30 June 2019

Half-Year Financial Report

Registered Office: via San Pietro, 59/B
43019 Castellina di Soragna (PR) – ITALY
Share Capital: Euro 31,809,451 fully paid-up
Tax Code and Register of Companies: 08531760158
Certified Email : si-servizitalia@postacert.cedacri.it
Tel. +39 0524 598511 Fax +39 0524 598232
www.si-servizitalia.com

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COMPANY OFFICERS AND COMPANY 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 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

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 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 30 June 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	187,906,582	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	9,280,000	100%(*)
Maxlav Lavanderia Especializada S.A.	Jaguariúna, São Paulo - Brazil	BRL	2,825,060	65.1%(*)
Vida Lavanderias Especializada S.A.	Santana de Parnaiba, 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, Amazonas - Brazil	BRL	9,766,227	100% (*)
Steriliza Serviços de Esterilização S.A.	São Paulo - Brazil	BRL	2,000,000	100% (*)
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	Ankara – Turkey	TRY	20,000,000	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%
Idsmed Servizi Pte. Limited	Singapore – Singapore	SGD	1,000,000	30%

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

INTERIM REPORT

This Half-Year consolidated financial statements as at 30 June 2019 has been drafted according to the *International Financial Reporting Standards* – hereinafter "IFRS" or "International Accounting Standards") approved by the European Commission, in force as at 30 June 2019 and has been drafted pursuant to Article 154-ter of Legislative Decree no. 58 of 24 February 1998 and in compliance with CONSOB Regulation no. 11971 of 14 May 1999 and subsequent amendments.

This Half-Year Financial Report includes the half-year condensed consolidated financial statements as at 30 June 2019 prepared in compliance with IAS 34 on interim financial reporting, as approved by EC Regulation No. 1606/2002. In order to also allow for a better evaluation of the economic and financial performance, the following summary tables show some "Alternative performance indicators" which are not provided by the IFRS accounting standards. The footnotes of said tables indicate the calculation method used and composition of these ratios, in line with the guidelines of the *European Securities and Market Authority* (ESMA).

CHANGES TO THE ADOPTED ACCOUNTING STANDARD

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 (sections IFRS 16:C7-C13), 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 30 June 2019 with the results as at 30 June 2018 (in thousands of Euros):

(thousands of Euros)	30 June 2019	30 June 2018	Change	Change %	30 June 2019(*)
Revenues	131,745	126,476	5,269	4.2%	131,745
Ebitda(a)	34,068	33,899	169		31,691
Ebitda %	*25.9%*	*26.8%*		*-0.9%*	*24.1%*
Operating profit (Ebit)	6,217	8,876	(2,659)		5,637
Operating profit (Ebit)%	*4.7%*	*7.0%*		*-2.3%*	*4.3%*
Net Profit	4,804	7,452	(2,648)		5,098
Net Profit %	*3.6%*	*5.9%*		*-2.2%*	*3.9%*

(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 IFRS 16 adoption, the semester recorded lower rents (Euro 2,377 thousand), higher amortization and depreciation (Euro 1,797 thousand), higher interest expenses (Euro 993 thousand) and lower taxes (Euro 119 thousand) compared to an income statement drawn up with same accounting principles used for the half-year report as at 30 June 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 30 June 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):

(thousands of Euros)	30 June 2019	1 January 2019	Change	Change %	31 December 2018
Net operating working capital (a)	10,219	7,957	2,262	28.4%	7,957
Other current assets/liabilities (b)	(11,260)	(13,102)	1,842	-14.1%	(13,102)
Net working capital	**(1,041)**	**(5,145)**	**4,104**	**-79.8%**	**(5,145)**
Non-current assets – Medium/Long term provisions	267,872	259,447	8,425	3.2%	225,578
of which right of use for IFRS 16	*36,098*	*33,869*	*409*	1.2%	-
Net Invested capital	**266,831**	**254,302**	**12,529**	**4.9%**	**220,433**
Shareholders' equity (B)	136,409	138,238	(1,829)	-1.3%	138,238
Net financial debt (d) (A)	130,422	116,064	14,358	12.4%	82,195
of which financial liabilities for IFRS 16	*35,638*	*33,869*	1,769	5.2%	-
Invested capital (c)	**266,831**	**254,302**	**12,529**	**4.9%**	**220,433**
Gearing [A/(A+B)]	**48.9%**	**45.6%**			**37.3%**
Debt/Equity (A/B)	**95.6%**	**84.0%**			**59.5%**

(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 invested capital as the sum of Shareholders' equity and net financial debt.

(d) 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.

Main consolidated cashflow figures

The table below presents a comparison between the main consolidated cash flow figure as at 30 June 2019 and as at 30 June 2018 (in thousands of Euros):

(thousands of Euros)	30 June 2019	30 June 2018	Change
Cash flow generated (absorbed) by operations	24,435	31,225	(6,790)
Net cash flow generated (absorbed) by investments activities	(29,168)	(30,250)	1,082
Net cash flow generated (absorbed) by financing activities	9,549	(1,539)	11,088
Increase/(decrease) in cash and cash equivalents	4,816	(564)	5,380
Opening cash and cash equivalents	7,003	7,999	(996)
Effect of exchange rate fluctuations	39	817	(778)
Closing cash and cash equivalents	11,780	6,618	5,162

Company Information and Business performance

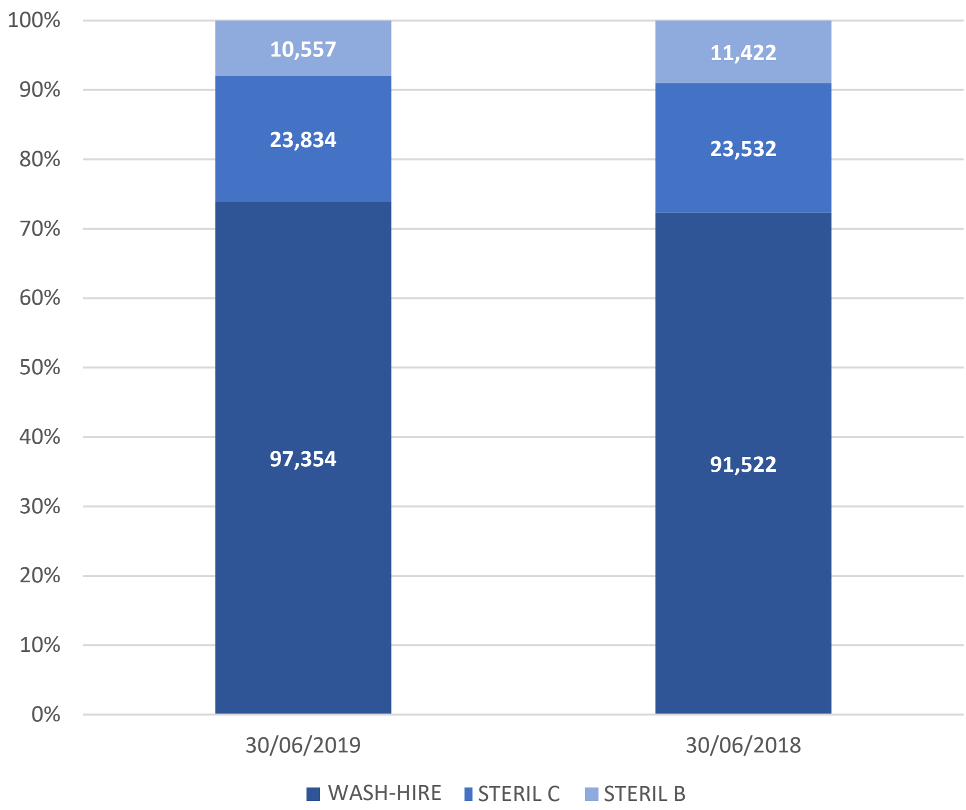
As regards the business performance, in the first half of 2019, the Servizi Italia Group recorded an increase in consolidated turnover by 4.2% (+5.6% at constant exchange rates) compared to the same period in 2018, with revenues from sales and services amounting to Euro 131,745 thousand.

Consolidated revenues were sustained in particular by revenues from the Brazilian area, characterised by an organic growth in local currency of 12.1%, which was however impacted by a negative exchange rate translation effect of 5.2% connected with the depreciation of the Brazilian Real against the Euro (overall this area recorded a positive net change in revenues of 6.9%), as in the Turkish area, with organic growth in local currency of 23.2%, negatively offset as well by an exchange rate effect of 27.1% deriving from the depreciation of the Turkish lira against the Euro (overall this area recorded a negative net change in turnover of 3.9%).

Please note the following as regards revenue from sales and services in the first half of 2019 and 2018:

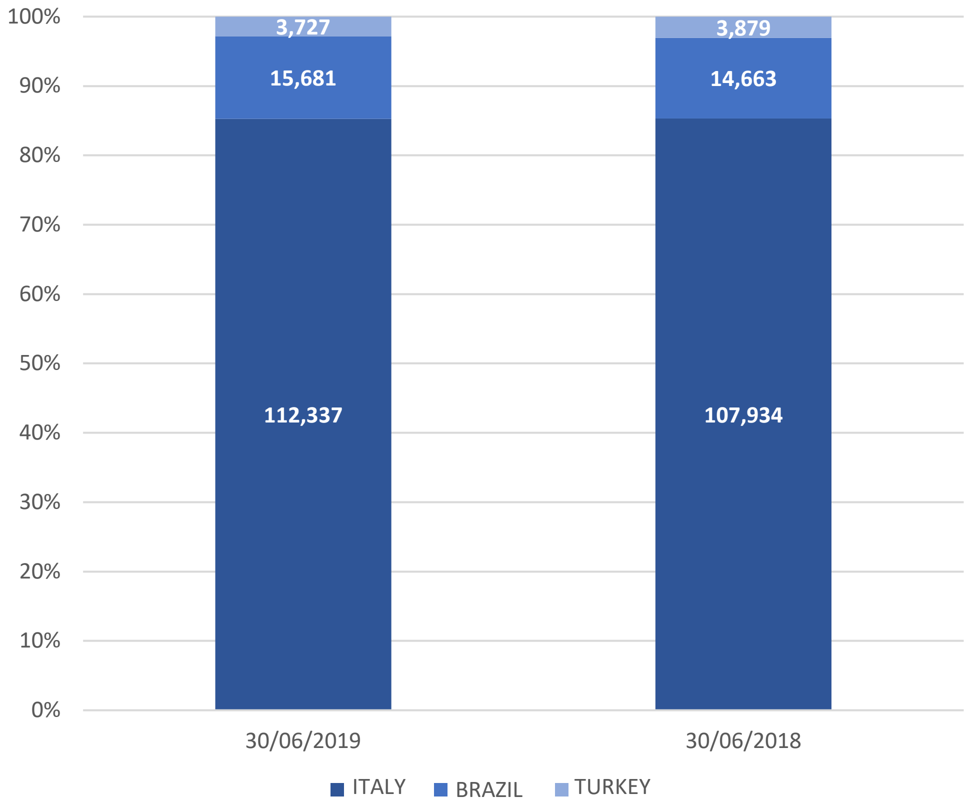
- Revenues from wash-hire services, which in absolute terms represent 73.9% of the Group's revenues, rose from Euro 91,522 thousand in the first six months of 2018 to Euro 97,354 thousand, an increase of 6.4% mainly due to the acquisition of Wash Service S.r.l. and the business unit relating to Lavanderia Bolognini M&S S.r.l. Net of the above changes, the turnover of the wash-hire business slightly increased (0.7%) compared to the same period of the previous year.
- Revenues from textile sterilization services (steril B), which in absolute terms represent 8.0% of the Group's revenues, decreased from Euro 11,422 thousand in the first six months of 2018 to Euro 10,557 thousand, recording a decrease of 7.6% due to the sale of some contracts in Friuli Venezia Giulia and Emilia-Romagna together with the contraction of some supplies abroad.
- Revenues from surgical instruments sterilization services (steril C), which in absolute terms represent 18.1% of the Group's revenues, increased from Euro 23,532 thousand in the first six months of 2018 to Euro 23,834 million, increasing by 1.3%, because of the entry into operation of some customers.

The graph below shows the details pf revenue by business line.



