Separate and Consolidated Financial Statements

as at 31 December 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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Servizi Italia Group

SERVIZI ITALIA S.P.A.

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

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

Tax code and Parma Business Register enrolment No. 08531760158

VAT No. 02144660343

NOTICE OF CALL OF THE ORDINARY SHAREHOLDERS' MEETING

Those entitled to participate in the Shareholders' Meeting of Servizi Italia S.p.A. (the "**Company**") and exercise the right to vote are called to an Ordinary Shareholders' Meeting at the registered offices in Via San Pietro 59/b, 43019 Castellina di Soragna (PR), on a first call on **28 April 2020 at 10:30 a.m.** and, if necessary, upon a second call, on 29 April 2020, at the same time and place, to discuss and resolve on the following **agenda**:

1. Separate financial statements as at 31 December 2019; Directors' report; Board of Statutory Auditors' Report and Independent Auditors' Report; allocation of the profit for the year; related and consequent resolutions; presentation of the consolidated financial statements as at 31 December 2019.
2. Remuneration policy as per Article 123-ter of Italian Legislative Decree no. 58 of 24 February 1998; Report on the remuneration policy and amounts paid pursuant to Article 123-ter of Italian Legislative Decree no. 58 of 24 February 1998; related and consequent resolutions.
3. Authorisation to purchase and to avail of treasury shares and accomplishment of transactions on the same, subject to revocation of the previous resolution, with regard to the unused portion; related and consequent resolutions.
4. Integration of the Board of Directors through the appointment of a Director; determination of the term of office; related and consequent resolutions.
5. Appointment of the Board of Statutory Auditors for the years 2020-2021-2022; determination of remuneration for the members of the Board of Statutory Auditors; related and consequent resolutions.

SHARE CAPITAL AND RIGHT TO VOTE

The Company's share capital is equal to Euro 31,809,451.00, divided up into 31,809,451 ordinary shares with a par value of Euro 1 each. Each share assigns the right to one vote. As at 5 March 2020, the Company held 1,091,528 treasury shares, in relation to which - pursuant to the law - the voting right is suspended. This number could vary in the period between today's date and that of the shareholders' meeting. Any change in the treasury shares shall be communicated when the business of said meeting commences. The information on the composition of the share capital is available on the website www.servizitaliagroup.com (Corporate Governance>Shareholders' Meeting>2020).

ENTITLED TO ATTEND THE SHAREHOLDERS' MEETING

Pursuant to Article 83-sexies of Italian Legislative Decree No. 58/98 as amended (the "Consolidated Finance Act" or "**CFA**") and Article 13 of the Articles of Association, shareholders are entitled to attend if they have the right to vote and the Company has received the communication from the appointed intermediaries, bearing witness to their ownership of voting rights on the shares on the basis of its accounting records relating to the end of the accounting day of **17 April 2020 (record date)**, corresponding to the seventh open market day prior to the date fixed for the meeting in first calling. Those becoming owners of shares only after the record date will not be entitled to participate and vote during the meeting.

The Company shall receive the intermediary's communication by the end of the third open market day prior to the date set for the first call of the Shareholders' Meeting (i.e. by 23 April 2020); however, the right to attend and vote will remain in place if the communications made by the intermediary will be received by the Company after said term, provided that it is before the beginning of the single call of the meeting.

PROXY VOTING

Pursuant to Article 13.2 of the Articles of Association, each subject with the right to vote who has the right to participate in the meeting, may arrange for themselves to be represented by others via written proxy, in compliance with and within the limits of the matters laid down by law. The proxy may be granted also electronically or by means of an IT document signed in electronic form, in accordance with current legislation.

A proxy form is available at the registered offices and on the Company website (Corporate Governance>Shareholders' Meeting>2020), as well as care of the qualified intermediaries; the proxy can be sent to the Company by means of forwarding, via certified e-mail, to the address si-servizitalia@postacert.cedacri.it, together with the communication issued by the appointed intermediaries in compliance with its accounting records, or also through registered letter with acknowledgement of receipt sent to the Company's registered offices.

