,817 thousand.

Other current assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 March 2019	as at 31 December 2018
Due from others	10,146	7,466
Prepayments	1,893	1,157
Guarantee deposits receivable	196	205
Accrued income	28	40
Total	12,263	8,868

The item Due from third others is made up of the receivables of the subsidiary companies Se.Sa.Tre. S.c.r.l. in liquidazione and San Martino 2000 from the consortium Servizi Ospedalieri S.p.A. in the amount of Euro 1,547 thousand, the VAT receivable for Euro 6,761 thousand and, for the remaining part, mainly by advances and receivables toward 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.

SHAREHOLDERS' EQUITY

As at 31 March 2019, shareholders' equity totaled Euro 139,206 thousand (including Euro 2,376 thousand attributable to third parties) compared to Euro 138,238 thousand (including Euro 2,163 thousand attributable to third parties) as at 31 December 2018.

As at 31 March 2019, the fully subscribed and paid-up share capital of Servizi Italia S.p.A. is broken down into 31,809,451 ordinary shares with a nominal amount of Euro 1 each.

As at 31 March 2019, the Company holds 483,078 treasury shares, equal to 1.52% of the share capital, with an average book value of Euro 3.73 per share, for a countervalue of Euro 1,800 thousand. The value of treasury shares was classified as a decrease in share capital for the nominal value of the same, for Euro 483

thousand, and as a reduction of the share premium reserve for the excess of the purchase value compared to the nominal value, equal to Euro 1,317 thousand.

Liabilities to banks and other lenders

The item is broken down as follows:

(Euro thousand)	as at 31 March 2019			as at 31 December 2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Liabilities to banks	76,940	41,534	118,474	60,927	35,223	96,150
Liabilities to other lenders	4,341	31,543	35,884	257	821	1,078
<i>of which Financial Liabilities due to IFRS 16</i>	<i>2,885</i>	<i>31,013</i>	<i>33,898</i>	-	-	-
Total	81,281	73,077	154,358	61,184	36,044	97,228

The item "Payables to other lenders" includes the financial liabilities resulting from the adoption of the new IFRS 16, shown separately.

Amounts due to banks and other non-current lenders increased from Euro 36,044 thousand as at 31 December 2018 to Euro 73,077 thousand as at 31 March 2019. This increase, equal to Euro 37,033 thousand, is linked to the effects of the adoption of the new IFRS 16 for Euro 31,013 thousand, to the reclassification in short term of the loan instalments due within the following 12 months and to the subscription of a new unsecured loan with Banca Monte dei Paschi di Siena S.p.A. of the value of Euro 15,000 thousand (residual debt over 12 months equal to Euro 11,250 thousand), aimed at maintaining a balance between short and medium term debt.

Amounts due to banks and other current lenders increased from Euro 61,184 thousand as at 31 December 2018 to Euro 81,281 thousand as at 31 March 2019. The increase in the balance, equal to Euro 20,097 thousand, was due to the effects linked to the adoption of the new IFRS 16 for Euro 2,885 thousand and to an increased use of self-liquidating credit lines for the remaining portion.

Non-current payables to banks and other lenders decreased from Euro 40,210 thousand as at 31 December 2017 to Euro 33,883 thousand at the end of the first quarter of 2018. This difference of Euro 6,327 thousand is the result of the reimbursement of the expired mortgage instalments over the period.

Other non-current financial liabilities

The item is broken down as follows:

(Euro thousand)	as at 31 March 2019	as at 31 December 2018
Payables to Area S.r.l.	200	500
Payables to Steritek S.p.A. shareholders	-	225
Payables to Lavanderia Bolognini M&S S.r.l.	1,000	1,000
Payables to Wash Service S.r.l. shareholders	983	-
Deferred price Aqualav Serviços De Higienização Ltda	118	116
Payables <i>put</i> option Maxlav Lavanderia Especializada S.A. Vida Lavanderias Especializada S.A.	2,791	2,685
Payables <i>put</i> option Steritek S.p.A.	1,804	1,800
Payables <i>put</i> option Wash Service S.r.l.	861	-
Other payables	129	95
Total	7,886	6,421

The increase is mainly due to the recording of deferred price shares and put options on minority shares deriving from the acquisition of Wash Service S.r.l., for the part due beyond 12 months.