The table below shows revenues from sales and services of the Servizi Italia Group, broken down by geographical area, for the periods ending on 30 June 2019 and 2018:

(thousands of Euros)	30 June 2019	%	30 June 2018	%	Change
Revenues - Italy	112,337	85.3%	107,934	85.3%	4.1%
Revenues - Turkey	3,727	2.8%	3,879	3.1%	-3.9%
Revenues - Brazil	15,681	11.9%	14,663	11.6%	6.9%
Revenues from sales	**131,745**	**100%**	**126,476**	**100%**	**4.2%**



Consolidated EBITDA increased from Euro 33,899 thousand in the first six months of 2018 to Euro 34,068 thousand, with a 25.9% margin on revenues (considering the accounting effect of the application of the new IFRS16), down compared to 26.8% of the previous period.

It should be noted that, during the period, there have been higher than expected start-up costs in relation to wash-hire activities in the hotel sector (where a diversification process was started since the end of 2018). In this context, the Group recorded an increase in personnel and logistics costs (transport and warehouse rental).

The cost of structural personnel increased in line with the need to support the objectives of developing and consolidating the turnover and economic results of the recent acquisitions and foreign activities and the Group's growth strategies.

There have also been increases in energy costs, where gas prices have increased compared to the first half of the previous year, partly mitigated by the management of energy purchases in terms of volumes, prices and duration of supplies.

In conclusion, it should be noted that EBITDA for the first half of 2019 was burdened by one-off costs of approximately Euro 226 thousand relating to system restoration and data recovery activities following the IT accident that occurred in the first months of 2019, which had been completed by May 2019.

The operating result (**EBIT**) rose from Euro 8,876 thousand in the first half of 2018 (7.0% compared to turnover of the period) to Euro 6,217 thousand in the same period of 2019 (4.7%, or 5.8% at constant exchange rates and on a like-for-like basis), as a result of the trends already described in the comments on the change in EBITDA. The incidence of amortization and depreciation on sales, excluding the higher amortization and depreciation resulting from IFRS 16 adoption, was substantially stable compared to the first half of the previous period. There was an increase in absolute terms in the depreciation of property, plant and equipment connected with the acquisition of Wash Service S.r.l. and the business unit of Lavanderia Bolognini M&S S.r.l.

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

Income taxes for the period amounted to Euro 372 thousand, with a pre-tax margin of 7.2%, down compared to 13.4% in 2018, mainly due to the tax benefits deriving, in the Italian area, from the deduction of the so-called "super and hyper-depreciation", as provided for by the 2017 Budget Law (Law 232/2016).

The consolidated financial statements as at 30 June 2019 therefore close with a net profit of Euro 4,804 thousand, down compared to the same period of the previous year (Euro 7,452 thousand).

Transactions with parent companies and associates

Servizi Italia S.p.A.’s transactions with subsidiaries, associates, jointly controlled 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 consolidated financial statements, paragraph 8.

It should also be noted that, following 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, last updated on 14 November 2018 and posted on Company’s website.

Information on treasury shares and/or shareholdings in parent companies

On 30 May 2019, the Shareholders' Meeting renewed the authorization to purchase and dispose of treasury shares, as proposed by the Board of Directors, subject to revocation of the authorization to purchase and dispose of treasury shares resolved on 20 April 2018 for unused shares. The Board of Directors of Servizi Italia, in implementation of the resolution passed by the Shareholders' Meeting to authorize the purchase and disposal of treasury shares, also resolved to renew the program for the purchase of treasury shares. Pursuant to art. 144-bis of the Regulation adopted by Consob resolution no. 11971/99 ("**Issuers' Regulation**"), market practice no. 2 (establishment of a "securities warehouse") admitted by Consob with resolution no. 16839/09 and art. 2 of the EU Delegated Regulation 2016/1052, details of the purchase program are provided below.

Objective of the program: the program for the purchase of treasury shares - in compliance with the resolutions approved by the Shareholders' Meeting of the Company today and with the market practice mentioned above - has the aim of setting up a treasury share warehouse to be used, if necessary, as a consideration for extraordinary transactions and/or as part of transactions for the exchange and/or sale of shareholdings, and at the same time represents an opportunity for efficient investment of company liquidity.

Maximum quantity of shares to be purchased and maximum countervalue: the maximum quantity of treasury shares to be purchased in execution of the program, in compliance with the authorization given by the Shareholders' Meeting of 30 May 2019, is equal to a maximum of 6,361,890 ordinary shares of the Company (corresponding to the fifth part of the share capital), taking into account the shares already held by the Company from time to time. The maximum amount of money allocated to the execution of the program is estimated at an amount not exceeding Euro 15 million. The purchase may be made in several instalments, in compliance with the aforementioned authorization of the Shareholders' Meeting.

As of today, the Company holds 508,931 treasury shares in portfolio, equal to 1.6% of the share capital. The Company does not hold its own shares through subsidiaries, trustees or third parties.

Duration of the program: the duration of the program has been identified by the Board of Directors as being the period from 31 May 2019 to 30 November 2020, inclusive. It is recalled that: (i) the authorization to purchase treasury shares approved by the Shareholders' Meeting of 30 May 2019 has a duration of 18 months from the date of the resolution and will in fact expire on 30 November 2020; while (ii) the authorization to dispose of treasury shares, even before the purchases have been exhausted, has been given by the Shareholders' Meeting without time limits.

Purchase procedures: in compliance with the authorization given by the Shareholders' Meeting on 30 May 2019, the purchase of treasury shares will be carried out, through the intermediary INTERMONTE SIM S.p.A., on the Electronic Share Market according to the operating procedures and at price conditions in compliance with the provisions of articles 3 and 4, paragraph 2, letter b) of EU Delegated Regulation 2016/1052, and in compliance with the principle of equal treatment of Shareholders and market practice. In particular, the purchase price of each share must be, as a minimum, not less than 20% and, as a maximum, not more than 20% of the weighted average of the official prices of the shares recorded by Borsa Italiana on the MTA in the three days prior to each individual purchase transaction, it being understood that it may not be higher than the highest price between the price of the last independent transaction and the highest price of the current independent purchase offer on the MTA, in compliance with the shareholders' resolution of 30 May 2019 and with all applicable regulations (including European regulations) and accepted market practices. In addition, the shares purchased in each session may not exceed 25% of the average daily volume of Servizi Italia S.p.A. shares traded on the MTA, calculated on the basis of the average daily volume of trades during the 20 trading days preceding the date of purchase.

As already mentioned, the treasury shares purchase program will be coordinated by INTERMONTE SIM S.p.A., which will take the decisions to negotiate on the timing of the purchases of shares by Servizi Italia S.p.A. in full independence from the Company, within the limits of the resolutions passed by the Shareholders' Meeting.

Any subsequent amendments to the aforesaid program will be promptly communicated to the public. The Company will communicate to the public the information on the purchases made according to the terms provided by current legislation.

As at 30 June 2019, following the transactions on the market regulated and managed by Borsa Italiana, the Company held n. 512,292 own shares, equivalent to 1.61% of the share capital.

As at 5 August 2019, following the transactions on the market regulated and managed by Borsa Italiana, the Company held n. 547,363 own shares, equivalent to 1.72% of the share capital.

Significant events and transactions

On 28 January 2019, the Group 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 clothing of hospital facilities, nursing homes and retirement facilities.

On 7 March 2019 the Group announced that, in February 2019, 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, also determining the loss of part of the accounting records for the 2018 financial year. The restoring procedures of compromised machines and the information system as well as those for reconstructing accounting information up to the date of the incident, thanks also to the availability of data contained on the business software and auxiliary systems that were not affected by the malfunction, were successfully concluded. The IT malfunction occurred 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.

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 30 May 2019, the Shareholders’ Meeting:

- in ordinary session: (i) approved the financial statements for the year ended 31 December 2018 and the distribution of a gross unit dividend of Euro 0.16, excluding treasury shares in portfolio. The dividend will be payable from 12 June 2019, with coupon detachment on 10 June 2019, record date on 11 June 2019, and they will be paid to the shares that will be in circulation at the date of the record date for those entitled to payment as referred in Article 83-terdecies of the Legislative Decree n. 58/98; (ii) renewed the authorization for the purchase and disposal of treasury shares, as proposed by the

Board of Directors, subject to revocation of the authorization for the purchase and disposal of treasury shares approved on 20 April 2018 for any unused shares.

- in extraordinary session, approved the amendments proposed by the Board of Directors to articles 2, 13, 15 and 20 of the Articles of Association.

On 31 May 2019, the parent company obtained SA8000 certification, the main certification for Corporate Social Responsibility, which defines the global standard for companies and organizations that intend to guarantee and affirm their ethicality and compliance with respect for and protection of human and workers' rights, the fight for the exploitation of child labour and the protection of the wellbeing and safety of employees in the workplace.

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 (thousands of Euros)
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
Istituto Burlo Garofalo di Trieste**	Surgical instruments sterilization services	6 months	168
Azienda Ospedaliera Nazionale SS. Antonio e Biagio e Cesare Arrigo di Alessandria**	Washing and rental of workwear and PPE for emergency services	2	65
Azienda Pubblica di Servizi alla Persona Centro Residenziale Abelardo Collini – Pinzolo*	Wash-hire services for flat linen and uniforms	2	64
APSS Casa di Riposo San Vigilio – Fondazione Bonazza*	Wash-hire services for flat linen and uniforms	2	92
Opere Pie Devoto Marina Sivori – Lavagna (aggiudicazione in associazione temporanea di imprese)*	Wash-hire and mattresses services	9	1,020
Azienda Servizi alla Persona “Seneca”**	Wash-hire services for flat linen and uniforms	3	199
Autostrada Brescia Verona Vicenza Padova S.p.A.**	Washing and rental of workwear and high visibility equipment	3	68
ARCA S.p.A. – ASST Fatebenefratelli e Sacco*, ASST Melegnano e della Martesana*, ASST Vimercate**, Fondazione IRCCS Cà Granda ospedale Maggiore Policlinico** e ASST Valtellina e Alto Lario**	Wash-hire services	4	5,233
Fondazione Pitsch APSP*	Wash-hire services for flat linen and uniforms	3	131
ASL Roma 6*	Surgical instruments sterilization and rental services for Ospedale dei Castelli	10 months	215
APSP Città di Riva del Garda*	Wash-hire services for flat linen and uniforms	1,5	115
Arca S.p.A. – ASST del Garda*	Wash-hire services	5	1,006
Arca S.p.A. – ASST Mantova*	Wash-hire services	5	1,197
Arca S.p.A. – ASST Crema*	Wash-hire services	5	576

* re-awarded
**new customer

Significant events after the end of the half

On 19 July 2019, the Company announced the acquisition of the remaining 50.0% of the share capital of Ekolav S.r.l., a company based in the region of Tuscany and active in the provision of washing and rental services for flat linen, guest linen and uniforms for retirement homes, nursing homes, hospitals and industries. The acquisition of control will allow Servizi Italia to fully consolidate the results of Ekolav S.r.l. and implement several operating actions aimed at supporting the growth of revenues and margins, as well as generating production and commercial synergies with the Group. For further information, please refer to the documentation available on the website of Servizi Italia.

Business outlook

The Group's results achieved in the first half of 2019 suffer, from one side, the beginning of the wash-hire business diversification process and the integration and optimization of the most recent acquisitions, but on the other side they highlight the growing results in terms of turnover and margins of the Group's internationalization strategy, especially in areas where the process of growth and consolidation of results has been underway for a number of years now. 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 objectives will be achieved through investments aimed at external growth and continuing with the constant focus on management and organizational execution.

Derivatives

As at 30 June 2019, the Group held no derivatives. Some companies of which there is no exclusive control, and which are therefore not consolidated line-by-line, have subscribed financial derivatives to hedge the risk of interest rate fluctuations on project financing loans, having considered the significant size of the financial commitments undertaken and the duration of more than ten years. The economic and equity effects of these derivative instruments are incorporated in the valuations of the equity investments in the companies that hold them.

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, 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.

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 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).

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 sterilization 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.

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 organizational and operating measures and implementing and documenting control points within company processes.

The activities of the Servizi Italia Group are exposed to various types of risks, including changes in interest rates, credit, liquidity and cash flow risks. In order to minimize these risks, the Group has adopted control methods and timescales that allow Management to monitor this risk and to instruct the Board of Directors so that it can express its approval of all transactions that the Group undertakes with third-party lenders.

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. 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.