Any prior notification does not excuse the proxy, at the time of accreditation for accessing the meeting, from the obligation to certify the compliance with the original of the copy notified and the identity of the delegating party. The Company's Articles of Association do not envisage voting procedures by mail or using electronic means.

Pursuant to Article 11.6 of the Articles of Association, the Company does not designate a party to which the shareholders can grant a proxy with voting instructions for participation in general meetings in pursuance of Article 135-undecies of the CFA.

RIGHT TO ASK QUESTIONS ON THE BUSINESS PLACED ON THE AGENDA

Pursuant to Article 127-ter of the CFA, those who have the right to vote can ask questions on the business placed on the agenda, also before the meeting, by submitting them to the Company by the deadline of 21 April 2020, by means of registered letter sent to the Company's registered offices, or via certified e-mail to the e-mail address si-servizitalia@postacert.cedacri.it. To exercise this right, the Company shall receive a specific communication issued by the intermediaries care of which the shares are deposited. The questions regularly submitted by 21 April 2020 shall be answered at the latest during the meeting, with the faculty of the Company to provide a single answer to questions with the same content. The answer by paper means provided to each of those entitled to vote at the beginning of the meeting is considered to be provided in the meeting.

SUPPLEMENTING OF THE AGENDA AND PRESENTATION OF NEW RESOLUTION PROPOSALS

Pursuant to Article 126-bis of the CFA, the Shareholders which, also jointly, represent at least a fortieth of the Company's share capital, can request, within ten days of the publication of the call for the Meeting (i.e. by 16 March 2020), to add to the meeting's agenda some additional items that they must indicate in their request, or they can submit new resolution proposals on the items already included in the agenda. The request to add to the list of business to be discussed is not permitted for matters on which the Shareholders' Meeting resolves, in accordance with the law, on the proposal of the directors or on the basis of a project or a report prepared by them, other than the one envisaged by Art. 125-ter, first paragraph, of the CFA. The requests must be presented in writing, forwarded via registered letter with acknowledgment of receipt, to the Company's registered offices, or by means of notification to the certified e-mail address si-servizitalia@postacert.cedacri.it and accompanied by a specific communication issued by the intermediaries care of which the shares owned by the Shareholders are deposited. The Shareholders who request the integration of the agenda must draw up a report which discloses the reason for the resolution proposals on the new business whose discussion they propose, or the reason relating to the additional resolution proposals presented on the business already on the agenda. The report must be delivered to the administrative body by the deadline for submitting the integration request. Disclosure shall be made of any integration of the list of business which the meeting shall have to deal with or the presentation of additional resolution proposals on the matters already on the agenda, in the prescribed forms for the publication of this notice of call, at least fifteen days before the date fixed for the meeting in first call. At the same time, the administrative body will make the report prepared by the Shareholders available to the public at the registered office, on the Company's website and on the authorised storage mechanism eMarket Storage at www.emarketstorage.com, accompanied by their own assessments. Please note that the person with the right to vote may individually present proposals of resolutions in the Shareholders' Meeting.

INTEGRATION OF THE BOARD OF DIRECTORS THROUGH THE APPOINTMENT OF A DIRECTOR

With regard to the fourth item on the agenda, it should be noted that the slate voting mechanism will not be applied, and the Shareholders' Meeting called to integrate the Board of Directors pursuant to Art. 2386 of the Italian Civil Code and Art. 15.6 of the Articles of Association will resolve based on legal majorities, in compliance with the criteria on the composition of the Board of Directors envisaged by the regulations, including statutory, in effect at the time, and by Art. 15 of the Articles of Association, respecting where possible the principles under Article 15.5 of the Articles of Association and the principle of minority representation.