Trade payables

This item passes from Euro 74,140 thousand as at 31 December 2018 to Euro 78,266 thousand as at 31 March 2019, due entirely to trade payables due after 12 months.

Other current financial liabilities

The change in this item, from Euro 3,602 thousand at 31 December 2018 to Euro 5,828 thousand at 31 March 2019, is mainly due to the recognition of the payable for the portion of the deferred price, due within 12 months, due to the selling shareholders of Wash Service S.r.l.

Other current payables

The following table gives a breakdown of other current payables:

<i>(thousands of Euros)</i>	as at 31 March 2019	as at 31 December 2018
Accrued expenses	92	122
Deferred income	211	240
Payables to social security institutions	4,619	5,865
Due to employees	11,162	9,902
Employee/professional IRPEF (personal income tax) payable	1,605	2,398
Payables to Bringel Group	-	968
Other payables	1,018	773
Total	18,707	20,268

5.5 Notes on the main changes in the income statement

Raw materials and consumables

As at 31 March 2019, raw material consumption amounted to Euro 6,839 thousand, increased by Euro 615 thousand compared to the same period of the previous year, and this was mainly due to washing products, chemical products, packaging, spare parts, used at a higher volume because of the entry into the hotel sector, as well as disposable products and PPE relating to new customers.

Costs for services

The item is broken down as follows:

<i>(thousands of Euros)</i>	From 1 January to 31 March	
	2019	2018
External laundering and other industrial services	5,938	5,662
Travel and transport	3,718	3,275
Utilities	3,418	2,871
Administrative costs	551	686
Consortium and sales costs	1,872	1,934
Personnel expense	773	682
Maintenance	1,748	1,848
Use of third-party assets	882	1,857
Other services	518	400
Total	19,418	19,215

The item costs for services slightly increased (+ Euro 203 thousand compared to the same period of the previous year), but decreased as a percentage on revenues (-0.7%). On a like-for-like basis in terms of consolidation area and exchange rates, and net of the IFRS 16 effect, the incidence was +0.3%, showing some differences between the various items composing it.

Costs for external laundry and other industrial services increased from Euro 5,662 thousand as at 31 March 2018 to Euro 5,938 thousand at 31 March 2019. The item is affected by the increase in costs for third party laundry and cloakroom services.

Travel and transport costs show an increase of Euro 443 thousand compared to 31 March 2018. This increase is mainly linked to the entry into the new hotel sector and the related logistics in Trentino Alto Adige area. Costs related to utilities show an increase of Euro 547 thousand compared to 31 March 2018. The item is affected by the increase in energy prices and gas consumption.

Personnel expense

The item is broken down as follows:

<i>(thousands of Euros)</i>	From 1 January to 31 March	
	2019	2018
Costs for directors' fees	424	318
Salaries and wages	15,499	14,954
Temporary work	654	590
Social security charges	4,953	4,620
Employee severance indemnity	895	840
Other costs	72	58
Total	22,497	21,380

Personnel costs increased from Euro 21,380 thousand at 31 March 2018 to Euro 22,497 thousand at 31 March 2019. The consolidation of Wash Service S.r.l. for Euro 154 thousand and the increase in personnel related to the new hotel sector for Euro 718 thousand affected the period. In the Italian area, there were also increases in personnel costs compared to the comparison for the hiring of new employees, in particular at Castellina di Soragna and Travagliato plants, as well as for the hiring of new structural personnel. In Brazil, on the other hand, payroll costs decreased by Euro 235 thousand, partly due to the impact of the devaluation of the average Real/Euro exchange rate compared with the same period last year.

The following table shows the average breakdown of personnel:

	as at 31 March 2019	as at 31 March 2018
Executives	18	17
Middle managers	40	22
White-collar staff	279	233
Blue-collar staff	3,332	3,235
Total	3,669	3,507

Depreciation, amortization and impairment

The item is broken down as follows:

<i>(thousands of Euros)</i>	From 1 January to 31 March	
	2019	2018
Amortization of intangible assets	257	268
Depreciation of property, plant and equipment	13,221	12,068
Write-down of receivables	196	98
Total	13,674	12,434

The increase in depreciation of tangible fixed assets is mainly due to the effects of the implementation of the new IFRS 16 from which depreciation of the "Rights to use" of leased assets was achieved for Euro 847 thousand.