Human resources and industrial relations

The Servizi Italia Group's total employees, including those of the consolidated companies, were as follows as at 30 June 2019:

Company	Executives	Middle managers	White-collar staff	Blue-collar staff	Total
Servizi Italia S.p.A.	11	32	177	1,804	2,024
Steritek S.p.A.	-	-	20	-	20
Lavsim Higienização Têxtil S.A	1	9	42	364	416
Maxlav Lavanderia Especializada S.A.	3	1	13	425	442
Vida Lavanderias Especializada S.A.	-	-	4	147	151
Aqualav Serviços De Higienização Ltda	-	2	8	221	231
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	2	1	5	220	228
Ergülteks Temizlik Tekstil Ltd. Sti.	-	-	3	118	121
Wash Service S.r.l.	-	-	8	50	58
TOTAL	**17**	**45**	**280**	**3,349**	**3,691**

Industrial Relations

During the first half of 2019, the dialogue with the trade unions and workers' representatives at company level continued, with the aim of seeking shared solutions to respond to the market situation, in particular for identifying solutions aimed at operational and logistical flexibility, continuous rationalization of the workforce, greater efficiency and integration.

During the period under review, the Human Resources Department also liaised with the Trade Unions, in compliance with the new SA8000 standard, to promote and make operational the Social Performance Team (SPT), whose tasks are: (i) conducting a formal assessment of the risks associated with the standard; (ii) monitoring activities; (iii) collaborating in the application of corrective and preventive actions and checking effectiveness.

Training and development

In the first half of 2019, in accordance with the provisions of the Annual Training Plan, the training activities carried were 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. 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.

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 30 June 2019 is disclosed below along with share volume and price trends:

(thousands of Euros)	**30 June 2019**
No. of shares making up the share capital	31,809,451
Price at IPO: 04 April 2007	8.50
Price as at 30 June 2019	3.10
Maximum price during the period	4.14
Minimum price during the period	3.10
Average price during the period	3.68
Volumes traded during the period	2,700,200
Average volumes during the period	21,602

Share volumes and prices as at 30 June 2019

During 2019, the Investor Relations Team held several individual and group meetings with analysts and investors and organized guided tours of CSSDs and industrial laundering sites for shareholders and potential investors who so requested. The Company, in addition to the research study conducted by the Specialist Intermonte SIM, also appointed Midcap Partners (Appointed rep by Louis Capital Markets UK, LLP).

The Chairman of the Board of Directors

(Roberto Olivi)

HALF-YEAR CONDENSED FINANCIAL STATEMENTS OF THE SERVIZI ITALIA GROUP AS AT 30 JUNE 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of Euros)	Notes	30 June 2019	*of which with related parties (Note 8)*	31 December 2018	*of which with related parties (Note 8)*
ASSETS					
Non-current assets					
Property, plant and equipment	**6.1**	170,502	-	129,609	-
Intangible assets	**6.2**	5,846	-	4,809	-
Goodwill	**6.3**	70,619	-	67,926	-
Equity-accounted investments	**6.4**	24,152	-	24,463	-
Equity investments in other companies		4,025	-	3,725	-
Financial receivables		6,282	*4,000*	6,844	*4,000*
Deferred tax assets	**6.5**	3,678	-	3,023	-
Other assets		5,918	-	6,444	-
Total non-current assets		**291,022**		**246,843**	
Current assets					
Inventories		6,733	-	6,197	-
Trade receivables	**6.6**	85,540	*10,060*	75,900	*9,209*
Current tax assets		1,734	-	1,961	-
Financial receivables		9,674	*6,176*	8,030	*5,867*
Other assets	**6.7**	13,278	-	8,868	-
Cash and cash equivalents		11,780	-	7,003	-
Total current assets		**128,739**		**107,959**	
TOTAL ASSETS		**419,761**		**354,802**	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Group shareholders' equity					
Share capital		31,297	-	31,430	-
Other reserves and retained earnings		97,153	-	93,045	-
Net profit of the period		4,570	-	11,600	-
Total shareholders' equity attributable to shareholders of the parent		**133,020**		**136,075**	
Total shareholders' equity attributable to non-controlling interests		**3,389**		**2,163**	
TOTAL SHAREHOLDERS' EQUITY	**6.8**	**136,409**		**138,238**	
LIABILITIES					
Non-current liabilities					
Due to banks and other lenders	**6.9**	77,176	-	36,044	-
Deferred tax liabilities	**6.10**	2,371	-	2,014	-
Employee benefits	**6.11**	10,936	-	10,179	-
Provisions for risks and charges	**6.12**	2,887	-	2,651	-
Other financial liabilities	**6.14**	6,956	-	6,421	-
Total non-current liabilities		**100,326**		**57,309**	
Current liabilities					
Due to banks and other lenders	**6.9**	74,700	-	61,184	-
Trade payables	**6.13**	82,054	*11,090*	74,140	*10,201*
Current tax liabilities		335	-	61	-
Other financial liabilities	**6.14**	5,569	*2,460*	3,602	*2,460*
Other liabilities	**6.15**	20,368	-	20,268	-
Total current liabilities		**183,026**		**159,255**	
TOTAL LIABILITIES		**283,352**		**216,564**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**419,761**		**354,802**	

CONSOLIDATED INCOME STATEMENT

(thousands of Euros)	Notes	30 June 2019	*of which with related parties (Note 8)*	30 June 2018	*of which with related parties (Note 8)*
Revenues from sales	**7.1**	**131,745**	*7,895*	**126,476**	*8,299*
Other income		2,244	*211*	2,654	*334*
Raw materials and consumables	**7.2**	(13,725)	*(5)*	(13,427)	*(66)*
Costs for services	**7.3**	(39,995)	*(10,661)*	(38,287)	*(10,269)*
Personnel expenses	**7.4**	(45,537)	*(2,695)*	(42,772)	*(2,625)*
Other costs		(664)	*(11)*	(745)	*(10)*
Depreciation/amortization and provisions	**7.5**	(27,851)	-	(25,023)	-
Operating profit (loss)		**6,217**		**8,876**	
Financial income	**7.6**	958	*296*	1,024	*293*
Financial expenses	**7.6**	(2,703)	-	(1,605)	-
Income/(Expense) from equity investments		211	-	142	-
Revaluation/impairment of equity-accounted investments	**6.4**	493	-	171	-
Profit (Loss) before taxes		**5,176**		**8,608**	
Income taxes	**7.7**	(372)		(1,156)	
Profit (Loss) of the period		**4,804**		**7,452**	
of which: Share pertaining to the Shareholders of the Parent Company		4,570		7,060	
Share pertaining to the minority shareholders		234		392	
Base earnings per share (Euro per share)	**7.8**	**0.15**		**0.22**	
Diluted earnings per share (Euro per share)	**7.8**	**0.15**		**0.22**	

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(thousands of Euros)	30 June 2019	30 June 2018
Profit (Loss) of the period	**4,804**	**7,452**
Other comprehensive income that will not be reclassified to the Income Statement		
Actuarial gains (losses) on defined benefit plans	-	-
Income taxes on other comprehensive income	-	-
Other comprehensive income that may be reclassified to the Income Statement		
Gains (losses) from translation of foreign financial statements	(396)	(6,461)
Portion of comprehensive income of the investments measured using the equity method	(935)	(307)
Income taxes on other comprehensive income	-	-
Total other comprehensive income after taxes	**(1,331)**	**(6,768)**
Total comprehensive income for the period	**3,473**	**684**
of which: Attributable to shareholders of the parent	3,312	592
Attributable to non-controlling interests	161	92

CONSOLIDATED STATEMENT OF CASHFLOW

(thousands of Euros)	Notes	as at 30 June 2019	*of which with related parties (Note 8)*	as at 30 June 2018	*of which with related parties (Note 8)*
Generated (absorbed) cash flow from operating activities					
Profit (loss) before taxes		5,178	-	8,608	-
Current taxes payment		(116)	-	(267)	-
Depreciation	**7.5**	27,516	-	24,761	-
Impairment and provisions	**7.5**	335	-	262	-
Gain/losses on equity investments	**6.4**	(704)	-	(313)	-
Capital gains/(losses) from divestment		(318)	-	(154)	-
Interest and expense income	**7.6**	1,745	-	581	-
Received interest incomes		327	-	399	-
Paid interest expenses		(2,029)	-	(1,189)	-
Provisions for employee benefits	**6.11**	600	-	275	-
		32,534		**32,963**	
(Increase)/Decrease in inventories		(490)	-	256	-
(Increase)/Decrease in trade receivables	**6.6**	(7,684)	*(851)*	(5,894)	*(6,493)*
(Increase)/Decrease in trade payables	**6.13**	6,816	*889*	7,332	*452*
(Increase)/Decrease in other assets and liabilities		(6,521)	-	(2,293)	*210*
Settlement of employee benefits	**6.11**	(220)	-	(1,139)	-
Generated (Absorbed) cash flow from operating activities		**24,435**		**31,225**	
Generated (Absorbed) cashflow net of investing activities in:					
Intangible assets	**6.2**	(663)	-	(321)	-
Property, plant and equipment	**6.1**	(26,909)	-	(29,317)	-
Dividends received		211	-	142	-
Acquisitions		(1,377)	-	-	-
Equity investments	**6.4**	(430)	-	(754)	-
Generated (Absorbed) cashflow net of investment activities		**(29,168)**		**(30,250)**	
Generated (Absorbed) cashflow from investment activities in:					
Financial receivables		(276)	*(309)*	(207)	*309*
Dividends paid	**6.8**	(5,152)	-	(5,681)	-
Purchase of treasury shares	**6.8**	(499)	-	(280)	-
Share capital increase (minority shareholders)		524	-	-	-
Short-term liabilities due to banks and other lenders	**6.9**	9,196	-	5,374	-
Long-term liabilities due to banks and other lenders	**6.9**	5,756	-	(745)	-
Generated (Absorbed) cashflow from financing activities		**9,549**		**(1,539)**	
Increase/(Decrease) in cash and cash equivalents		**4,816**		**(564)**	
Cash and cash equivalents at the beginning of the period		**7,003**		**7,999**	
Effect of exchange rates on cash and cash equivalents		**39**		**817**	
Cash and cash equivalents at the end of the period		**11,780**		**6,618**	
Increase/(Decrease) in cash and cash equivalents		**4,816**		**(564)**	

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(thousands of Euros)	Share Capital	Share premium reserve	Legal reserve	Retained earnings	Translation reserve	Profit (loss) of the period	Reserves and profit (loss) of non-controlling interests	Total Shareholders' Equity
Balance as at 31 December 2017	**31,799**	**53,249**	**5,366**	**42,598**	**(7,707)**	**13,770**	**2,564**	**141,639**
Effects of adoption of IFRS 16	-	-	-	(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	-	-	691	7,673	-	(8,364)	-	-
Distribution of dividends	-	-	-	-	-	(5,406)	(275)	(5,681)
Share capital increase	-	-	-	-	-	-	-	-
Treasury share transactions	(62)	(218)	-	-	-	-	-	(280)
Profit (loss) for the period	-	-	-	-	-	7,060	392	7,452
Other items of comprehensive income	-	-	-	(307)	(6,161)	-	(300)	(6,768)
Balance as at 30 June 2018	**31,737**	**53,031**	**6,057**	**49,849**	**(13,868)**	**7,060**	**2,381**	**136,247**

(thousands of Euros)	Share Capital	Share premium reserve	Legal reserve	Retained earnings	Translation reserve	Profit (loss) of the period	Reserves and profit (loss) of non-controlling interests	Total Shareholders' Equity
Balance as at 1 January 2019	**31,430**	**52,258**	**5,366**	**50,804**	**(15,383)**	**11,600**	**2,163**	**138,238**
Allocation of profit from the previous year	-	-	561	6,031	-	(6,592)	-	-
Distribution of dividends	-	-	-	-	-	(5,008)	(144)	(5,152)
Share capital increase in controlled companies	-	-	-	-	-	-	1,028	1,028
Put-option on minority shares	-	-	-	(860)	-	-	-	(860)
Change in consolidation scope	-	-	-	-	-	-	181	181
Treasury share transactions	(133)	(366)	-	-	-	-	-	(499)
Profit (loss) for the period	-	-	-	-	-	4,570	234	4,804
Other items of comprehensive income	-	-	-	(935)	(323)	-	(73)	(1,331)
Balance as at 30 June 2019	**31,297**	**51,892**	**5,927**	**55,040**	**(15,706)**	**4,570**	**3,389**	**136,409**

EXPLANATORY NOTES

1 Introduction

The condensed consolidated half-year financial statements as at 30 June 2019 of the Servizi Italia Group, which have undergone a limited audit, have been prepared in accordance with art. 154-ter of Legislative Decree 58/1999 and subsequent amendments and additions, as well as in compliance with the "International Financial Reporting Standards - IFRS" issued by the International Accounting Standards Board (IASB), on the basis of the text published in the Official Journal of the European Communities (O.J.E.C.). These half-yearly financial statements have been prepared in "condensed" form in accordance with IAS 34, therefore they do not include all the information normally included in annual financial statements and must therefore be read together with the consolidated financial statements of the Group as at 31 December 2018.

