



Interim Management Report

30 September 2019



**Servizi
Italia**

SERVIZI ITALIA S.P.A.
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 No.: 08531760158
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1 COMPANY OFFICERS AND CORPORATE INFORMATION

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

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

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

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

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

Supervisory Body (in office until 2 February 2019)

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

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

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

Registered office and company information

Servizi Italia S.p.A. Via S. Pietro, 59/b - 43019 Castellina di Soragna (PR) - Italy

Tel. +390524598511, Fax +390524598232, website: www.si-servizitalia.com;

Share Capital: Euro 31,809,451 fully paid-up

Tax Code and Parma Register of Companies no.: 08531760158; Certified Email: si-servizitalia@postacert.cedacri.it

Founded: 1986

Stock market listing: Borsa Italiana S.p.A MTA, electronic stock market, STAR segment

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

LEI Code: 815600C8F6D5ACBA9F86

Investor Relations

Giovanni Manti (IR) - Innocenti Luigi

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2 GROUP STRUCTURE

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

As at 30 September 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%
San Martino 2000 S.c.r.l.	Genoa - Italy	EUR 10,000	60%
Lavsim Higienização Têxtil S.A.	São Roque, State of São Paulo - Brazil	BRL 9,280,000	100% ^(*)
Maxlav Lavanderia Especializada S.A.	Jaguariúna, State of São Paulo - Brazil	BRL 2,825,060	65.1% ^(*)
Vida Lavanderias Especializada S.A.	Santana de Parnaíba, State of São Paulo - Brazil	BRL 3,600,000	65.1% ^(*)
Aqualav Serviços De Higienização Ltda	Vila Idalina, Poá, State of São Paulo - Brazil	BRL 15,400,000	100% ^(*)
SIA Lavanderia S.A. in liquidazione	Manaus, Stato di Amazonas - Brazil	BRL 9,766,227	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.	Castellina di Soragna (Parma) - Italy	EUR 10,000	90%
Ekolav S.r.l.	Lastra a Signa (FI) - Italy	EUR 100,000	100%

(*) Held through SRI Empreendimentos e Participações Ltda

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

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.	Padova - Italy	EUR 10,000,000	50%
Steril Piemonte S.c.r.l.	Torino - Italy	EUR 4,000,000	50%
AMG S.r.l.	Busca (CN) - Italy	EUR 100,000	50%
Iniziativa Produttive Piemontesi S.r.l.	Torino - Italy	EUR 2,500,000	37.63%
Piemonte Servizi Sanitari S.c.r.l.	Torino - Italy	EUR 10,000	30% ^(*)
CO.SE.S S.c.r.l. in liquidazione	Perugia - Italy	EUR 10,000	25%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul - Turkey	TRY 10,342,000	51%
Shubhram Hospital Solutions Private Ltd.	Nuova Delhi - India	INR 305,171,720	51%
Finanza & Progetti S.p.A.	Vicenza - Italy	EUR 550,000	50%
Brixia S.r.l.	Milano - Italy	EUR 10,000	23%
Saniservice Sh.p.k.	Tirana - Albania	LEK 2,745,600	30%
Sanitary cleaning Sh.p.k.	Tirana - Albania	LEK 2,798,800	40%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MA D 122,000	51%
Idsmed Servizi Pte. Limited	Singapore - Singapore	SGD 1,000,000	30%
StirApp S.r.l.	Modena - Italy	EUR 208,124	25%

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

3 INTERIM REPORT

This interim report as at 30 September 2019 includes the condensed consolidated financial statements as at 30 September 2019 drafted in compliance with IAS 34 on interim financial reporting, as approved by Regulation (EC) No. 1606/2002. Moreover, in order to allow a better evaluation of the economic and financial performance, the following summary tables show some "Alternative performance indicators", not provided by the IFRS International Accounting Standards. The footnotes of said tables indicate the calculation method used and the composition of these ratios, in line with the guidelines of the European Securities and Market Authority (ESMA).

Changes to the adopted accounting 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, 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 September 2019 with the results as at 30 September 2018 (in thousands of Euros):

(thousands of Euros)	30 september 2019	30 september 2018	Change	Change %	30 september 2019 ^(*)
Revenues	196,407	186,583	9,824	5.3%	196,407
Ebitda (a)	52,206	50,236	1,970		48,267
Ebitda %	26.6%	26.9%		(0.3%)	24.6%
Operating Profit (Ebit)	9,835	13,062	(3,227)		8,885
Operating Profit (Ebit)%	5.0%	7.0%		(2.0%)	4.5%
Net profit	7,684	10,307	(2,623)		8,156
Net profit %	3.9%	5.5%		(1.6%)	4.2%

(a) The company management has defined EBITDA as the difference between the value of sales and services and operating costs before depreciation, amortization, impairment and provisions.

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

Following the IFRS 16 adoption, the semester recorded lower rents (Euro 3,939 thousand), higher amortization and depreciation (Euro 2,989 thousand), higher interest expenses (Euro 1,615 thousand) and lower taxes (Euro 193 thousand) compared to an income statement drawn up with same accounting principles used for the interim report as at 30 September 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 September 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 September 2019	1 January 2019	Change	Change %	31 December 2018
Net operating working capital (a)	16,091	7,957	8,134	102.4%	7,957
Other current assets/liabilities (b)	(15,647)	(13,102)	(2,545)	19.5%	(13,102)
Net working capital	444	(5,145)	5,589	-108.6%	(5,145)
Non-current assets – Medium/Long term provisions	271,677	259,447	12,231	4.7%	225,578
<i>of which right of use for IFRS 16</i>	36,393	33,869	2,524	6.6%	-
Net Invested capital	272,121	254,302	17,819	7.0%	220,433
Shareholders' equity (B)	137,828	138,238	(409)	-0.3%	138,238
Net financial debt (d) (A)	134,293	116,064	18,229	15.7%	82,195
<i>of which financial liabilities for IFRS 16</i>	35,851	33,869	1,982	5.2%	-
Invested capital (c)	272,121	254,302	17,820	7.0%	220,433
Gearing [A/(A+B)]	49.4%	45.6%			37.3%
Debt/Equity (A/B)	97.4%	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.