Financial Income

The item is broken down as follows:

<i>(thousands of Euros)</i>	From 1 January to 31 March	
	2019	2018
Bank interest income	110	108
Default interest	156	182
Interest income on loans to third party companies	168	167
Other financial income	112	31
Total	546	488

The difference relating to the item "other financial income" is related to financial discounts on some payments to suppliers linked to the Brazilian company SIA Lavanderia S.A.

Financial expenses are composed as follows:

<i>(thousands of Euros)</i>	From 1 January to 31 March	
	2019	2018
Interest expense and bank commission	567	417
Interest and expense to other lenders	87	55
Financial expense on employee benefits	24	21
Exchange rate losses	17	94
Other financial expenses	551	116
Total	1,246	703

The increase in the item interest and other financial charges is substantially linked to the significant increase in interest rates on the Turkish financial market. The item "other financial charges" was affected by the application of the new accounting standard IFRS 16.

5.7 Consolidated net financial position

<i>(thousands of Euros)</i>	as at 31 March 2019	as at 1 January 2019	as at 31 December 2018	as at 31 March 2018
Cash and cash equivalents in hand	53	54	54	41
Cash at bank	13,658	6,949	6,949	8,633
Cash and cash equivalents	13,711	7,003	7,003	8,674
Current financial receivables	8,588	8,030	8,030	7,562
Current liabilities to banks and other lenders	(81,281)	(63,914)	(61,184)	(61,466)
<i>of which Financial Liabilities due to IFRS 16</i>	<i>(2,885)</i>	<i>(2,730)</i>		
Current net financial debt	(72,693)	(55,884)	(53,154)	(53,904)
Non-current liabilities to banks and other lenders	(73,077)	(67,026)	(36,044)	(33,883)
<i>of which Financial Liabilities due to IFRS 16</i>	<i>(31,013)</i>	<i>(30,982)</i>		
Non-current net financial debt	(73,077)	(67,026)	(36,044)	(33,883)
Net financial debt	(132,059)	(115,907)	(82,195)	(79,113)

The increase in bank current accounts, which increased by Euro 6,709 thousand compared to 31 December 2018, is essentially due to the residual cash on hand in the Monte dei Paschi di Siena S.p.A. account following the subscription of an unsecured loan for Euro 15,000 thousand.

It should be noted that the increase in net financial debt was heavily impacted by the IT incident communicated on 7 March 2019, as a result of which fewer transactions were carried out to sell receivables compared to the first quarter of 2018, for an amount of Euro 7,012 thousand.

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 financial payables” and the value of “Other non-current financial liabilities” in “Other non-current payables”.

<i>(thousands of Euros)</i>	as at 31 March 2019	as at 1 January 2019	as at 31 December 2019
A. Cash	53	54	54
B. Other cash equivalents	13,658	6,949	6,949
C. Securities held for trading	-	-	-
D. Cash and cash equivalents (A)+(B)+(C)	13,711	7,003	7,003
E. Current financial receivables	8,588	8,030	8,030
F. Current bank borrowings	(44,100)	(30,750)	(30,750)
G. Current portion of non-current borrowings	(37,181)	(33,164)	(30,434)
<i>of which Financial Liabilities due to IFRS 16</i>	(2,885)	(2,730)	-
H. Other current financial payables	(5,828)	(3,602)	(3,602)
I. Current financial debt (F)+(G)+(H)	(87,109)	(67,516)	(64,786)
J. Current net financial debt (I)-(E)-(D)	(64,810)	(52,483)	(49,753)
K. Non-current bank borrowings	(73,077)	(67,026)	(36,044)
<i>of which Financial Liabilities due to IFRS 16</i>	(31,013)	(30,982)	-
L. Bonds issued	-	-	-
M Other non-current payables	(7,886)	(6,421)	(6,421)
N. Non-current financial debt (K)+(L)+(M)	(80,963)	(73,447)	(42,465)
O. Net financial debt (J)+(N)	(145,773)	(125,930)	(92,218)

The Chairman of the Board of Directors
(Roberto Olivi)

The Financial Reporting Manager Ilaria Eugeniani states pursuant to Article 154 bis, paragraph 2, of the Consolidated Law on Finance that the accounting information presented in this document corresponds to the documented results, books and accounting entries.

The Financial Reporting Manager
(Ilaria Eugeniani)