The condensed consolidated half-year financial statements include the consolidated income statement, the comprehensive consolidated income statement, the consolidated statement of financial position, the consolidated statement of changes in shareholders' equity, the statement of cashflow and the explanatory notes, in accordance with IFRS requirements.

The condensed consolidated half-year financial statements have been prepared in accordance with the IFRS issued by the International Accounting Standards Board and approved by the European Union at the time of preparation of these financial statements. The term IFRS also includes all the revised international accounting standards (IAS) and all the interpretations of the International (IFRS) Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

IFRS accounting standards, amendments and interpretations applied since 1 January 2019

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Company on 1 January 2019:

- 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 defined as contracts that confer the right to control a specific asset (“right of use”), for a pre-specified period, 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.

  On the inception date, the lessee must recognize the asset consisting in the right of use and the lease liability. The activity consisting in the right of use must be valued at cost, while the liability must be equal to the present value of the payments due and not yet paid at that date, discounted at the interest rate implicit of the contract or, in the absence thereof, the incremental borrowing rate of the lease. Lease contracts with a duration of less than twelve months that do not include purchase options and contracts relating to low-value assets may be excluded from the application of the new accounting standard.

  The Company has decided to apply the standard retrospectively, recognizing 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. For those lease agreements previously classified as operating leases, the Company recognizes:

- 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 impacts of IFRS 16 adoption on the financial statement as of 1 January 2019 are provided below:

(thousands of Euros)	**Effects as at 1 January 2019**
Non-current assets	
Land and buildings	32,790
Equipment	264
Other assets	815
Non-current liabilities	
Non-current liabilities for *lease*	30,205
Current liabilities	
Current liabilities for *lease*	3,664
Total effect on the equity reserves	-

The transition to IFRS 16 introduces some options that involve the definition of some accounting policies and the use of assumptions and estimates regarding the lease term and to the definition of the incremental borrowing rate. The main ones are summarized 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 considered the specific facts and circumstances of each asset. Regarding 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) regarding 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) regarding 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 recognized 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. The adoption of this interpretation did not affect the consolidated financial statements.
- 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 recognized 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. The adoption of this interpretation did not affect the consolidated financial statements.
- 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. The adoption of this interpretation did not affect the consolidated financial statements.
- On 12 December 2017, the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle" which contains amendments to several standards as part of the annual improvement process. The main amendments regard:
  - **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** the amendment clarifies that when an entity gains control of a business that represents a joint operation, it shall remeasure the interest previously held in that business. This process does not apply when joint control is acquired.
  - **IAS 12 Income Taxes:** the amendment clarifies that all tax effects relating to dividends (including payments on financial instruments classified in equity) should be accounted for on the same basis as the transaction that generated the related profits (statement of profit or loss, OCI or equity).

- **IAS 23 Borrowing costs:** the amendment clarifies that loans that remain in place even after the related qualifying asset is ready for use or sale shall become part of the total loans used to calculate borrowing costs.
  Adoption of these amendments did not have any effect on the Group's consolidated financial statements.

- On 7 February 2018, the IASB published the document **"Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)"**. The document clarifies how an entity should record an amendment (i.e. a curtailment or a settlement) to a defined benefit plan. The amendment requires the entity to update its assumptions and to remeasure the net liability or asset resulting from the plan. The amendment clarifies that, after such an event, an entity shall use the updated assumptions to measure the current service cost and interest for the rest of the period after the event. Adoption of the amendment did not have any effect on the Group's Six-Monthly Financial Statements.

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.

- On 18 May 2017, the IASB issued the new accounting standard international **IFRS 17 - Insurance contracts**, which will replace the pre-existing IFRS 4 – Insurance Contracts. The new standard objective is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from the insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to include all types of insurance contracts, including reinsurance contracts that an insurer holds.
  The new standard also includes presentation and disclosure requirements to improve comparability between entities belonging to this sector. The new standard measures an insurance contract based on a General Model or a simplified version of this, called the Premium Allocation Approach ("PAA").

  The main General Model features are:

  - future cash flows are always current ones;
  - the measurement reflects the time value of money;
  - the estimates envisage an extensive use of information observable on the market;
  - there is a current and explicit measurement of the risk;
  - the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition; and
  - the expected profit is recognized in the contractual hedging period considering the adjustments deriving from changes in the assumptions relating to the cash flows relating to each group of contracts.

  The PAA approach involves the measurement of the liability for the residual hedging of a group of insurance contracts provided that, at the time of initial recognition, the entity expects that this liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications arising from the application of the PAA method do not apply to the valuation of liabilities for outstanding claims, which are measured with the General Model. However, it's not necessary to discount those cash flows if it's expected that the balance to be paid or received will be paid within one year of the date on which the claim took place.

The entity has to apply the new principle to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF). The standard applies from January 1, 2021 but early application is allowed, only for entities that apply IFRS 9 "Financial Instruments and IFRS 15 - Revenue from Contracts with Customers". Directors do not expect any significant effect on the financial statements of the Company when these amendments are adopted.

- On 22 October 2018, the IASB published the document ***"Definition of a Business (Amendments to IFRS 3)***". The document provides certain clarification on the definition of a business for the purposes of the proper application of IFRS 3. In more detail, the amendment clarifies that while a business normally produces an output, it is not strictly necessary for the identification of a business if there is an integrated set of activities/processes and assets. However, in order to satisfy the definition of a business, an integrated set of activities/processes and assets shall include, at the very least, an input and a substantive process which, together, make a significant contribution towards the ability to create outputs. Accordingly, the IASB has replaced the term "ability to create outputs" with "ability to contribute towards the creation of outputs" in order to clarify that a business may exist even without the presence of all of the inputs and processes necessary to create an output.

  The amendment also introduced a concentration test, which is optional for the entity, for use in determining if a set of activities/processes and assets acquired is not a business. If the test produces a positive result, the set of activities/processes and tests acquired is not a business and the standard does not require any further tests. If the test produces a negative result, the entity shall perform further analysis of the activities/processes and assets acquired in order to identify the presence of a business. For this purpose, the amendment has added numerous illustrative examples to IFRS 3 in order to provide an understanding of the practice application of the new definition of business in specific circumstances. The amendments apply to all business combinations and asset acquisitions after 1 January 2020, but early application is permitted.
  As the amendment will be applied to new acquisition transactions concluded with effect from 1 January 2020, any effects will be reflected in consolidated financial statements for periods ending after that date.

  Directors do not expect any significant effect on the financial statements of the Company when these amendments are adopted.

- On 31 October 2018, the IASB published the document ***"Definition of Material (Amendments to IAS 1 and IAS 8)"***. The document introduced a change to the definition of "material" contained in IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment aims to make the definition of "material" more specific and introduces the concept of "*obscured information*" alongside the concepts of omitted or erroneous information already present in the two standards amended. The amendment clarifies that information is "*obscured*" when it is described in such a way as to produce for primary users of financial statements an effect similar to that which would be produced if the information had been omitted or erroneous.
  The amendments introduced by the document are applicable to all operations after 1 January 2020.

Directors do not expect any significant effect on the financial statements of the Company when these amendments are adopted.

- On 11 September 2014, the IASB published an amendment to **IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture.** The document was published in order to resolve the current conflict between IAS 28 and IFRS 10. IAS 28 requires that the gain or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for an equity interest in the latter is limited to the extent of the investor's interest in the joint venture or associate. Meanwhile, IFRS 10 requires full profit or loss recognition when a parent loses control of a subsidiary, even if the entity continues to hold a non-controlling interest therein, inclusive of in the case of a sale or contribution of a subsidiary to a joint venture or associate. The amendments require that, in the case of a sale or contribution of an asset or a subsidiary to a joint venture or associate, the extent of the gain or loss to be recognised in the financial statements of the seller or contributor depends on whether the assets or the subsidiary sold or contributed consist of a business, as defined by IFRS 3. If the assets or the subsidiary sold or contributed consist of a business, then the entity should recognise the full profit or loss in line with the previously held equity interest; otherwise, the portion of the gain or loss relating to the equity interest that is still held should be eliminated. For the time being, the IASB has postponed the application of these amendments. Directors do not expect any significant effect on the financial statements of the Company when these amendments are adopted.

1.1 Core business

The Group mainly operates on the domestic market, in the State of Sao Paulo (Brazil), Albania, India, Morocco and Turkey, providing integrated services for the rental, washing and sterilization of textiles and surgical instruments for public and private social welfare, hotel and 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.

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.c.p.a. In fact, Servizi Italia S.p.A. operates under conditions of corporate and entrepreneurial autonomy in commercial dealings with its customers and suppliers and independently defines its industrial plans and/or budgets. Furthermore, Servizi Italia S.p.A. - in compliance with the provisions of Italian Law No. 262 dated 28 December 2005 - has adopted all the necessary measures which permit it not to be subject to management and co-ordination activities.

3 Consolidation principles and accounting standards

3.1 Consolidation principles

The half-year condensed consolidated financial statements as at 30 June 2019 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.

Investments in associates and jointly controlled companies (joint ventures) are measured using the equity method, while jointly controlled assets (joint operations) are recorded by recognising the portion of the assets and liabilities, costs and revenues that pertain thereto, directly into the financial statements of the company that is party to the agreements.

The financial statements consolidated line-by-line drafted as at 30 June 2019 are those appropriately prepared and approved by the administrative bodies, and have been adjusted as required to bring them into line with the accounting standards of Servizi Italia S.p.A.

The consolidation criteria are the same as those applied in the Group's consolidated financial statements as at 31 December 2018.

3.2 Consolidation scope

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

(Thousand)	Registered Office	Currency	Share Capital as at 30 June 2019	Percentage shareholding as at 30 June 2019	Percentage shareholding as at 31 December 2018
San Martino 2000 S.c.r.l.	Genoa - Italy	EUR	10	60%	60%
Se.Sa.Tre. S.c.r.l. in liquidazione	Genoa - Italy	EUR	20	60%	60%
Steritek S.p.A.	Malagnino (CR) - Italy	EUR	134	70%	70%
Ankateks Turizm İnsaat Tekstil Temizleme Sanayi Ve	Ankara, Turkey	TRY	20,000	55%	55%
Ergülteks Temizlik Tekstil Ltd. Sti.**	Smirne - Turkey	TRY	1,700	57.5%	57.5%
SRI Empreendimentos e Participacoes LTDA	São Paulo (Brazil)	BRL	187,907	100%	100%
Lavsim Higienização Têxtil S.A.*	São Roque, State of São Paulo (Brazil)	BRL	9,280	100%	100%
Maxlav Lavanderia Especializada S.A.*	Jaguariúna, State of São Paulo (Brazil)	BRL	2,825	65.1%	65.1%
Vida Lavanderias Especializada S.A.*	Santana de Parnaiba, State of São Paulo (Brazil)	BRL	3,600	65.1%	65.1%
Aqualav Serviços De Higienização Ltda*	Vila Idalina, Poá, State of San Paolo (Brazil)	BRL	15,400	100%	100%
SIA Lavanderia S.A. in liquidazione*	Manaus, State of Amazonas (Brazil)	BRL	9,766	100%	100%
Steriliza Serviços de Esterilização S.A. in liquidazione*	San Paolo, State of San Paolo (Brazil)	BRL	2,000	100%	100%
Wash Service S.r.l.	Castellina di Soragna (Parma) - Italy	EUR	10	90%	-

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

Investments in associates and jointly controlled companies are measured using the equity method:

(Thousand)	Registered office	Currency	Share capital as at 30 June 2019	Percent interest as at 30 June 2019	Percent interest as at 31 December 2018
CO.SE.S S.c.r.l. in liquidazione	Perugia – Italy	EUR	10	25%	25%
PSIS S.r.l.	Padua – Italy	EUR	10,000	50%	50%
Ekolav S.r.l.	Lastra a Signa (FI) – Italy	EUR	100	50%	50%
AMG S.r.l.	Busca (CN) – Italy	EUR	100	50%	50%
Steril Piemonte S.c.r.l.	Turin – Italy	EUR	4,000	50%	50%
Iniziative Produttive Piemontesi S.r.l.	Turin – Italy	EUR	2,500	37.63%	37.63%
Piemonte Servizi Sanitari S.c.r.l.	Turin – Italy	EUR	10	30%(*)	30% (*)
Finanza & Progetti S.p.A.	Padua – Italy	EUR	550	50%	50%
Arezzo Servizi S.c.r.l.	Arezzo – Italy	EUR	10	50%	50%
Brixia S.r.l.	Milan – Italy	EUR	10	23%	23%
Saniservice Sh.p.k.	Tirana – Albania	LEK	2,746	30%	30%
Shubhram Hospital Solutions Private Limited	New Delhi - India	INR	305,172	51%	51%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul - Turkey	TRY	10,342	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%	40%
IDSMED Servizi Pte. Limited	Singapore - Singapore	SGD	1,000	30%	30%

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

The following conversion rates in Euro were used for the consolidation of those companies that prepare financial statements in currencies other than the functional currency used in the consolidated financial statements of the Servizi Italia Group:

Currency	Average exchange rate as at 30 June 2019	Final exchange rate as at 30 June 2019	Average exchange rate as at 30 June 2018	Final exchange rate as at 31 December 2018
Brazilian Real (R$)	4.3417	4.3511	4.1415	4.4440
Turkish Lira (TL)	6.3562	6.5655	4.9566	6.0588
Albanese Lek (Lek)	123.88	122.63	129.992	126.59
Indian Rupee (INR)	79.124	78.524	79.4903	79.7298
Moroccan Dhiram (MAD)	10.847	10.899	11.247	10.939
Singapore Dollar (SGD)	1.5356	1.5395	-	-

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

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. Considering 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:

(thousands of Euros)	as at 27 February 2019	
	Current value	Book value
Property, plant and equipment	3,002	1,496
Intangible assets	904	217
Deferred tax assets	3	-
Inventories	37	37
Trade receivables	3,025	3,073
Benefits for employees	(338)	(338)
Deferred tax liabilities	(328)	-
Non-current financial liabilities	(1,634)	(752)
Current financial liabilities	(1,046)	(898)
Trade liabilities	(1,793)	(1,810)
Current tax payables	(85)	(189)
Other current payables	(310)	(256)
Value of assets and liabilities acquired	**1,437**	**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	**3,368**	

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 3,368 thousand.

The measurement at fair value of the investee company showed higher current values than the corresponding book values, mainly relating to the allocation of the value of a customer portfolio for Euro 902 thousand and to the effects of the application of IFRS 16 on the leases in place at the acquisition date, corresponding to assets for rights of use for Euro 1,303 thousand and financial liabilities for Euro 1,030 thousand. Overall, the adjustments resulted in an increase of Euro 857 thousand, net of the tax effect, in the book net equity at the date of acquisition.

3.4 Accounting standards and basis of preparation

The accounting standards and basis of preparation, reported in the introduction to the Notes to the financial statements, are the same as those used to prepare the consolidated financial statements as at 31 December 2018, which should be referred to for a description, with the exception of the IFRS standards, amendments and interpretations applied for the first time as at 1 January 2019 and described, together with the effects on the half-year condensed consolidated financial statements, in the introduction to these Notes.

The half-year condensed consolidated financial statements as at 30 June 2019 were drafted on the basis of the going concern assumption.

4 Risk management policy

The management of the financial risks within the Servizi Italia Group is carried 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 the Board of Directors so that it may approve all transactions involving a commitment by the Company with respect to third parties.

The principal internal and external risks to which the Group is exposed are described in the directors' report accompanying the separate financial statements as at 31 December 2018. A description of market risks and the relative hedging policies is provided below.

4.1 Type of risks hedged

Exchange rate risk

The investments in Brazil, Turkey, India, Albania, Morocco and Singapore 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 exchange rate risk assessment policy weighs the risk of currency fluctuations against the size and time distribution of the cash flows expressed in foreign currency and against the cost of possible hedging transactions. The valuations carried out, considering that no capital inflows from abroad are expected in the short term, have led to the conclusion that it is advisable not to activate currency risk hedging operations.

Credit risk

Credit risk is constantly monitored through the periodic elaboration of past due situations, which are submitted to the analysis of the Group's financial structure. The Group has also adopted procedures for recovering problem loans and avails itself of the assistance of lawyers in case of litigation.

Since customers are predominantly public companies, the risk of non-collection is deemed low. However, these customers have extended payment times which depend on loans received by Local Health Units and hospitals from the Regions. Currently, the average days sales outstanding are 120.

The trade receivables shown in the financial statements are adjusted by the expected losses according to a model that refers to a loss expected over the entire life of the trade receivables in compliance with the simplified approach provided by IFRS 9. The expected loss rates applied are substantially in line with those indicated in the consolidated financial statements as at 31 December 2018.

Liquidity risk

To correctly manage liquidity risk, an adequate level of cash and cash equivalents must be maintained. Considering the predominantly public nature of the Group's customers and the average collection times, cash and cash equivalents are obtained primarily from accounts receivable financing and, to a lesser extent, from medium-term, unsecured credit lines. The Group also uses factoring without recourse.

Interest rate risk

The Company's net financial debt comprises short-term payables which, as at 30 June 2019, represent approximately 61% of its debt, at an average annual rate of around 0.45%. In relation to the global financial crisis, the Group is monitoring the market and regularly assessing the opportunity to carry out hedging transactions to limit the negative impact of future interest rate changes on the income statement. The table below shows 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	
	30 June 2019	**31 December 2018**	**30 June 2019**	**31 December 2018**
Financial receivables	+34	+68	(34)	(68)
Financial payables	+307	+536	(307)	(536)
Factoring of receivables	+212	+447	(212)	(447)

4.2 Fair value information

Financial assets and financial liabilities are recognized at amortised cost. 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.

Most of these investments cannot be freely transferred to third parties as they are subject to rules and agreements that effectively prevent their free movement. Investments in other companies are measured at fair value when there is an active market for securities representing such investments. Gains or losses resulting from changes in fair value are recognized directly in the income statement. In the absence of an active market, which is the case for all equity investments held by the Company as at 30 June 2019, equity investments in other companies are valued at purchase or founding cost, adjusted if necessary, for impairment or capital repayments, as the best estimate of fair value.

The Group does not hold financial instruments measured at fair value and therefore no classification based on input quality is provided.

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;
- *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.

In terms of geographical areas, the Servizi Italia Group:

- operates in Italian territory, with the exception of Brazilian (Lavsim Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A. Aqualav Serviços De Higienização Ltda and SIA Lavanderia S.A held through the subsidiary SRI Empreendimentos e

Participações Ltda) and Turkish (Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi and Ergülteks Temizlik Tekstil Ltd. Sti) companies.

- mainly offers the same types of services in each geographical area in Italy and abroad.

Therefore, information is not presented by geographical area, with exception of revenue, which is broken down by region in paragraph 7.1.

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)	**Half-year ended as at 30 June 2019**			
	Wash-hire	**Steril B**	**Steril C**	**Total**
Revenues from sales and services	97,354	10,557	23,834	131,745
Other income	1,139	155	950	2,244
Raw materials and materials	(7,921)	(3,740)	(2,064)	(13,725)
Costs for services	(31,594)	(2,213)	(6,188)	(39,995)
Personnel expense	(33,645)	(2,946)	(8,946)	(45,537)
Other costs	(558)	(23)	(83)	(664)
EBITDA[(a)]	**24,775**	**1,790**	**7,503**	**34,068**
Depreciation, amortisation and impairment	(23,690)	(1,094)	(3,067)	(27,851)
Operating profit (EBIT)	**1,085**	**696**	**4,436**	**6,217**
Financial income and expense and income and expense from equity investments in other companies				(1,041)
Profit before tax				**5,176**
Taxes				(372)
Profit (loss) for the year				**4,804**
Of which portion attributable to shareholders of the parent				4,570
Of which portion attributable to non-controlling interests				234

(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)	**Half-year ended as at 30 June 2018**			
	Wash-hire	**Steril B**	**Steril C**	**Total**
Revenues from sales and services	91,522	11,422	23,532	126,476
Other income	1,541	170	943	2,654
Raw materials and materials	(7,473)	(3,989)	(1,965)	(13,427)
Costs for services	(29,564)	(2,545)	(6,178)	(38,287)
Personnel expense	(31,445)	(2,746)	(8,580)	(42,772)
Other costs	(601)	(25)	(119)	(745)
EBITDA[(a)]	**23,979**	**2,286**	**7,633**	**33,899**
Depreciation, amortisation and impairment	(20,266)	(988)	(3,769)	(25,023)
Operating profit (EBIT)	**3,713**	**1,298**	**3,864**	**8,876**
Financial income and expense and income and expense from equity investments in other companies				(268)
Profit before tax				**8,608**
Taxes				(1,156)
Profit (loss) for the year				**7,452**
Of which portion attributable to shareholders of the parent				7,060
Of which portion attributable to non-controlling interests				392

(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.*

Revenues from wash-hire services, which in absolute terms represent 73.9% of the Group's revenues, rose from Euro 91,522 thousand in the first six months of 2018 to Euro 97,354 thousand, with an increase of 6.4% 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 turnover of the wash-hire business slightly increased (0.7%) compared to the same period of the previous year.

In terms of margins, during the first half of 2019, wash-hire showed an EBITDA margin of 25.4% and an EBIT margin of 1.1%, compared to 26.2% and 4.1% respectively in the same period of the previous year.

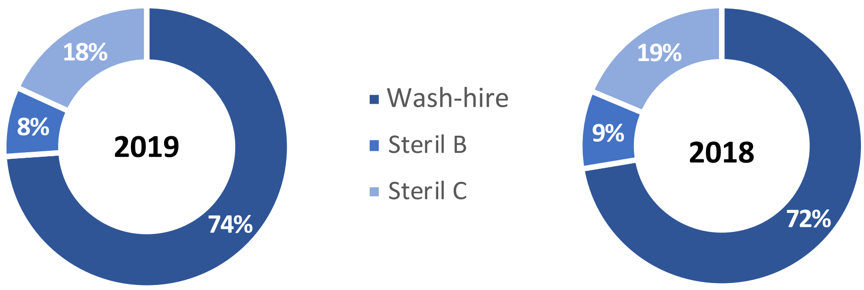
The contraction of the margin was affected by the effects of the slowdown in turnover relating to wash-hire in Italy, the increase in costs for services, in particular energy costs, and the new hotel sector, with which the Group has undertaken a process of diversification within the wash-hire sector, which is already contributing in terms of turnover, but in which a process of refinement of production efficiency and synergies with other wash-hire activities is underway in order to achieve the margins objectives set (net of the hotel sector, the EBIT margin of the wash-hire line is 2.0%).

Revenues from textile sterilization services (steril B), which in absolute terms represent 8.0% of the Group's revenues, went from Euro 11,422 thousand in the first six months of 2018 to Euro 10,557 thousand, with a decrease of 7.6% due to the sale of some contracts in Friuli and Emilia-Romagna together with the contraction of some supplies to Albania. In terms of margins, linen sterilization showed an EBITDA margin of 17.0% compared to 20.0% of the previous year, while EBIT margin passes from 11.4% to 6.6% mainly because of a drop in turnover recorded on the line as a result of the contraction in the supply of consumables and disposable products.

Revenues from surgical instruments sterilization services (steril C), which in absolute terms represent 18.1% of the Group's revenues, rose from Euro 23,532 thousand in the first six months of 2018 to Euro 23,834 thousand, with an increase of 1.3%, due to the entry into operation of some customers.

Sterilization of surgical instruments represents the segment with the highest margins both in terms of EBITDA margin (31.5%) and EBIT margin (18.6%). EBIT margin for the period ended on 30 June 2019 increased by 2.2% compared to the same period of the previous year.

The following graph shows the breakdown of revenues by business segment.