Company information and business performance

As regards the business performance, during the first nine months of 2019, the Servizi Italia Group recorded an increase of 5.3% in consolidated turnover (+5.9% at constant exchange rates) compared to the financial statements as at 30 September 2018, with revenues from sales and services totaling Euro 196,407 thousand.

With regard to the sector performance of revenues from sales and services as at 30 September, the following should be noted:

- Revenues from wash-hire services (which in absolute terms represent 74.3% of the Group's revenues) rose from Euro 136,125 thousand in the first nine months of 2018 to Euro 146,012 thousand, registering an increase of 7.3% mainly coming from the positive growth in foreign turnover (+10.5% in Brazil and +10.3% in Turkey), as well as from the acquisitions of Wash Service S.r.l., Ekolav S.r.l. and the business unit relating to Lavanderia Bolognini M&S S.r.l. With reference to the increase in revenues generated abroad, it should be noted in particular that this development has been sustained by an excellent organic growth in local currency (+12.2% in Brazil and +26.9% in Turkey), partly however impacted by a negative exchange rate translation effect both with reference to the Brazilian Real (negative exchange rate effect of 1.7% on revenues in the Brazil area) and with reference to the Turkish Lira (negative exchange rate effect of 16.6% on revenues in the Turkey area).
- Revenues from linen sterilization services (steril B) (which in absolute terms represent 7.7% of the Group's revenues) decreased from Euro 16,044 thousand in the first nine months of 2018 to Euro

15,033 thousand, with a decrease of 6.3% due to the termination of some contracts in Friuli Venezia Giulia and Emilia Romagna areas together with the contraction of some supplies to foreign countries.

- Revenues from surgical instruments sterilization services (steril C) (equal to 18.0% of Group revenues) rose from Euro 34,414 thousand in the first nine months of 2018 to Euro 35,363 thousand, up by 2.8%. This growth is also influenced by the new sector of turnkey supplies, global services and project financing for healthcare/O.T. construction and design.

Consolidated **EBITDA** increased from Euro 50,236 thousand in the first nine months of 2018 to Euro 52,206 thousand, with a margin on revenues of 26.6% (considering the accounting effect of the application of the new IFRS16), down compared to 26.9% of the same period last year. It should be noted that, during the period, there have been higher than expected start-up costs related to wash-hire activities in hotel sector (where a diversification process was started from 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 recent acquisitions and foreign activities and Group's growth strategies. There was also a decrease in the incidence of raw material costs, offset by an increase in the incidence of service costs due in particular to the growth in energy costs.

The operating result (**EBIT**) passed from Euro 13,062 thousand in the first nine months of 2018 (7.0% compared to the turnover of the period) to Euro 9,835 thousand in the same period of 2019 (5.0%, or 5.7% at constant exchange rates and on a like-for-like basis), due to the dynamics already described in the comment on EBITDA change. The incidence of amortization and depreciation on sales, excluding the higher amortization and depreciation resulting from the application of IFRS 16, is substantially in line with the first nine months of the previous period. There was an increase in absolute terms in tangible depreciation connected to the acquisition of Wash Service S.r.l., Ekolav S.r.l. and the business unit of Lavanderia Bolognini M&S S.r.l.

Financial income from operations was quite stable. Excluding the higher interest expenses resulting from the application of IFRS 16, financial expenses increased compared to the same period of the previous year mainly due to an increase in interest rates on the Turkish financial market and to the effect of the adjustment of the debt for the put option held by the minority shareholders of the companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.

Taxes for the period amounted to Euro 712 thousand, with an incidence on the pre-tax result of 8.5%, down compared to 12.1% in 2018 period of comparison, mainly due to the cumulative effect of the tax benefits deriving, in the Italian area, from the deduction of the so-called "super and hyper-amortization" from company income, as provided by the 2017 Budget Law (Law 232/2016).

The consolidated interim financial statements as at 30 September 2019 therefore close with a **net profit** of Euro 7,684 thousand compared to Euro 10,307 thousand in the same period of the year.

Net financial debt as at 30 September 2019 amounted to Euro 134,293 thousand (Euro 98,442 thousand net of the IFRS 16 effect), compared to Euro 116,064 thousand as at 31 December 2018 (Euro 82,195 thousand net of the IFRS 16 effect). In October 2019, the Parent Company got Euro 3.864 thousand as VAT refunds, which are still pending.

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 Esterilização 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.

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.

The main characteristics of the awarded contracts in Italy, 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
Arca S.p.A. - ASST Crema*	Wash-hire services	5	576
APSP Levico Curae**	Wash-hire services for flat linen	2	91
Arca S.p.A. - ASST Spedali Civili di Brescia*	Wash-hire services	5	1,582
Arca S.p.A. - ASST Cremona*	Wash-hire services	5	946
Arca S.p.A. - ASST Franciacorta*	Wash-hire services	5	571
Antica Scuola dei Battuti*	Wash-hire services, internal logistics and wardrobe service	2	307
Arca S.p.A. - ASST dei Sette Laghi*	Surgical instruments sterilization and rental services for Ospedale di Varese as well as rental and maintenance of surgical instruments for Varese, Filippo del Ponte di Varese and Tradate hospitals	9	2,459

ETRA S.p.A.**	Washing, ygienization and maintenance of workwear and high visibility personal protective equipment	2	120
Metropolitana Milanese S.p.A.**	Rental, picking, conditioning and delivery of personal protective equipment	4	279

* re-awarded

**new customer

In addition to what listed above, it should be noticed that the tender for wash-hire service for Regione Lazio Healthcare Companies has not been reconfirmed. The relevant measure has been challenged with negative results. However, it should be noted that the deadline for proposing revocatory action of the sentence is still pending.