Note that Art. 15.5 of the Articles of Association envisages that, in the event of loss of a Director during the year, the replacement shall be identified from among the candidates belonging to the same list as the outgoing Director, ensuring that the Board of Directors has the necessary number of independent members envisaged by the regulations in force from time to time and the required number of members belonging to the less represented gender, in accordance with Art. 15.1 of the Articles of Association. If for any reason there are no available and eligible names, the replacement will be identified without restriction in the choice and ensuring the presence on the Board of Directors of the necessary number of Directors belonging to the less represented gender and the necessary number of independent Directors.

Note that, in accordance with Art. 15.1 of the Articles of Association and with the regulations, even statutory, in effect, the Company's current Board of Directors must include (i) at least three Directors possessing the requirements of independence pursuant to Articles 147-ter, paragraph 4 and 148, paragraph 3 of the CFA, and (ii) at least four Directors of the less represented gender (as the regulatory changes introduced by Law no. 160 of 27 December 2019 apply to the Company's Board of Directors starting from the next renewal of said body).

Although candidates may also be presented during the Shareholders' Meeting, in order to facilitate the proceedings of the Shareholders' Meeting, Shareholders are invited to submit their nominations for the position of Director to the Company's registered office suitably in advance, accompanied by: *(i)* information relating to the identity of the presenting Shareholders, indicating the total stake held, backed by suitable documentation issued by an intermediary authorised in accordance with the law; *(ii)* declarations whereby each candidate accepts the candidature and declares, under their responsibility, that there are no grounds for ineligibility and incompatibility provided for by law, as well as possession of the regulatory and statutory requirements for the office of Director; and *(iii)* the curriculum vitae of each candidate, containing thorough disclosure of their personal and professional characteristics, indicating any administration and control positions held in other companies and whether they qualify as an Independent Director pursuant to Articles 147-ter, paragraph 4 and 148, paragraph 3 of the CFA and, if applicable, Art. 3 of the Corporate Governance Code for Listed Companies.

Nominations must be submitted to the Company's registered office through certified email to the following address: si-servizitalia@postacert.cedacri.it.

Shareholders who intend to submit nominations are also asked to prepare and file a proposal for a resolution on the fourth item of the agenda of the Shareholders' Meeting (with reference to the appointment and, if applicable, duration of office).

For additional information, see the illustrative report of the Board of Directors, drawn up pursuant to Art. 125-ter of the CFA, made available to the public as of today at the registered offices, on the website www.servizitaliagroup.com (Corporate Governance>Shareholders' Meeting>2020), as well as on the authorised storage mechanism eMarket Storage at www.emarkestorage.com.

APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

With regard to the fifth item on the agenda, note that, pursuant to Art. 20 of the Articles of Association, the Board of Statutory Auditors consists of three statutory members and two alternate members, who remain in office for three years and may be re-elected.

Pursuant to the current legislative provisions and Article 20 of the Articles of Association, the appointment of the Board of Statutory Auditors is based on the lists submitted by the Shareholders where the candidates are listed by means of a consecutive number. The lists have two sections: one for the candidates to the Statutory Auditor office, the other for the candidates to the Alternate Auditor office. Each section of the lists presenting at least three candidates must have at least one male and one female candidate, in accordance with the regulations, including statutory, on gender balance; the candidates must be entered into the list in alternating order (one male, one female or vice versa, and so on).

Pursuant to Article 20.3 of the Articles of Association, the members of the Board of Statutory Auditors are chosen from among those who meet the requirements of integrity, professionalism and independence provided for by law and by the regulatory provisions. For the purposes envisaged by Italian Ministerial Decree no. 162 of 30 March 2000, subjects and sectors closely related to the Company's activities, such as those listed in the corporate purpose, are considered.

The following have the right to present lists: Shareholders who, alone or together with other Shareholders, represent at least **2.5%** of the share capital with the right to vote during ordinary Shareholders' Meetings.

Lists must be submitted to the Company's registered office through certified email to the following address: si-servizitalia@postacert.cedacri.it, by **3 April 2020**, corresponding to the twenty-fifth day prior to the date set for the Shareholders' Meeting on first call.