The information provided in the tables below represents assets directly attributable to investments by business segment:

(thousands of Euros)	30 June 2019			
	Wash-hire	**Steril B**	**Steril C**	**Total**
Total revenues from sales and services	**97,354**	**10,557**	**23,834**	**131,745**
Investments in property, plant and equipment and intangible assets	31,049	1,235	978	33,262
Depreciation of property, plant and equipment and amortisation of intangible assets	23,389	1,114	3,014	27,517
Net book value of property, plant and equipment and intangible assets	145,600	3,852	26,897	176,349

(thousands of Euros)	30 June 2018			
	Wash-hire	**Steril B**	**Steril C**	**Total**
Total revenues from sales and services	**91,522**	**11,422**	**23,532**	**126,476**
Investments in property, plant and equipment and intangible assets	27,348	773	2,729	30,850
Depreciation of property, plant and equipment and amortisation of intangible assets	20,000	991	3,770	25,023
Net book value of property, plant and equipment and intangible assets	102,211	3,137	25,608	130,956

5.1 Seasonality

The Group's economic and financial performance is not affected by significant cyclical or seasonal trends.

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	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	32,789	-	-	264	815	-	33,868
Balance as at 1 January 2019	**37,524**	**44,816**	**10,648**	**14,206**	**47,147**	**9,136**	**163,477**
Translation differences	3	92	30	13	141	(205)	74
Change in the consolidation scope	675	1,209	202	287	629	-	3,002
Increases	645	1,204	434	1,456	22,402	6,460	32,601
Decreases	-	(3)	-	(52)	(29)	(1,335)	(1,419)
Amortization	(1,599)	(3,899)	(1,040)	(2,449)	(17,981)	-	(26,968)
Write-downs (reinstatements)	(282)	(182)	(15)	234	(20)	-	(265)
Reclassifications	18	2,742	121	41	166	(3,088)	-
Balance as at 30 June 2019	**36,984**	**45,979**	**10,380**	**13,736**	**52,455**	**10,968**	**170,502**
Historical cost	40,921	140,826	33,373	65,840	164,543	10,968	456,471
Accumulated depreciation	(3,937)	(94,847)	(22,993)	(52,104)	(112,088)	-	(285,969)
Balance as at 30 June 2019	**36,984**	**45,979**	**10,380**	**13,736**	**52,455**	**10,968**	**170,502**

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

Increases in the first half of 2019 refer primarily to investments in linen (Euro 19,409 thousand included in the item Other assets), to ensure increasingly more efficient inventory management, both for the partial renewal of contracts and for the first supply relating to contracts acquired during the period under analysis.

The increase in the item Land and Buildings in the first half of 2019 of Euro 645 thousand is mainly concern to investments made for the seismic upgrading of the building owned in Pavia di Udine (Euro 118 thousand) and to the adjustment of the rights of use due to rents indexing (Euro 472 thousand).

The increases in the item Plant and machinery, equal to Euro 1,204 thousand, mainly concern investments made in plants in Italy (Euro 616 thousand), Brazil (Euro 335 thousand) and Turkey (Euro 66 thousand). The item also includes reclassifications mainly relating to the Turkish area for the commissioning of plant and machinery (Euro 2,433 thousand).

The item Industrial and commercial equipment recorded increases of Euro 1,456 thousand, of which Euro 456 thousand relating to the purchase of surgical instruments and Euro 1,001 thousand for the purchase of industrial equipment.

The item “Asset under construction” refers to the investments under way at the end of the first half and is composed as follows:

(thousands of Euros)	as at 30 June 2019	as at 31 December 2018
Sterilization centres investments	2,682	2,653
Laundering facilities investments	7,718	6,284
Investments on contracts	558	189
Other investments	10	10
Total	**10,968**	**9,136**

The investments in sterilization centres, equal to Euro 2,682 thousand, mainly concern the construction of a new CSSD at ASST Valle Olona for the hospital facilities of Busto Arsizio (Euro 2,370 thousand).

Concerning Laundering facilities investments, this item includes both the work carried out at the Barbariga plant for the requalification of the production area (Euro 1,427 thousand) and the supply and upgrading of machinery and plants for washing lines (Euro 6,145 thousand). Investments on contracts are mainly related to chip readers for different linen storage facilities located in Italy (Euro 424 thousand).

The following table shows the changes in the rights of use included in each category of tangible fixed assets from the date of first application of IFRS 16:

(thousands of Euros)	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Assets under construction	Total
Balance as at 1 January 2019	**32,789**	**-**	**-**	**264**	**815**	**-**	**33,868**
Translation differences	37	-	-	-	3	-	40
Change in the consolidation scope	670	471	-	-	163	-	1,304
Increases	472	2	-	-	2,486	-	2,960
Decreases	-	-	-	-	-	-	0
Amortization	(1,493)	(26)	-	(52)	(226)	-	(1,797)
Write-downs (reinstatements)	(282)	5	-	-		-	(277)
Reclassifications	-	-	-	-	-	-	0
Balance as at 30 June 2019	**32,193**	**452**	**-**	**212**	**3,241**	**-**	**36,098**
Historical cost	33,697	491	-	264	3,475	-	37,927
Accumulated depreciation	(1,504)	(39)	-	(52)	(234)	-	(1,829)
Balance as at 30 June 2019	**32,193**	**452**	**-**	**212**	**3,241**	**-**	**36,098**

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	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	6	-	14	-	20
Change in the consolidation scope	2	902	-	-	904
Increases	170	-	-	491	661
Decreases	-	-	-	-	-
Amortization	(216)	(267)	(65)	-	(548)
Write-downs (reinstatements)	-	-	-	-	-
Reclassifications	7	-	-	(7)	-
Balance as at 30 June 2019	**681**	**3,865**	**583**	**717**	**5,846**
Historical cost	5,388	8,368	648	717	15,121
Accumulated depreciation	(4,707)	(4,503)	(65)	-	(9,275)
Balance as at 30 June 2019	**681**	**3,865**	**583**	**717**	**5,846**

The item Change in the consolidation scope primarily relates to the record of Wash Service S.r.l.'s customer portfolio, following the consolidation (Euro 902 thousand).

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 2018	Increases/ (Decreases)	Translation differences	as at 30 June 2019
CGU Italy	47,364	3,368	-	50,732
CGU Turkey	11,305	-	(873)	10,433
CGU Brazil	9,257	-	198	9,454
Total	**70,784**	**3,383**	**(675)**	**70,619**

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, equal to Euro 3,368 thousand and to translation differences coming from the translation into Euro of goodwill arising from the acquisitions in Brazil and Turkey.

At the date of approval of this half-year consolidated report, there had been no events that might indicate a loss in value of the goodwill recognized and tested for impairment at the end of 2018.

6.4 Equity-accounted investments

The value of equity-accounted investments changed as follows:

(thousands of Euros)	Change as at 30 June 2019					
	1 January 2019	Increases (Decreases)	OCI changes	Share of profit/loss	Translation differences	30 June 2019
Associates and jointly-controlled companies						
Saniservice Sh.p.k.	603	-	-	44	5	652
Finanza & Progetti S.p.A.	8,877	-	(935)	439	-	8,381
Brixia S.r.l.	2,860	-	-	(60)	-	2,800
Arezzo Servizi S.c.r.l.	5	-	-	-	-	5
CO.SE.S S.c.r.l. in liquidazione	4	-	-	-	-	4
PSIS S.r.l.	3,985	-	-	131	-	4,116
Ekolav S.r.l.	153	-	-	29	-	182
Steril Piemonte S.c.r.l.	1,973	-	-	-	-	1,973
AMG S.r.l.	2,431	-	-	22	-	2,453
Iniziative Produttive Piemontesi S.r.l.	1,115	-	-	(21)	-	1,094
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	-	-	3
Servizi Sanitari Integrati Marocco S.a.r.l.	81	-	-	32	-	113
SAS Sterilizasyon Servisleri A.Ş.	899	-	-	113	(73)	939
Shubhram Hospital Solutions Private Limited	(540)	-	-	(187)	(11)	(738)
Sanitary Cleaning Sh.p.k.	1,347	-	-	22	10	1,379
Idsmed Servizi Pte. Limited	127	-	-	(71)	2	58
Total	**23,923**	**-**	**(935)**	**493**	**(67)**	**23,414**
of which recognized in provisions for risks and charges	(540)	-	-	(187)	(11)	(738)
of which recorded in equity-accounted investments	24,463		(935)	680	(56)	24,152

Share of profit/loss reflect the portion of profits and losses earned by investee companies during the period.

The negative item in OCI change (Euro 935 thousand) corresponds to the portion attributable to the Servizi Italia Group, within the scope of application of the equity method, of the change in the fair value of the hedging derivatives subscribed by the company Ospedal Grando S.p.A. (controlled by the jointly controlled company Finanza e Progetti S.p.A.).

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.

6.5 Deferred tax assets

The item changed as follows:

(thousands of Euros)	Property, plant and equipment	Employee benefits	Previous tax losses	Other costs with deferred deductibility	Total
Deferred taxes as at 31 December 2018	**889**	**70**	**1,752**	**312**	**3,023**
Changes recognised in the income statement	119	(21)	536	1	635
Changes recognised under shareholders' equity	-	-	20	-	20
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred taxes as at 30 June 2019	**1,008**	**49**	**2,308**	**313**	**3,678**

There are no deferred tax assets not recognised in the financial statements, because they were considered as non-recoverable.

6.6 Trade receivables

The item is broken down as follows:

(thousands of Euros)	as at 30 June 2019	as at 31 December 2018
Due from third parties	80,331	71,113
Due from associates	4,792	4,526
Due from parent company	325	240
Receivables from companies under the control of the parent companies	92	21
Total	**85,540**	**75,900**

Trade receivables

The item is broken down as follows:

(thousands of Euros)	as at 30 June 2019	as at 31 December 2018
Trade receivables	86,811	77,380
Bad debt provisions	(6,480)	(6,267)
Total	**80,331**	**71,113**

The increase in the item Trade receivables mainly comes from higher level of sales revenues and lower transactions for selling receivables.

The Company took part in several transactions concerning the transfer of receivables as described here below:

- trade receivables were assigned without recourse to Credem Factor, for a total of Euro 24,138 thousand, in exchange for a consideration equal to Euro 24,081 thousand;
- trade receivables were assigned without recourse to Unicredit Factoring S.p.A. for a total of Euro 18,228 thousand, in exchange for a consideration equal to Euro 18,194 thousand.

The bad debt provision changed as follows:

(thousands of Euros)	**Total**
Balance as at 31 December 2018	**6,267**
Uses	-
Adjustments	(27)
Provisions	240
Balance as at 30 June 2019	**6,480**

6.7 Other assets - current

The item is broken down as follows:

(thousands of Euros)	**as at 30 June 2019**	**as at 31 December 2018**
Due from others	10,935	7,466
Prepayments	2,085	1,157
Guarantee deposits receivables	209	205
Accrued income	49	40
Total	**13,278**	**8,868**

The item Due from others is made up of the receivables of the subsidiary company San Martino 2000 S.c.r.l. from the consortium Servizi Ospedalieri S.p.A. in the amount of Euro 1,263 thousand, the VAT receivable for Euro 7,725 thousand (Euro 4,322 as at 31 December 2018) 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 recognized at the beginning of the year. The item Guarantee deposits refers to energy utilities and rentals.

6.8 Shareholders' Equity

As at 30 June 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.

The Parent Company, throughout the period under analysis, has purchased 132,416 treasury shares, equal to 0.42% of the share capital, with an average book value of Euro 3.77 per share, for a countervalue of Euro 499 thousand. Following these transactions, the Company held 512,292 treasury shares, equal to 1.61% of the share capital as at 30 June 2019. The value of the treasury shares held at 30 June 2019 of Euro 1,909 thousand was classified as a reduction in shareholders' equity. The legal reserve and retained earnings/(losses) increased due to the allocation of the profit from 2018, after the payment of dividends for Euro 5,008 thousand. In addition, note should be taken of the negative impact, for Euro 323 thousand, on the translation reserves of the equity of the companies that prepare their financial statements in foreign currency and mainly as a result of the devaluation of the Brazilian Real and the Turkish Lira.