For what concerns public awarding procedures, it is highlighted an increase in number of litigations due to appeals proposed by the competitors, with a related need for legal aid and a consequent extension of time needed to start up the contracts awarded.

Significant events after the end of the quarter

As at 11 November 2019, the Company acquired a total of 761.722 treasury shares on the market regulated and managed by Borsa Italiana, equal to 2.39% of the share capital.

Business outlook

From one side, the results achieved at the end of third quarter of 2019 are affected, from one side, by the start of a process of diversification of the wash-hire business 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 Group's internationalization strategy, especially in areas where the process of growth and consolidation of results has been underway for a few years now. The Group's target is to strengthen its position in the countries in which it operates, in order to drive organic growth; as well as to record a favorable 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.

Servizi Italia and financial markets

The Company shares have been traded on the STAR segment of the Borsa Italiana S.p.A. electronic stock market since 22 June 2009. The main share and stock exchange data as at 30 September 2019 are reported below along with share volume and price trends (in Euros):

Share and stock exchange data	30 September 2019
No. of shares making up the share capital	31,809,451
Price at IPO: 4 april 2007	8.50
Price as at 30 september 2019	2.74
Maximum price during the period	4.14
Minimum price during the period	2.40
Average price during the period	3.45
Volumes traded during the period	4,833,477
Average volumes during the period	25,439

Share volumes and prices from up to 30 September 2019



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

Servizi Italia appointed Midcap Partners (Appointed rep by Louis Capital Markets UK, LLP) to conduct a research study, published on the Company's website together with that of Specialist Intermonte SIM.

Other information

The Directors acknowledge that the company took the necessary measures to ensuring the company's compliance with the provisions of Regulation EU 2016/679 ("GDPR") and the applicable national legislation governing personal data protection. In particular, given the company does not fall under the cases of mandatory appointment of a DPO indicated by GDPR, in order to guarantee proof of its accountability, Servizi Italia S.p.A. appointed a Chief Privacy Officer who, with the appropriate organisational model, will have the task of monitoring and providing support and consultancy to all company functions regarding the application and observance of the GDPR and the applicable legislation governing personal data protection.

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

With reference to the changes made in 2016 to the regulatory framework, Servizi Italia S.p.A. will publish the additional periodical information notwithstanding the obligations set forth for the issuers listed in the STAR segment, as specified in article 2.2.3, par. 3, of the Regulations of the Markets organised and managed by Borsa Italiana S.p.A. and in the notice no. 7578 issued by Borsa Italiana on 21 April 2016.

The Chairman of the Board of Directors

(Roberto Olivi)

4 ACCOUNTING SCHEDULES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(thousands of Euros)</i>	30 September 2019	31 December 2018
ASSETS		
Non-current assets		
Property, plant and equipment	170,331	129,609
Intangible assets	5,936	4,809
Goodwill	71,907	67,926
Equity-accounted investments	24,283	24,463
Equity investments in other companies	3,676	3,725
Financial receivables	5,922	6,844
Deferred tax assets	3,943	3,023
Other assets	5,898	6,444
Total non-current assets	291,896	246,843
Current assets		
Inventories	6,757	6,197
Trade receivables	80,661	75,900
Current tax receivables	1,758	1,961
Financial receivables	9,401	8,030
Other assets	12,742	8,868
Cash and cash equivalents	6,112	7,003
Total current assets	117,431	107,959
TOTAL ASSETS	409,327	354,802
SHAREHOLDERS' EQUITY AND LIABILITIES		
Group shareholders' equity		
Share capital	31,130	31,430
Other reserves and retained earnings	95,764	93,045
Profit (Loss) for the period	7,313	11,600
Total shareholders' equity attributable to shareholders of the parent	134,207	136,075
Total shareholders' equity attributable to non-controlling interests	3,622	2,163
TOTAL SHAREHOLDERS' EQUITY	137,829	138,238
LIABILITIES		
Non-current liabilities		
Due to banks and other lenders	71,930	36,044
Deferred taxes liabilities	2,412	2,014
Employee benefits	11,251	10,179
Provisions for risks and charges	2,574	2,651
Other financial liabilities	3,981	6,421
Total non-current liabilities	92,148	57,309
Current liabilities		
Due to banks and other lenders	77,876	61,184
Trade payables	71,327	74,140
Current tax payables	408	61
Other financial liabilities	8,919	3,602
Other payables	20,820	20,268
Total current liabilities	179,350	159,255
TOTAL LIABILITIES	271,498	216,564
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	409,327	354,802

CONSOLIDATED INCOME STATEMENT

<i>(thousands of Euros)</i>	30 September 2019	30 September 2018
Sales revenues	196,407	186,583
Other income	3,291	3,902
Raw materials and consumables	(20,054)	(19,550)
Costs for services	(58,943)	(56,845)
Personnel expense	(67,420)	(62,700)
Other costs	(1,075)	(1,154)
Depreciation, amortization, write-downs, impairment and provisions	(42,371)	(37,174)
Operating profit	9,835	13,062
Financial income	1,568	1,500
Financial expenses	(4,727)	(2,627)
Income/(Expense) from equity investments in other companies	629	143
Revaluation/Impairment of equity-accounted investments	1,091	(350)
Profit before tax	8,396	11,728
Current and deferred taxes	(712)	(1,421)
Profit (Loss) of the period	7,684	10,307
of which: Attributable to shareholders of the parent	7,313	9,825
Attributable to non-controlling interests	371	482

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(thousands of Euros)</i>	30 September 2019	30 September 2018
Profit (Loss) of the period	7,684	10,307
<i>Other comprehensive income that will not be reclassified to the Income Statement</i>		
Actuarial gains (losses) on defined benefit plans	-	-
Income taxes on other comprehensive income	-	-
<i>Other comprehensive income that may be reclassified to the Income Statement</i>		
Gains (losses) from translation of foreign financial statements	(969)	(11,020)
Portion of comprehensive income of the investments measured using the equity method	(1,394)	(232)
Income taxes on other comprehensive income	-	-
Total other comprehensive income after taxes	(2,363)	(11,252)
Total comprehensive income for the period	5,321	(946)
of which: Attributable to shareholders of the parent	4,990	(852)
Attributable to non-controlling interests	331	(94)