In the event in which by the deadline of 3 April 2020 only one list has been submitted, or only lists submitted by Shareholders connected to one another pursuant to Art. 144-quinquies of Consob Regulation no. 11971/1999 ("**Issuers' Regulations**"), additional lists may be submitted up to the third day subsequent to said date, namely by **6 April 2020**. In this care, this case, the share capital threshold necessary to submit additional lists will be reduced to **1.25%** (Art. 144-sexies, paragraph 5, Consob Regulation no. 11971/1999).

The Shareholders presenting lists are required to demonstrate ownership of the minimum stake required for presentation of the lists, through suitable documentation issued by an intermediary authorised in accordance with the law, with regard to shares registered in their favour on the day the relative lists were filed with the Company. Where not available at the time of submitting the list, said documentation must be received by the Company by 7 April 2020.

Along with each list, the documentation required by the regulations - including statutory - in effect and by Art. 20 of the Articles of Association must be submitted, comprising the following: (i) information on the identity of the Shareholders presenting the list, indicating the total percent stake held; (ii) the declaration by the presenting Shareholders of any minority lists indicating the absence of any association relationships, pursuant to the applicable regulations, including statutory; (iii) the curriculum vitae of each candidate, containing a thorough description of the personal and professional characteristics and indicating the administration and control positions held in other companies, as well as (iv) the declarations whereby the individual candidates accept the candidature and certify, under their responsibility, that there are no grounds for ineligibility or incompatibility, also with regard to the limits on cumulative number of positions envisaged by the regulations in effect and by Art. 20.2 of the Articles of Association, and possession of the requirements envisaged by law and by the Articles of Association to take on the position of Statutory Auditor.

Recall that, pursuant to Art. 20.5 of the Articles of Association and in accordance with Art. 144-sexies, paragraph 6 of the Issuers' Regulations: (i) each Shareholder, (ii) Shareholders belonging to the same group and (iii) Shareholders participating in a shareholders' agreement involving shares of the Company, may not present or vote for more than one list, even through third parties or trust companies; participation and votes that are in violation of this prohibition shall not be attributed to any list. Each candidate may be included in only one list, on pain of ineligibility.

Pursuant to Art. 20.5 of the Articles of Association, the lists that do not comply with the above provisions will be considered not to have been submitted.

Also recall Consob Communication no. DEM/9017893 of 26 February 2009, in which the Supervisory Authorities recommended that Shareholders submit a minority list, declaring the absence of any relationships pursuant to Art. 144-quinquies of the Issuers' Regulations, and to also state in said declaration the absence of any significant relationships, as indicated in the same Communication, with Shareholders that hold, even jointly, a controlling or relative majority interest, or if this is not the case, to indicate the existing significant relationships and the reasons for which they were not included in stating the existence of association relationships pursuant to Art. 148, paragraph 2 of the CFA and Art. 144-quinquies of the Issuers' Regulations.

Considering that, pursuant to Article 2400, last paragraph, of the Italian Civil Code, at the time of appointment and prior to acceptance, the Shareholders' Meeting must be informed of the administration and control positions held by the Statutory Auditors in other companies, we invite you to update this information, included in the curricula filed at the Company's registered office, up to the day of the appointment by the Shareholders' Meeting.

Additional information on the appointment of the Board of Statutory Auditors is contained in the Report by the Board of Directors, drawn up pursuant to Art. 125-ter of the CFA, made available to the public as of today at the registered offices, on the website www.servizitaliagroup.com (Corporate Governance>Shareholders' Meeting>2020), as well as on the authorised storage mechanism eMarket Storage at www.emarkestorage.com, within the terms and according to the methods outlined by law.

Shareholders who intend to submit nominations are asked to prepare and file, together with the list, a proposal for a resolution on the fifth item of the agenda, also in regard to the compensation payable to the Statutory Auditors.