6.9 Due to banks and other lenders

The item is broken down as follows:

(thousands of Euros)	**as at 30 June 2019**			**as at 31 December 2018**		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Bank borrowing	70,193	44,690	**114,883**	60,927	35,223	**96,150**
Payables due to other lenders	4,507	32,486	**36,993**	257	821	**1,078**
of which Financial Liabilities for lease	*3,603*	*32,035*	***35,638***	-	-	-
Total	**74,700**	**77,176**	**151,876**	**61,184**	**36,044**	**97,228**

Bank borrowing

The portion of the payable falling due within 12 months relating to the item Liabilities to banks as at 30 June 2019 showed an increase compared with 31 December 2018 of Euro 9,266 thousand, due to greater use of self-liquidating lines.

The portion of the payable falling due beyond 12 months relating to the item Liabilities to banks as at 30 June 2019 showed an increase compared to 31 December 2018 of Euro 9,467 thousand due to the repayment of the portions of loans due during the year, the reclassification of the short-term instalments of loans due within the next 12 months and the signing of two new unsecured loans with Banca Monte dei Paschi di Siena S.p.A. of Euro 15,000 thousand (residual debt over 12 months of Euro 10,312 thousand) and with BPER Banca S.p.A. of Euro 10,000 thousand (residual debt over 12 months of Euro 8,363 thousand), aimed at maintaining a correct balance between short and medium term debt. The loan signed with Banca Monte dei Paschi di Siena S.p.A. provides for the maintenance of a Net Financial Position lower than 2 times the value of the Shareholders' Equity and lower than 3 times the Ebitda (covenant), while the loan signed with BPER Banca S.p.A. provides for the maintenance of a Net Financial Position lower than 1.5 times the value of the Shareholders' Equity and lower than 2.75 times the Ebitda (covenant), conditions complied as at 30 June 2019, as well as the other covenants that provide for measurements on a half-yearly basis are complied.

Amounts due to banks are shown below by maturity:

(thousands of Euros)	as at 30 June 2019	as at 31 December 2018
Less than or equal to 6 months	51,964	43,300
6 to 12 months	18,229	17,627
1 to 5 years	44,644	35,223
More than 5 years	46	-
Total	**114,883**	**96,150**

Non-current amounts due to banks are broken down by maturity here below:

(thousands of Euros)	as at 30 June 2019	as at 31 December 2018
1 to 2 years	18,516	16,006
2 to 5 years	26,128	19,217
More than 5 years	46	-
Total	**44,690**	**35,223**

Payables due to other lenders

Payables due to other lenders as at 30 June 2019, for the current portion, mainly relate to the payable to Unicredit Factoring S.p.A. for Euro 553 thousand and to the payable contracted by the Turkish companies for Euro 335 thousand, in addition to the effects related to the adoption of the new IFRS 16 for Euro 3,603 thousand.

The non-current portion of the balance as at 30 June 2019 is attributable to the debt contracted by the Turkish subsidiary Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi in addition to the effects related to the adoption of the new IFRS 16 for Euro 32,035 thousand.

Payables to other lenders are broken down by maturity here below:

(thousands of Euros)	as at 30 June 2019	as at 31 December 2018
Less than or equal to 6 months	1,984	103
6 to 12 months	2,523	154
1 to 5 years	11,974	821
Over 5 years	20,512	-
Total	**36,993**	**1,078**

Non-current amounts due to other lenders are broken down by maturity here below:

(thousands of Euros)	as at 30 June 2019	as at 31 December 2018
1 to 2 years	3,666	315
2 to 5 years	8,308	506
Over 5 years	20,512	-
Total	**32,486**	**821**

6.10 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, equipment and intangible assets	Goodwill	Other	Total
Deferred tax liabilities as at 31 December 2018	**8**	**489**	**1,494**	**23**	**2,014**
Changes recognised in the income statement	-	(18)	59	(1)	40
Changes recognised under shareholders' equity	-	(11)			(11)
Changes recognised in the consolidation scope	-	328	-	-	328
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred taxes as at 30 June 2019	**8**	**788**	**1,553**	**22**	**2,371**

The increase recorded in the item Changes recognised in the consolidation scope is mainly due to the deferred taxes set aside on the valuation of Wash Service S.r.l.'s customer portfolio. There are no unrecognised deferred taxes as the related payment is considered unlikely.

6.11 Employee benefits

The item changed as follows:

(thousands of Euros)	Total
Balance as at 1 January 2019	**10,179**
Change in the consolidation scope	338
Provision	591
Financial expenses	48
Actuarial (gains)/losses	-
Transfers (to)/from other provisions	-
(Uses)	(220)
Balance as at 30 June 2019	**10,936**

The item "Change in the consolidation scope", equal to Euro 338 thousand, refers to the value of the employee severance indemnity fund of Wash Service S.r.l.

6.12 Provisions for risks and charges

The item changed as follows:

(thousands of Euros)	as at 30 June 2019	as at 31 December 2018
Opening balance	**2,651**	**2,447**
Provisions	187	576
Uses/resolutions	(6)	(125)
Translation differences	55	(247)
Closing balance	**2,887**	**2,651**

This includes the provision for the coverage of losses on equity investments for Euro 738 thousand, which refers to the equity investment in Shubhram Hospital Solutions Private Limited, and corresponds to the portion of the losses exceeding the value of the equity investment that will be covered in consideration of the commitments assumed with the local partner for the development of business in the Indian market.

6.13 Trade payables

The item changed as follows:

(thousands of Euros)	as at 30 June 2019	as at 31 December 2018
Due to suppliers	71,830	65,373
Due to associates	3,312	2,945
Due to parent company	5,596	5,355
Due to companies under the control of the parent companies	1,316	467
Total	**82,054**	**74,140**

6.14 Other financial liabilities

The item changed as follows:

(thousands of Euros)	30 June 2019	31 December 2018
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.	1,500	1,500
Deferred price Aqualav Serviços De Higienização L.t.d.a.	198	258
Put option payables for Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	2,884	2,685
Put option payables of Steritek S.p.A.	1,808	1,800
Payables to Finanza e Progetti S.p.A.	2,460	2,460
Payables to Wash Service S.r.l. shareholders	1,989	-
Put option payables of Wash Service S.r.l.	866	-
Other payables	95	95
Total	**12,525**	**10,023**
of which non-current	6,956	6,421
of which current	5,569	3,602

The change in this item relates in particular to the payable to the minority shareholders of Wash Service S.r.l. for the price instalments of 90% of shares acquired in 2019 for Euro 1,989 thousand, to be paid over a three-year period, and for the arising of the payable in relation to the put/call option on the remaining 10% of the company's share capital for Euro 866 thousand, to be exercised in 2024.

6.15 Other liabilities - current

The table below provides a breakdown of other current liabilities:

(thousands of Euros)	as at 30 June 2019	as at 31 December 2018
Accrued liabilities	221	122
Deferred income	162	240
Social security contributions	4,970	5,865
Due to employees	12,448	9,902
Employee/professional IRPEF (personal income tax) payable	1,692	2,398
Payables to Bringel Group	-	968
Other payables	875	773
Total	**20,368**	**20,268**

Payables due to employees

The item Due to employees passes from Euro 9,902 thousand as at 31 December 2018 to Euro 12,448 thousand as at 30 June 2019 mainly because of a change in the consolidation scope and a workforce increase.

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 12 months.

6.16 Net financial debt

The Group's net financial debt as at 30 June 2019 and as at 31 December 2018 is shown below:

(thousands of Euros)	30 June 2019	1 January 2019	31 December 2018
Cash and cash equivalent in hand	47	54	54
Cash at bank	11,733	6,949	6,949
Cash and cash equivalents	**11,780**	**7,003**	**7,003**
Current financial receivables	9,674	8,030	8,030
Current liabilities to banks and other lenders	(74,700)	(63,914)	(61,184)
of which financial liabilities for IFRS 16	*(3,603)*	*(2,730)*	
Current net financial debt	**(65,026)**	**(55,884)**	**(53,154)**
Non-current liabilities to banks and other lenders	(77,176)	(67,026)	(36,044)
of which financial liabilities for IFRS 16	*(32,035)*	*(30,982)*	
Non-current net financial debt	**(77,176)**	**(67,026)**	**(36,044)**
Net financial debt	**(130,422)**	**(115,907)**	**(82,195)**

Please refer to the statement of cash flows for the description of the cash flow generated by operating, financing and investment activities and related effects on cash and cash equivalents.

It should be noted that the effects of the adoption of the new IFRS 16 have led to an increase in net financial debt of Euro 35,638 thousand compared to the figures at 31 December 2018.

The change in net financial debt as at 30 June 2019 compared to 31 December 2018 includes, among other things, the payment of dividends for Euro 5,008 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 payables" and the value of "Other non-current financial liabilities" in "Other non-current payables".

(thousands of Euros)	as at 30 June 2019	as at 1 January 2019	as at 31 December 2018
A. Cash	47	54	54
B. Other cash equivalents	11,733	6,949	6,949
C. Securities held for trading	-	-	-
D. Cash and cash equivalents (A)+(B)+(C)	**11,780**	**7,003**	**7,003**
E. Current financial receivables	9,674	8,030	8,030
F. Current bank borrowings	(36,990)	(30,750)	(30,750)
G. Current portion on non-current borrowings	(37,710)	(34,098)	(30,434)
of which Financial Liabilities due to IFRS 16	*(3,603)*	*(3,664)*	-
H. Other current financial payables	(5,569)	(3,602)	(3,602)
I. Current financial debt (F)+(G)+(H)	**(80,269)**	**(68,450)**	**(64,786)**
J. Current net financial debt (I)–(E)–(D)	**(58,815)**	**(53,417)**	**(49,753)**
K. Non-current bank borrowings	(77,176)	(66,249)	(36,044)
of which Financial Liabilities due to IFRS 16	*(32,035)*	*(30,205)*	-

L. Bonds issued	-	-	-
M Other non-current payables	(6,956)	(6,421)	(6,421)
N. Non-current financial debt (K)+(L)+(M)	**(84,132)**	**(72,670)**	**(42,465)**
O. Net financial debt (J)+(N)	**(142,947)**	**(126,087)**	**(92,218)**

6.17 Financial guarantee contracts

The table below lists the guarantees given by the company, existing as at 30 June 2019 and 31 December 2018:

(thousands of Euros)	as at 30 June 2019	as at 31 December 2018
Guarantees issued by banks and insurance companies for tenders	70,649	62,007
Guarantees issued by banks and insurance companies for lease agreements and utilities	647	637
Guarantees issued by banks and insurance companies in favour of third parties	45,375	47,629
Owned assets held by third parties	71	79
Third party assets held at our facilities	1	11
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	89	89
Total	**119,125**	**112,745**

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., Gesteam S.r.l., Saniservice Sh.p.k. and Shubhram Hospital Solutions Private Limited to back loan agreements.

Mortgage loans on owned property: The Group has not granted liens on owned property and has no mortgage loans.

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)	Half-year ended as at 30 June	
	2019	**2018**
Wash-hire	97,354	91,522
Steril B	10,557	11,422
Steril C	23,834	23,532
Revenues from sales	**131,745**	**126,476**

The item is broken down as follows by geographical area:

(thousands of Euros)	Half-year ended as at 30 June	
	2019	**2018**
Italy	112,337	107,934
Brazil	15,681	14,663
Turkey	3,727	3,879
Revenues from sales	**131,745**	**126,476**

7.2 Raw materials and consumables

As at 30 June 2019, consumption of raw materials was equal to Euro 13,725 thousand, up by Euro 298 thousand with respect to the same period of the previous year, but down by 0.2% in terms of incidence on turnover. The consumption was mainly due to washing products, chemical products, packaging, consumables, spare parts, related also to higher volumes produced by entering the hotel sector, as well as disposable materials and PPE for new customers.

7.3 Costs for services

The item is broken down as follows:

(thousands of Euros)	Half-year ended as at 30 June	
	2019	**2018**
External laundering and other industrial services	12,460	11,372
Travels and transports	7,461	6,466
Utilities	6,680	5,610
Administrative costs	1,232	1,341
Consortium and sales costs	3,900	3,902
Personnel expenses	1,682	1,443
Maintenance	3,857	3,727
Use of third-party assets	1,673	3,641
Other services	1,050	785
Total	**39,995**	**38,287**

The item Cost of services increased (Euro 1,708 thousand compared to the same period of the previous year) and was almost stable as percentage on revenues (0.1%). On a like-for-like basis in terms of consolidation area and exchange rates, and net of the effect of IFRS 16, the incidence was 1.0%, showing some differences between the various items that make up the Group.