CONSOLIDATED NET FINANCIAL POSITION

<i>(thousands of Euros)</i>	30 September 2019	1 January 2019	31 December 2018	30 September 2018
Cash and cash equivalents in hand	331	54	54	51
Cash at bank	5,781	6,949	6,949	6,763
Cash and cash equivalents	6,112	7,003	7,003	6,814
Current financial liabilities	9,401	8,030	8,030	8,151
<i>of which financial liabilities for IFRS 16</i>	(77,876)	(64,848)	(61,184)	(61,343)
Current liabilities to banks and other lenders	(3,726)	(3,664)		
Current net financial debt	(68,475)	(56,818)	(53,154)	(53,192)
Non-current liabilities to banks and other lenders	(71,930)	(66,249)	(36,044)	(33,202)
<i>of which financial liabilities for IFRS 16</i>	(32,125)	(30,205)		
Non-current net financial debt	(71,930)	(66,249)	(36,044)	(33,202)
Net financial debt	(134,293)	(116,064)	(82,195)	(79,580)

5 EXPLANATORY NOTES

5.1 Introduction

The Interim Report as at 30 September 2019 has been drafted in compliance with Art. 154-ter of the Consolidated Law on Finance.

The accounting principles and criteria adopted to prepare this Interim Report as at 30 September 2019, which has not been audited, are the same as those used to prepare the annual financial statements, except for accounting principles, amendments and IFRS interpretations applied by the Group for the first time from 1 January 2019, as already described in the Half-Year Financial Report as at 30 June 2019. As required by Consob Communication No. DEM/5073567 of 4 November 2005, the Company has exercised the option to provide less detail than required under IAS 34 (Interim Financial Reporting).

The subsidiaries San Martino 2000 S.c.r.l., Steritek S.p.A, Wash Service S.r.l., Ekolav S.r.l., SRI Empreendimentos e Participações Ltda (parent company of 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. in liquidation) are all consolidated line-by-line, as well as Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi (parent company of Ergülteks Temizlik Tekstil Ltd. Sti).

On 29 July 2019, the São Paulo Commercial Council approved the extinguishment of Steriliza Serviços de Esterilização S.A. in liquidation, initially approved by the company's shareholders' meeting. Therefore, as of the date mentioned above, the company has been extinguished and consequently excluded from Group's scope of consolidation. On 8 August 2019, the company Se.Sa.Tre. S.c.r.l. in liquidation was declared out-of-business by means of a notarial deed. The company was cancelled and, on 3 September 2019, the Genoa Chamber of Commerce accepted the filing of the deed. Therefore, the company has been terminated and consequently excluded from the scope of consolidation.

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

This Interim Report is approved by the Board of Directors on 14 November 2019.

5.2 New accounting principles adopted by 1 January 2019

With effect from 1 January 2019, the Group applied the new accounting standard IFRS 16 "Leases", which replaces IAS 17 and implies a different accounting treatment of leasing contracts. 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. The new principle eliminates for the lessee the distinction between operating leases and financial leases and brings all the different cases back to a single case, distinguishing between leasing contracts and service contracts, on the basis of the following discriminating factors: the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract.

At the lease effective date, the lessee shall recognise the asset consisting of the right of use and the liability under the lease. The asset consisting on the right of use shall be measured at cost, while the liability shall be

equal to the actual value of payments due and not yet paid at that date, according to implied interest rate of the contract.

Adopting IFRS 16, the Group made use of the exemption granted by paragraph IFRS 16:5(a) in relation to short-term leases for classes of motor vehicles and plant and equipment, as well as the exemption granted by IFRS 16:5(b) for lease contracts for which the underlying asset is a low-value asset (with a value not exceeding Euro 5,000 when new). For these contracts, the introduction of IFRS 16 will not result in the recognition of the financial liability of the lease and the related right of use, but the lease payments will be recorded in the income statement on a straight-line basis for the duration of the respective contracts.

The 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:

<i>(thousands of Euros)</i>	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 <i>lease</i>	30,205
Current liabilities	
Current liabilities for <i>lease</i>	3,664
Total effect on the equity reserves	-

5.3 Information on the acquisition transactions carried out during the period

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 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.

Acquisition of 50% of Ekolav S.r.l.

On 19 July 2019, the Group acquired the remaining 50% 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 and personnel linen, in particular for retirement homes, nursing homes, hospitals and industrial customers. The purchase price of the shares was determined in Euro 600 thousand, fully paid at the date of this interim report.

Since this is a business combination carried out in several stages, in accordance with the provisions of IFRS 3, the interest previously held in Ekolav S.r.l., equal to 50% of its share capital, was recalculated compared to the pro-rata fair value, determined in Euro 600 thousand, at the date of acquisition, recording a gain of Euro 418 thousand.

The fair value of the assets and liabilities of Ekolav S.r.l. of Euro 248 thousand compared to the fair value of the shares previously held and the total equal to Euro 1,200 thousand led to the determination of a goodwill of Euro 952 thousand. This allocation at the closing date of this report is still provisional as the option granted by paragraph 45 of IFRS 3 has been used.

5.4 Performance by business segment and geographical area

Revenues from sales and services of Servizi Italia Group are shown below divided by business line for periods ending on 30 September 2019 and 30 September 2018.

(thousands of Euros)	30 September 2019	%	30 September 2018	%	Changes
Wash-hire	146,012	74,3%	136,125	73,0%	7.3%
Linen Sterilization (STERIL B)	15,032	7,7%	16,044	8,6%	-6.3%
Surgical instrument sterilization (STERIL C)	35,363	18,0%	34,414	18,4%	2.8%
Sales revenue	196,407	100%	186,583	100,0%	5.3%

- Revenues from wash-hire services (which in absolute terms represent 74.3% of the Group's revenues) rose from Euro 136,125 thousand in the first nine months of 2018 to Euro 146,012 thousand, registering an increase of 7.3% mainly coming from the acquisitions of Wash Service S.r.l., Ekolav S.r.l. and the business unit relating to Lavanderia Bolognini M&S S.r.l., as well as from the growth in Brazilian and Turkish areas.