DOCUMENTATION

The illustrative report of the Board of Directors, drawn up pursuant to Art. 125-ter of the CFA (including, among other things, the resolution proposals on the items two and three of the agenda), is made available to the public as of today at the registered offices of the Company, on the website www.servizitaliagroup.com (Corporate Governance> Shareholders' Meeting>2020), as well as on the authorised storage mechanism eMarket Storage at www.emarkestorage.com.

The following are also made available to the public with the same methods:

(i) by 30 March 2020, the Annual Financial Report as at 31 December 2019 (including the separate financial statements as at 31 December 2019, the Director's Report and the proposal for resolution on the first item of the agenda), the Reports of the Board of Statutory Auditors and of the Independent Auditors, the Consolidated Non-financial Statement pursuant to Italian Legislative Decree no. 254/16, the annual Report on corporate governance and ownership structure and the Report on the remuneration policy and amounts paid pursuant to Article 123-ter of the CFA;

(ii) by 7 April 2020, the lists submitted for renewal of the Board of Statutory Auditors.

The remaining documentation useful for the meeting shall be published by the deadlines and through the methods provided by law and by the regulations.

The shareholders have the faculty to obtain a copy of the deposited documentation at their own expense.

Moreover, recall that, pursuant to Art. 125-quater of the CFA, the following documents or information are available on the Company's website www.servizitaliagroup.com (Corporate Governance>Shareholders' Meeting>2020): (i) documents which will be submitted to the meeting; (ii) the form the Shareholders can use for voting by proxy and the relevant instructions; (iii) information on the amount of the Company's share capital with indication of number and categories of shares into which it is divided.

REQUEST FOR INFORMATION

With regard to any additional information relating to the Shareholders' meeting, and in particular the formalities for exercising the rights, it is possible to consult the Company's website www.servizitaliagroup.com (Corporate Governance> Shareholders' Meeting>2020) or to write to the Corporate Affairs office at the following certified e-mail address si-servizitalia@postacert.cedacri.it.

This notice of call is published as of today's date, pursuant to Art. 125-bis of the CFA and Art. 11 of the Articles of Association, on the Company's website www.servizitaliagroup.com (Corporate Governance>Shareholders' Meeting>2020) and is available on the authorised storage mechanism eMarket Storage at www.emarkestorage.com and, in extract form, in the newspaper Italia Oggi of 6 March 2020.

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

Castellina di Soragna, Parma, Italy 6 March 2020.

The Chairman of the Board of Directors

Signed Roberto Olivi

SUPPLEMENT TO THE NOTICE OF CALL THE ORDINARY SHAREHOLDERS' MEETING

Servizi Italia S.p.A. (the "**Company**"), in order to minimize risks related to the health emergency in progress and in consideration of the provisions of Article 106 of Decree-Law no. 18 of 17 March 2020 (the so-called "Cura Italia Decree"), with reference to the Ordinary Shareholders' Meeting, to be held at the Company's registered office at Via San Pietro 59/b, 43019 Castellina di Soragna (Parma, Italy), on first call **at 10:30 a.m. on 28 April 2020** and, if necessary, on second call on 29 April 2020, same time and place (the "**Shareholders' Meeting**"), in addition to what already indicated in the notice of call published on 6 March 2020, specifies what follows.

HOW TO PARTICIPATE AND HOW TO GRANT THE PROXY TO THE DESIGNATED REPRESENTATIVE

Pursuant to art. 106, paragraph 4 of the Cura Italia Decree, participation in the Shareholders' Meeting by those who have the right to vote takes place **exclusively through the Company Designated Proxy Holder** pursuant to art. 135-undecies of the TUF – Consolidated Law on Finance, to whom a proxy or sub-delegation must be granted, in the manner and under the conditions indicated below.

In this regard, the Company appointed Computershare S.p.A. – with registered office in Milan, via Mascheroni 19, 20145 – to represent the Shareholders according to art. 135-*undecies* of the TUF and the mentioned "Cura Italia" decree (the "**Designated Proxy Holder**").