Travel and transport costs showed an increase of Euro 995 thousand compared to 30 June 2018. This increase is mainly related to the entry into the new hotel sector and relevant logistics in the Trentino Alto Adige area.

The costs related to utilities showed an increase of Euro 1,070 thousand compared to 30 June 2018. The item is affected by the increase in energy tariffs and gas and electricity consumption.

The item costs for services also includes one-off costs (Euro 194 thousand) relating to the restoration of systems and recovery of data following the IT accident occurred in the first months of 2019.

It should be noted that the costs for use of third-party assets recorded at 30 June 2019, and therefore not included in the application of IFRS 16, mainly concern rentals of anti-decubitus mattresses, royalties and software licenses, electronic machines and rentals of other assets with a duration of less than 12 months.

7.4 Personnel expense

The item is broken down as follows:

(thousands of Euros)	Half-year ended as at 30 June	
	2019	**2018**
Costs for Directors' fees	999	573
Salaries and wages	31,374	29,903
Temporary work	1,059	1,141
Social security charges	10,149	9,335
Employee severance indemnity	1,792	1,700
Other costs	164	120
Total	**45,537**	**42,772**

The consolidation of Wash Service S.r.l. for Euro 719 thousand, the increase in personnel related to the new hotel sector for Euro 1,475 thousand and new structural personnel in the Italian area had an impact on the period. In the Brazilian area, on the other hand, there was a reduction of Euro 275 thousand in personnel costs, due in part to the effects of the depreciation of the average Real/Euro exchange rate compared to the same period of the previous year.

The following table shows the average breakdown of personnel:

	Personnel as at 30 June 2019	
	2019	**2018**
Executives	18	16
Middle managers	42	34
White-collar staff	276	253
Blue-collar staff	3,325	3,232
Total	**3,661**	**3,535**

7.5 Depreciation, amortization, write-downs, impairment and provisions

The item is broken down as follows:

(thousands of Euros)	Half-year ended as at 30 June	
	2019	**2018**
Amortisation of intangible assets	548	549
Depreciation of property, plant and equipment	26,968	24,212
Impairment and provisions	335	262
Total	**27,851**	**25,023**

The increase in the depreciation of property, plant and equipment is mainly due to the effects of the implementation of the new IFRS 16, which has resulted in depreciation of "Rights of use" of leased assets for Euro 1,797 thousand.

The six-month period ended on 30 June 2019 was also affected by the amortization associated with the purchase of linen for the new hotel sector.

7.6 Financial income and expense

Financial income is broken down as follows:

(thousands of Euros)	**Half-year ended as at 30 June**	
	2019	**2018**
Bank interest income	198	192
Default interest	315	351
Interest income on loans to third-party companies	338	339
Other financial income	107	142
Exchange rate gains	-	-
Total	**958**	**1.024**

Financial expenses are composed as follows:

(thousands of Euros)	**Half-year ended as at 30 June**	
	2019	**2018**
Interest expense and bank commission	(1,254)	(866)
Interest and expense to other lenders	(137)	(128)
Financial expense on employee benefits	(49)	(41)
Net exchange rate losses	(61)	(273)
Other financial expenses	(1,202)	(297)
Total	**(2,703)**	**(1,605)**

The difference in the item Other financial income is connected to financial discounts on some payments to suppliers linked to the Brazilian company SIA Lavanderia S.A.

The increase in the item Interest expense and bank commissions is substantially linked to the significant increase in interest rates on the Turkish financial market. The item Other financial charges has been affected by the effect of application of the new accounting standard IFRS 16 for Euro 994 thousand.

7.7 Income taxes

The item is composed as follows:

(thousands of Euros)	**Half-year ended as at 30 June**	
	2019	**2018**
Current taxes	967	1.413
Deferred tax (assets)/liabilities	(595)	(257)
Total	**372**	**1,156**

7.8 Earnings per share

Basic and diluted earnings per share are calculated in the tables below:

(thousands of Euros)	**Half-year ended as at 30 June**	
	2019	**2018**
Profit/loss attributable to shareholders of the parent company	4,570	7,060
Average number of shares	31,330	31,783
Basic earnings per share	**0.15**	**0.22**

(thousands of Euros)	Half-year ended as at 30 June	
	2019	**2018**
Profit/loss for the year attributable to the Group:	4,570	7,060
Average number of shares outstanding	31,330	31,783
Number of shares with dilutive effect	-	-
Average number of shares used to calculate diluted EPS	31,330	31,783
Diluted earnings per share	**0.15**	**0.22**

8 Transactions with group companies and related parties

The transactions of Servizi Italia S.p.A. with 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 nothing but the accumulation of homogeneous transactions, carried out from the beginning of the financial year of reference, which cannot be qualified individually as being of greater importance, not even the set of transactions activated in the period of reference. The value shown on the balance sheet in the reference period is generated by the renewal of existing contracts or contracts activated in the same period.

During the six-month period ended on 30 June 2019, no new agreements with related parties, having significant impact on the financial reporting of Gruppo Servizi Italia, have been signed.

The following table shows the transactions with related parties of the Servizi Italia Group as at 30 June 2019:

(thousands of Euros)	30 June 2019							
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)	57	11	5,479	-	-	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-	-
Arezzo Servizi S.c.r.l. (jointly controlled)	-	3	535	-	-	-	1	-
Consorzio Co.Se.S. (associate)	-	-	1	-	-	-	-	-
Psis S.r.l. (jointly controlled)	112	67	-	-	9	-	22	-
Amg S.r.l. (jointly controlled)	-	3	395	-	17	-	-	-
Ekolav S.r.l. (jointly controlled)	30	3	1,021	-	5	-	3	-
Steril Piemonte S.c.r.l. (jointly controlled)	172	-	717	-	-	-	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	46	156	-	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	11	-	67	-	-	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (jointly controlled)	-	-	-	-	-	-	-	-
Shubhram Hospital Solutions Pvt Ltd (jointly controlled)	-	-	-	-	-	-	-	-
Sanitary cleaning Sh.p.k. (jointly controlled)	-	-	-	-	-	-	-	-
Saniservice Sh.p.k. (jointly controlled)	446	8	-	-	-	-	238	-
Servizi Sanitari Integrati Marocco S.a.r.l. (jointly controlled)	-	-	-	-	-	-	-	-
Finanza & Progetti S.p.A. (jointly controlled)	-	-	-	-	-	-	-	-
Brixia S.r.l. (associate)	1,908	-	19	-	-	1	-	-

IdsMed Serviziplus PTE LTD. (jointly controlled)	-	66	-	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	-	1	-	-	-	-	-
Focus S.p.A. (affiliated)	-	-	1,401	-	-	10	-	-
Archimede S.p.A. (affiliated)	-	-	6	359	-	-	-	-
Gesta S.p.A. (affiliated)	-	4	27	-	-	-	-	-
New Fleur S.r.l. (affiliated)	11	-	558	-	-	-	-	-
Ad Personam S.r.l. (affiliated)	-	-	14	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	-	-	-	-	-	-
Everest S.r.l. (related party)	-	-	145	-	-	-	-	-
Ospedal Grando S.p.A. (related party)	4,404	-	5	-	-	-	-	-
Akan & Ankateks JV (associate)	602	-	-	58	-	-	-	-
Akan (related party)	130	-	1	3	-	-	-	-
Nimetsu & Ankateks JV (associate)	-	-	-	-	-	-	-	-
Atala (related party)	12	-	-	-	-	-	-	-
Ankor (related party)	-	-	-	-	-	-	-	-
Ozdortler (related party)	-	-	-	-	-	-	-	-
Oguzalp Ergul (related party)	-	-	-	-	-	-	32	-
Feleknaz Demir (related party)	-	-	-	-	-	-	-	-
Volkan Akan (related party)	-	-	-	-	-	-	-	-
Fevzi Cenk Kiliç (related party)	-	-	-	-	-	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	-	92	-	-	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	-	21	-	-	-	-	-
Total	**7,895**	**211**	**10,661**	**420**	**31**	**11**	**296**	**-**

In addition to the above, in the economic relations with related parties, the item Personnel costs as at 30 June 2019 includes remuneration for directors of Euro 965 thousand (of which Euro 82 thousand for social security charges) and costs relating to managerial staff of Euro 1,310 thousand.

The following table shows the statements of financial positions with the companies of the Servizi Italia Group at 30 June 2019:

(thousands of Euros)	30 June 2019				
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)	325	5,595	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-
Arezzo Servizi S.c.r.l. (jointly controlled)	4	506	401	-	-
Consorzio Co.Se.S. (associate)	1	1	-	-	-
Psis S.r.l. (jointly controlled)	406	14	3,867	-	-
Amg S.r.l. (jointly controlled)	5	847	-	-	-
Ekolav S.r.l. (jointly controlled)	116	789	603	-	-
Steril Piemonte S.c.r.l. (jointly controlled)	204	847	150	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	56	192	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	28	67	91	-	-
SAS Sterilizasyon Servisleri A.Ş. (jointly controlled)	74	-	-	-	-
Shubhram Hospital Solutions Pvt Ltd (jointly controlled)	-	-	-	-	-
Sanitary cleaning Sh.p.k. (jointly controlled)	-	-	-	-	-
Saniservice Sh.p.k. (jointly controlled)	2,043	-	4,842	-	-
Servizi Sanitari Integrati Marocco S.a.r.l. (jointly controlled)	5	-	-	-	-
Finanza & Progetti S.p.A. (jointly controlled)	178	-	-	-	2,460
Brixia S.r.l. (associate)	1,195	45	-	-	-
IdsMed Serviziplus PTE LTD. (jointly controlled)	65	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	3	-	-	-
Focus S.p.A. (affiliated)	-	1,144	-	-	-
Archimede S.p.A. (affiliated)	-	109	-	-	-
Gesta S.p.A. (affiliated)	4	32	-	-	-
New Fleur S.r.l. (affiliated)	197	658	-	-	-
Ad Personam S.r.l. (affiliated)	-	20	-	-	-

Padana Emmedue S.r.l. (related party)	-	-	-	-	-
Everest S.r.l. (related party)	-	202	-	-	-
Ospedal Grando S.p.A. (related party)	4,365	7	-	-	-
Akan & Ankateks JV (associate)	701	-	-	-	-
Akan (related party)	88	-	-	-	-
Nimetsu & Ankateks JV (associate)	-	-	-	-	-
Atala (related party)	-	-	-	-	-
Ankor (related party)	-	-	-	-	-
Ozdortler (related party)	-	-	222	-	-
Oguzalp Ergul (related party)	-	-	-	-	-
Feleknaz Demir (related party)	-	-	-	-	-
Volkan Akan (related party)	-	-	-	-	-
Fevzi Cenk Kiliç (related party)	-	-	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	9	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	3	-	-	-
Total	**10,060**	**11,090**	**10,176**	**-**	**2,460**

9 Company officers' fees

Economic transactions with Company officers as at 30 June 2019 are summarised below:

- Board of Directors: Euro 965 thousand (recognised as personnel expenses);
- Board of Statutory Auditors: Euro 33 thousand (recognised as costs for services).

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

No income from non-recurring transactions has been recorded during the half.

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

The Chairman of the Board of Directors

(Roberto Olivi)

Certification of the condensed half-year financial statements pursuant to Art. 81-ter of Consob regulation No. 11971 of 14 May 1999 as amended

Castellina di Soragna, 8 August 2019

1. 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:

    - the adequacy in relation to the characteristics of the business and
    - the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during period 1 January 2019 – 30 June 2019.

2. It is also hereby stated that:

    2.1 the half-year condensed consolidated financial report:

    a) has 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.

    2.2 The Directors' report includes a reliable analysis of the references to important events that occurred in the first six months of the year and their impact on the condensed half-yearly financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The report also includes a reliable analysis of information on significant transactions with related parties.

The CEO

Enea Righi

The Financial Reporting Manager

Ilaria Eugeniani

Deloitte.

Deloitte & Touche S.p.A.
Via Paradigna 38/A
43122 Parma
Italia

Tel: +39 0521 976011
Fax: +39 0521 976012
www.deloitte.it

REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Servizi Italia S.p.A. and subsidiaries (the "Servizi Italia Group"), which comprise the statement of financial position as of June 30, 2019 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of Servizi Italia Group as at June 30, 2019 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Parma, Italy
August 9, 2019

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