- Revenues from linen sterilization services (steril B) (which in absolute terms represent 7.7% of the Group's revenues) decreased from Euro 16,044 thousand in the first nine months of 2018 to Euro 15,033 thousand, with a decrease of 6.3% due to the termination of some contracts in the Friuli and Emilia Romagna areas together with the contraction of some supplies to Albania.
- Revenues from surgical instruments sterilization services (steril C) (equal to 18.0% of Group revenues) rose from Euro 34,414 thousand in the first nine months of 2018 to Euro 35,363 thousand, up by 2.8%.

The following graph shows the details of revenue by business line:



The table below shows revenue from sales and services of the Group by region, broken down by geographical area, for the periods ending on 30 September 2019 and 2018:

(thousands of Euros)	30 September 2019	%	30 September 2018	%	Change
Italy	166,648	84.8%	159,642	85.6%	4.4%
Brazil	24,040	12.2%	21,756	11.7%	10.5%
Turkey	5,719	2.9%	5,185	2.8%	10.3%
Revenues from sales	196,407	100.0%	186,583	100.0%	5.3%

Consolidated revenues were sustained in particular by revenues in the Brazilian area, characterised by an organic growth in local currency of 12.2%, which was however negatively impacted by a negative exchange rate translation effect of 1.7% connected to the depreciation of the Brazilian Real against the Euro (overall this area recorded a net positive change in revenues of 10.5%), as in the Turkish area, with organic growth in local currency of 26.9%, in turn negatively offset by a negative exchange rate effect of 16.6% deriving from the depreciation of the Turkish lira against the Euro (overall this area recorded a positive net change in turnover of 10.3%).

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

Property, plant and equipment

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

(thousands of Euros)	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Assets under construction	Total
Historical cost	7,061	135,653	32,235	63,471	138,900	9,136	386,456
Accumulated depreciation	(2,326)	(90,837)	(21,587)	(49,529)	(92,568)	-	(256,847)
Balance as at 31 December 2018	4,735	44,816	10,648	13,942	46,332	9,136	129,609
Effects for first application IFRS 16	32,789	-	-	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	(32)	(191)	(21)	(5)	(20)	(80)	(349)

Change in the consolidation scope	1,763	3,275	356	384	1,180	-	6,958
Increases	722	2,500	633	2,021	29,537	9,361	44,774
Decreases	(67)	(74)	(20)	(93)	(34)	(2,994)	(3,282)
Amortization	(2,469)	(5,927)	(1,583)	(3,553)	(27,416)	-	(40,948)
Write-downs (reinstatements)	(282)	(182)	(7)	233	(61)	-	(299)
Reclassifications	18	3,302	135	98	242	(3,795)	-
Balance as at 30 September 2019	37,177	47,519	10,141	13,291	50,575	11,628	170,331
Historical cost	42,021	145,027	33,725	66,458	170,999	11,628	469,858
Accumulated depreciation	(4,844)	(97,508)	(23,584)	(53,167)	(120,424)	-	(299,527)
Balance as at 30 September 2019	37,177	47,519	10,141	13,291	50,575	11,628	170,331

The item "Change in the consolidation scope" includes the balances of Wash Service S.r.l., acquired on 27 February 2019, and Ekolav S.r.l., acquired on 19 July 2019.

The item "Translation differences" refers to the exchange rate variation for Brazilian (Lavsím Higienização Têxtil S.A., Maxlavlavanderia Especializada S.A., Vida Lavanderias Especializada S.A., SRI Empreendimentos e Participações L.t.d.a., Aqualav Serviços De Higienização Ltda and SIA Lavanderia S.A.) and Turkish (Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi and Ergülteks Temizlik Tekstil Ltd. Sti.) companies.

The increases in the item "Other assets" mainly refer to investments in linen (Euro 26,121 thousand), to ensure increasingly more efficient inventory management management, both for partial renewal of contracts and for the first supply relating to contracts acquired during the period under analysis.

The increase in item "Assets under construction" (Euro 9,361 thousand) refers to investments under way for:

- the upgrading of the plant located in Barbariga (Euro 923 thousand), the restructuring of the hotel warehouse in Varna (Euro 284 thousand), the restructuring of the wardrobe premises at the San Martino Hospital (Euro 96 thousand);
- the supply and upgrading of machinery and equipment for washing lines for a total of Euro 6,775 thousand, of which Euro 2,858 thousand in Italy, Euro 2,953 thousand in Brazil and Euro 1,164 thousand in Turkey;
- the implementation of linen traceability systems in different wardrobes, for Euro 379 thousand.

The reclassification of "Asset under construction", equal to Euro 3,795 thousand, are mainly attributable to the commissioning of a new washing plant in Turkey, amounting to Euro 2,840 thousand.

The increases in the item "Plant and machinery" mainly concern investments made in Italy for Euro 1,211 thousand, in Brazil for Euro 1,076 thousand and in Turkey for Euro 213 thousand.

Intangible assets

This item changed as follows:

(thousands of Euros)	Trademarks, Software and Patent and intellectual property rights	Customer contracts portfolio	Other intangible assets	Assets under construction and payments on account	Total
Historical cost	5,133	7,466	634	233	13,466
Accumulated depreciation	(4,421)	(4,236)	-	-	(8,657)
Balance as at 31 December 2018	712	3,230	634	233	4,809
Translation differences	(2)	-	(8)	1	(9)
Change in the consolidation scope	54	902	-	-	956

Increases	252	-	-	793	1,045
Decreases	-	-	-	(15)	(15)
Depreciation	(334)	(410)	(97)	-	(841)
Write-downs (reinstatements)	(9)	-	-	-	(9)
Reclassifications	12	-	-	(12)	-
Balance as at 30 September 2019	685	3,722	529	1,000	5,936
Historical cost	5,521	8,368	622	1,000	15,511
Accumulated depreciation	(4,836)	(4,646)	(93)	-	(9,575)
Balance as at 30 September 2019	685	3,722	529	1,000	5,936

The item "Change in the consolidation scope" primarily relates to the rise of the customer portfolio recorded following the consolidation of Wash Service S.r.l., equal to Euro 902 thousand.