In addition, given the current Covid-19 epidemiological emergency situation and in compliance with the fundamental principles of health protection, the Directors, Statutory Auditors, the Designated Representative, as well as other legitimate parties other than those who have the right to vote (who must grant proxy to the Designated Proxy Holder), may participate in the Shareholders' Meeting by means of telecommunications that also ensure their identification, in accordance with the provisions of Article 106, paragraph 2 of the "Cura Italia" Decree. The instructions for participating in the Shareholders' Meeting by means of telecommunications will be made known by the Company to the interested parties.

The persons with voting rights who intend to attend the Shareholders' Meeting must therefore grant the Designated Proxy Holder a proxy - with voting instructions - on all or some of the proposed resolutions regarding the items on the agenda using the specific proxy form, also electronic, prepared by the Designated Proxy Holder in agreement with the Company, available on Company's website www.servizitaliagroup.com (Corporate Governance> Shareholders' Meeting > 2020) where a link to a procedure for the electronic submission of the proxy is provided.

The proxy form with voting instructions must be submitted following the instructions on the form itself and on Company's website by the second trading day prior to the Shareholders' Meeting (i.e. by 24 April 2020 in relation to the first call or by 27 April 2020 in relation to the second call) and within the same terms the proxy may be revoked. The proxy, thus conferred, is effective only for proposals in relation to which voting instructions have been given.

It should be noted that the shares for which the proxy has been conferred, even partially, are calculated for the purposes of the regular constitution of the Shareholders' Meeting. In relation to proposals for which no voting instruction has been given, shares are not counted for the purposes of calculating the majority and the amount of capital required for resolutions approval.

It should also be noted that the Designated Proxy Holder may also be granted proxies or sub-delegations pursuant to art. 135-novies of the TUF, as an exception to art. 135-*undecies*, paragraph 4 of the TUF in the manner and within the terms indicated in the mentioned Company's website.

The granting of the proxy to the Designated Proxy Holder does not entail any expenses for the delegating party (except for any shipping costs). The Designated Proxy Holder will be available for clarification or information at 02-46776819 or at the e-mail address ufficiomi@computershare.it.

RIGHT TO ASK QUESTIONS ON ITEMS ON THE AGENDA

Pursuant to art. 127-*ter* of the TUF, the persons entitled to vote may ask questions on the items on the agenda, even before the Shareholders' Meeting, by sending them to the Company within 21 April 2020, by registered letter addressed to the registered office of the Company, or **preferably by certified e-mail** to si-servizitalia@postacert.cedacri.it. In order to exercise this right, the Company must receive the appropriate communication issued by the intermediaries who are the upholders of the shares.

Questions duly received by 21 April 2020 will be answered at the latest during the Shareholders' Meeting, with the right of the Company to provide a single answer to questions having the same content, **as well as to publish the answers on the Company's website** at www.servizitaliagroup.com (Corporate Governance> Shareholders' Meeting > 2020) before the beginning of the meeting.

All the other information contained in the Notice of Call published by the Company on 6 March 2020, pursuant to and within the terms set out in current legislation, to which reference should be made, remains unchanged.

Please note that, for any further information relating to the Shareholders' Meeting, and in particular on how to exercise the rights, you can consult the website www.servizitaliagroup.com (Corporate Governance> Shareholders' Meeting > 2020) or write to the attention of the Corporate Services Department at the address PEC si-servizitalia@postacert.cedacri.it.

Finally, Shareholders are invited to prefer the use of telecommunications means (certified electronic mail and Company's website) for sending and consulting the documentation relating to the Shareholders' Meeting.

Considering the current Covid-19 epidemiological emergency and its currently unforeseeable development, the Company reserves itself the right to communicate any change to the information contained in this notice by virtue of the above indications in the interest of the Company and its Shareholders.