The increase in intangible assets mainly concerns software investments (Euro 793 thousand, of which Euro 765 thousand carried out by the Parent Company and Euro 22 thousand by the Brazilian companies).

Goodwill

Goodwill is allocated to the Servizi Italia Group's cash generating units identified by geographical area, which reflects the areas of operation of the companies acquired over the years. Goodwill is allocated by geographical area as follows:

<i>(Thousands of Euros)</i>	as at 31 December 2018	Increases/ (Decreases)	Translation differences	as at 30 September 2019
CGU Italy	47,364	4,320	-	51,684
CGU Turkey	11,306	-	(166)	11,140
CGU Brazil	9,256	-	(173)	9,083
Total	67,926	4,320	(339)	71,907

The change in the period is attributable to the rise of goodwill included in the purchase price of 90% of the share capital of Wash Service S.r.l. (Euro 3,368 thousand), to the rise of goodwill included in the purchase price of the remaining 50% of the share capital of Ekolav S.r.l. (Euro 952 thousand) and to the exchange differences from the conversion into Euro of goodwill arising from the acquisitions in Brazil and Turkey.

The allocation of the goodwill relating to the company Ekolav at the closing date of this report is still provisional as the option granted by paragraph 45 of IFRS 3 has been used.

At the date of approval of this interim report, no facts or events have taken place that may indicate an impairment loss in the goodwill recognized and tested for impairment at the end of 2018.

Equity-accounted investments

This item changed as follows:

<i>(thousands of Euros)</i>	Change as at 30 September 2019					30 September 2019
	1 January 2019	Increases (Decreases)	OCI changes	Revaluations (Write- downs)	Translation differences	
Associates and jointly-controlled companies						
Saniservice Sh.p.k.	603	-	-	45	10	658
Finanza & Progetti S.p.A.	8,877	-	(1,394)	739	-	8,222
Brixia S.r.l.	2,860	-	-	(91)	-	2,769
Arezzo Servizi S.c.r.l.	5	-	-	-	-	5
CO.S.E.S S.c.r.l. in liquidazione	4	-	-	-	-	4

PSIS S.r.l.	3,985	-	-	136	-	4,121
Ekolav S.r.l.	153	(182)	-	29	-	-
Steril Piemonte S.c.r.l.	1,973	-	-	-	-	1,973
AMG S.r.l.	2,431	(148)	-	50	-	2,333
Iniziative Produttive Piemontesi S.r.l.	1,115	-	-	(47)	-	1,068
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	-	-	3
Servizi Sanitari Integrati Marocco S.a.r.l.	81	-	-	32	3	116
SAS Sterilizasyon Servisleri A.Ş.	899	-	-	226	(77)	1,048
Shubhram Hospital Solutions Private Limited	(540)	-	-	58	(19)	(501)
Sanitary Cleaning Sh.p.k.	1,347	-	-	27	22	1,396
Idsmed Servizi Pte. Limited	127	-	-	(113)	2	16
Stirapp S.r.l.	-	551	-	-	-	551
Total	23,923	221	(1,394)	1,091	(59)	23,782
of which recognized in provisions for risks and charges	(540)	-	-	58	(19)	(501)
of which recorded in equity-accounted investments	24,463	221	(1,394)	1,033	40	24,283

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

The main changes relating to the item “Equity-accounted investments” concern the decrease of Euro 182 thousand following the acquisition of control of the company Ekolav S.r.l. on 19 July 2019 and therefore its full consolidation, the decrease of Euro 148 thousand relating to the dividends distributed by company A.M.G. S.r.l. and the consolidation according to the equity method of the company StirApp S.r.l. for Euro 551 thousand, previously held for a share of 17.55%, against the capital increase that led, on 27 September 2019, to the acquisition by Servizi Italia of 25% of the share capital of the company.

The negative item in OCI change (Euro 1,394 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.).

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

Other non-current assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 September 2019	as at 31 December 2018
Substitute Italian tax D.L. 185/2008 subsequent years	3,519	4,106
Receivables for IRES reimbursement request pursuant to Art. 2 par. 1-quater Italian D.L. n. 201	175	175
Aqualav receivable, in escrow account	1,814	1,805
Other non-current assets	390	358
Total	5,898	6,444

The change in this item mainly comes from the release to the income statement of the substitute taxes according to art. 15, par. 10-12 of Legislative Decree 185/08, paid in order to obtain the tax recognition of the goodwill values arising from the business combination. These substitute taxes have been recorded as an advance on current taxes and released to the income statement over the period in which the company will benefit from the tax deductions associated with the respective goodwill.

Trade receivables

Trade receivables amount to Euro 80,661 as at 30 September 2019, up by Euro 4,761 thousand compared to the same period in 2018.

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

- transfer without recourse to Credemfactor S.p.A of Euro 37,313 in trade receivables for consideration of Euro 37,228 thousand;
- transfer without recourse to Unicredit Factoring S.p.A of Euro 26,623 in trade receivables for consideration of Euro 26,574 thousand.

Other current assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 September 2019	as at 31 December 2018
Due from others	11,017	7,466
Prepayments	1,410	1,157
Guarantee deposits receivable	205	205
Accrued income	110	40
Total	12,742	8,868

The item “due from others” is composed of the receivables of the subsidiary San Martino 2000 S.c.r.l. from the consortium company Servizi Ospedalieri S.p.A. in the amount of Euro 1,400 thousand, the VAT receivable for Euro 7,644 thousand (Euro 4,322 as at 31 December 2018) and, for the remaining part, mainly by advances and receivables from social security and welfare institutions, all collectable within the year. Prepayments increased primarily as a result of rentals and insurance premiums that were recognized at the beginning of the year. The item “guarantee deposits receivable” refers to energy utilities and rentals.

Shareholders' equity

As at 30 September 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, during the first nine months of 2019, purchased 299,466 treasury shares, for a countervalue of Euro 989 thousand, equal to 0.94% of the share capital, at an average book value of Euro 3.30 per share. Following these operations, as at 30 September 2019, the Company held 679,322 treasury shares, equal to 2.14% of the share capital. The value of treasury shares as at 30 September 2019 was classified as a decrease in shareholders' equity. The legal reserve and profit/(losses) increased due to the allocation of the 2018 profit, after the payment of dividends for Euro 5,008 thousand. There was also a negative effect of Euro 929 thousand on the translation reserves of the shareholders' equity of the companies that prepare their financial statements in foreign currencies, mainly as a result of the depreciation of the Brazilian Real and the Turkish Lira.

Non-current liabilities to banks and other lenders

Non-current payables to banks and other lenders show an increase from Euro 36,044 thousand as at 31 December 2018 to Euro 71,930 thousand as at 30 September 2019. This increase, equal to Euro 35,886 thousand, is linked to the repayment of overdue mortgage installments in progress for the period, and the signing of two new unsecured loans with banca Monte dei Paschi di Siena S.p.A. worth Euro 15,000 thousand (debt remaining over 12 months equal to Euro 9,375 thousand) and with BPER Banca S.p.A. worth 10,000 thousand (debt remaining over 12 months equal to Euro 7,814 thousand), aimed at maintaining a balance between short- and medium-term debt and effects connected to the adoption of the new IFRS 16, for Euro 32,125 thousand.

Current liabilities to banks and other lenders

Payables to banks and other current lenders registered an increase equal to Euro 16,692 thousand, passing from Euro 61,184 thousand as at 31 December 2018 to Euro 77,876 thousand as at 30 September 2019. The increase in the balance has been determined by greater recourse to self-liquidating credit lines and by effects coming from the adoption of the new IFRS 16, for Euro 3,726 thousand.

Trade payables

The item is broken down as follows:

(thousands of Euros)	as at 30 September 2019	as at 31 December 2018
Due to suppliers	63,867	65,373
Due to associates	2,328	2,945
Due to parent company	4,328	5,355
Payables to companies under the control of the parent companies	804	467
Total	71,327	74,140

Other current payables

The item is broken down as follows:

(thousands of Euros)	30 September 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.	191	258
Put option payables for Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	3,353	2,685
Put option payables of Steritek S.p.A.	1,810	1,800
Payables to Finanza e Progetti S.p.A.	2,460	2,460
Payables to Wash Service S.r.l. shareholders	1,992	-
Put option payables of Wash Service S.r.l.	869	-
Other payables	-	95
Total	12,900	10,023
of which non-current	3,981	6,421
of which current	8,919	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 the shares acquired in 2019 for Euro 1,992 thousand, to be paid over a three-year period, and for the rise of the payable in relation to the put/call option on the remaining 10% of the

company's share capital for Euro 869 thousand, to be exercised in 2024. In addition, the payable to the minority shareholders of Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A., who hold a put option that allows them to exercise their right to sell the remaining 34.9% of the shares of both companies to the Servizi Italia Group. The higher financial charge recorded in the period amounts to Euro 745 thousand, of which Euro 494 thousand against the remeasuring of the expected financial liability.

Other current liabilities

The table below provides a breakdown of other current liabilities:

<i>(thousands of Euros)</i>	as at 30 September 2019	as at 31 December 2018
Accrued liabilities	159	122
Deferred income	119	240
Social security contributions	4,934	5,865
Due to employees	12,924	9,902
Employee/professional IRPEF (personal income tax) payable	1,693	2,398
Payables to Bringel Group	-	968
Other payables	991	773
Total	20,820	20,268

5.6 Notes on the main changes in the income statement

Raw materials and consumables

As at 30 September 2019, the consumption of raw materials (equal to Euro 20,054 thousand, up by Euro 505 thousand compared to the same period of the previous year, but down by 0.3% in terms of incidence on turnover) mainly refers to washing products, chemical products, packaging, consumables and spare parts coming from higher volumes in hotel sector, as well as disposables and procedural kits for new customers.

Costs for services

The item is broken down as follows:

<i>(thousands of Euros)</i>	From 1 January to 30 September	
	2019	2018
External laundering and other industrial services	17,944	17,077
Travel and transport	11,054	9,621
Utilities	10,023	8,375
Administrative costs	1,874	1,886
Consortium and sales costs	5,717	5,646
Personnel expense	2,402	2,135
Maintenance	6,022	5,573
Use of third-party assets	2,377	5,425
Other services	1,530	1,107
Total	58,943	56,845

The item "Costs for services" has increased (Euro 2,098 thousand compared to the same period of the previous year) and decreased for what concerns incidence on turnover (-0.5%). At constant exchange rates and same consolidation scope, net of IFRS 16 effects, incidence is equal to +0.7%, showing some differences among different items.

Travel and transport costs show an increase of Euro 1,433 thousand compared to 30 September 2019. This increase is substantially linked to the entry into the new hotel sector and the related logistics in the Trentino-Alto Adige area.

Costs related to utilities show an increase of Euro 1,648 thousand compared to 30 September 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 of Euro 210 thousand relating to the restoration of systems and recovery of data following the IT incident that occurred in the first months of 2019.

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

Personnel expense

The item is broken down as follows:

<i>(thousands of Euros)</i>	From 1 January to 30 September	
	2019	2018
Costs for directors' fees	1,495	1,152
Salaries and wages	46,506	43,347
Temporary work	1,835	1,667
Social security charges	14,726	13,814
Employee severance indemnity	2,628	2,542
Other costs	230	178
Total	67,420	62,700

The period was affected by the consolidation of Wash Service S.r.l. for Euro 1,176 thousand, the consolidation of Ekolav for Euro 573 thousand, the increase in personnel related to the new hotel sector for Euro 2,179 thousand and new staff in the Italian area. In the Brazilian area, on the other hand, there was a reduction in personnel costs of Euro 188 thousand, 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 September	
	2019	2018
Executives	18	15
Middle managers	43	37
White-collar staff	289	232
Blue-collar staff	3,375	3,247
Total	3,725	3,531

Depreciation and amortization

The item is broken down as follows:

<i>(thousands of Euros)</i>	From 1 January to 30 September	
	2019	2018
Amortization of intangible assets	841	837
Depreciation of property, plant and equipment	40,948	35,904
Write-down of receivables	582	433
Total	42,371	37,174

The increase in the depreciation of tangible fixed assets mainly comes from the implementation of the new IFRS 16, which has resulted in depreciation of "Rights of use" of leased assets for Euro 2,989 thousand.

The period ended 30 September 2019 was also affected by the amortization connected with the purchase of linen for the new hotel sector.

Financial income

The item is broken down as follows:

(thousands of Euros)	From 1 January to 30 September	
	2019	2018
Bank interest income	297	264
Default interest	578	557
Interest income on loans to third party companies	509	508
Exchange rate earnings and losses	184	171
Other financial income	-	-
Total	1,568	1,500

Financial expenses are composed as follows:

(thousands of Euros)	From 1 January to 30 September	
	2019	2018
Interest expense and bank commission	(1,878)	(1,284)
Interest and expense to other lenders	(219)	(152)
Financial expense on employee benefits	(73)	(61)
Exchange rate losses	(67)	(532)
Other financial expenses	(2,490)	(598)
Total	(4,727)	(2,627)

The increase in the item "Interest expense and bank commission" is substantially connected to a significant increase in interest indexes of Turkish financial market. The item "Other financial charges" was affected by the effect of the application of the new accounting standard IFRS 16 for Euro 1,615 thousand and the effect of debt remeasurement connected to the put option held by the minority shareholders of Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A. for Euro 494 thousand.

5.7 Consolidated net financial position

(thousands of Euros)	30 September 2019	1 January 2019	31 December 2018	30 September 2018
Cash and cash equivalents in hand	331	54	54	51
Cash at bank	5,781	6,949	6,949	6,763
Cash and cash equivalents	6,112	7,003	7,003	6,814
Current financial receivables	9,401	8,030	8,030	8,151
Current liabilities to banks and other lenders	(77,876)	(64,848)	(61,184)	(61,343)
<i>of which financial liabilities for IFRS 16</i>	<i>(3,726)</i>	<i>(3,664)</i>		
Current net financial debt	(68,475)	(56,818)	(53,154)	(53,192)
Non-current liabilities to banks and other lenders	(71,930)	(66,249)	(36,044)	(33,202)
<i>of which financial liabilities for IFRS 16</i>	<i>(32,125)</i>	<i>(30,205)</i>		
Non-current net financial debt	(71,930)	(66,249)	(36,044)	(33,202)
Net financial debt	(134,293)	(116,064)	(82,195)	(79,580)

The reduction in bank current accounts, which decreased by Euro 891 thousand compared to 31 December

2018, is essentially due to the decrease in cash and cash equivalents in the Parent Company's accounts, used to finance the Group's growth. It should also be noted that in October 2019 the Parent Company benefited from refunds in relation to VAT due for Euro 3,864 thousand.

Current payables to banks and other lenders increased by Euro 16,692 thousand compared to 31 December 2018 due to the greater use of self-liquidating lines and the effects of the adoption of the new IFRS 16 for Euro 3,726 thousand.

Amounts due to banks and other non-current lenders increased from Euro 36,044 thousand as at 31 December 2018 to Euro 71,930 thousand at 30 September 2019. This change, equal to Euro 35,886 thousand, is related to the short-term reclassification of the loan instalments falling due within the following 12 months, to the repayment of the portions of loans falling due during the year, to the subscription of two new unsecured loans with Banca Monte dei Paschi di Siena S.p.A. and BPER Banca S.p.A., aimed at maintaining a correct balance between short and medium-term debt and to the effects linked to the adoption of the new IFRS 16 for Euro 32,125 thousand.

The net financial position below has been prepared in accordance with CESR, now ESMA, recommendation of 10 February 2005, and also reports the value of "Other current financial liabilities" in "Other current financial payables" and the value of "Other non-current financial liabilities" in "Other non-current payables".

<i>(thousands of Euros)</i>	30 September 2019	1 January 2019	31 December 2018
A. Cash	331	54	54
B. Other cash equivalents	5.781	6.949	6.949
C. Securities held for trading	-	-	-
D. Cash and cash equivalents (A)+(B)+(C)	6.112	7.003	7.003
E. Current financial receivables	9.401	8.030	8.030
F. Current bank borrowings	(48.724)	(30.750)	(30.750)
G. Current portion of non-current borrowings	(29.152)	(34.098)	(30.434)
<i>of which financial liabilities for IFRS 16</i>	<i>(3.726)</i>	<i>(3.664)</i>	<i>-</i>
H. Other current financial payables	(8.919)	(3.602)	(3.602)
I. Current financial debt (F)+(G)+(H)	(86.795)	(68.450)	(64.786)
J. Current net financial debt (I)-(E)-(D)	(71.282)	(53.417)	(49.753)
K. Non-current bank borrowings	(71.930)	(66.249)	(36.044)
<i>of which financial liabilities for IFRS 16</i>	<i>(32.125)</i>	<i>(30.205)</i>	<i>-</i>
L. Bonds issued	-	-	-
M Other non-current payables	(3.980)	(6.421)	(6.421)
N. Non-current financial debt (K)+(L)+(M)	(75.910)	(72.670)	(42.465)
O. Net financial debt (J)+(N)	(147.192)	(126.087)	(92.218)

The Chairman of the Board of Directors

(Roberto Olivi)

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

The Financial Reporting Manager

(Ilaria Eugeni)