This supplement to the notice of call is published today on Company's website www.servizitaliagroup.com (Corporate Governance > Shareholder Meeting > 2020) and is available on eMarket Storage system at www.emarkestorage.com.

Castellina di Soragna, Parma, IT, 24 March 2020

The Chairman of the Board of Directors

Signed - Roberto Olivi

COMPANY OFFICERS AND CORPORATE INFORMATION

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

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

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

(*) On 7 January 2020, Enea Righi, CEO and Vice-Chairman, resigned. On the same date, the Board of Directors appointed Director Ilaria Eugeniani as Vice-Chairman of the Board of Directors and appointed an Executive Committee composed of Directors Roberto Olivi, Ilaria Eugeniani and Michele Magagna.

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 2022)

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

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

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

Registered offices and company information

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

Investor Relations

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

GROUP STRUCTURE

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

As at 31 December 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 Ltda	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	14,930,000	100%(*)
Maxlav Lavanderia Especializada S.A.	Jaguariúna, State of São Paulo - Brazil	BRL	2,825,060	65,1%(*)
Vida Lavanderias Especializada S.A.	Santana de Parnaiba, State of São Paulo - Brazil	BRL	3,600,000	65,1%(*)
Aqualav Serviços De Higienização Ltda	Vila Idalina, Poá, State of São Paulo - Brazil	BRL	15,400,000	100%(*)
SIA Lavanderia S.A. in liquidation	Manaus, State of 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.	Smyrna - 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

Here below the associates and joint ventures companies, measured using the equity method in the consolidated financial statements:

Company name Associates and Jointly-controlled Companies	Registered office	Share capital		Interest of equity investment
Arezzo Servizi S.c.r.l.	Arezzo - Italy	EUR	10,000	50%
PSIS S.r.l.	Padua - Italy	EUR	10,000,000	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	13,517,000	51%
Shubhram Hospital Solutions Private Ltd.	New Delhi - India	INR	305,171,720	51%
Finanza & Progetti S.p.A.	Vicenza - Italy	EUR	550,000	50%
Brixia S.r.l.	Milan - Italy	EUR	10,000	23%
Saniservice Sh.p.k.	Tirana – Albania	LEK	2,745,600	30%
Sanitary cleaning Sh.p.k.	Tirana – Albania	LEK	2,798,800	40%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MAD	122,000	51%
Idsmed Servizi Pte. Limited	Singapore – Singapore	SGD	1,000,000	30%
StirApp S.r.l	Modena – Italy	EUR	208,124	25%

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

Directors' report

This Directors' report includes the data regarding the separate and consolidated financial statements as at 31 December 2019, prepared in compliance with the IAS/IFRS. The Group's main financial highlights as at 31 December 2019 are shown below, compared with those of the previous year.

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

SERVIZI ITALIA S.p.A.

The separate financial statements of Servizi Italia S.p.A. disclose a shareholders' equity of Euro 139,026 thousand. The profit for the year was equal to Euro 8,020 thousand, recognised after current and deferred taxes for Euro 437 thousand and Euro 43,941 thousand for amortisation, depreciation, impairments and provisions.

1 Main income statement figures

The table below shows a comparison of the main 2019 income statement figures with the results for 2018 (in thousands of Euros):

(thousands of Euros)	31 December 2019	31 December 2018	Change	Change % on turnover	31 December 2019 (*)
Revenues	212,811	212,501	310	0.1%	212,811
Ebitda[(a)]	52,596	53,312	(716)	-0.3%	48,425
Ebitda %	24.7%	25.1%			22.8%
Operating profit (EBIT)	8,655	10,529	(1,874)	-0.9%	7,670
Operating profit (EBIT)%	4.1%	5.0%			3.6%
Profit before tax	7,583	11,159	(3,576)	-1.7%	8,285
Profit before tax %	3.6%	5.3%			3.9%
Net profit	8,020	11,214	(3,194)	-1.5%	8,599
Net profit %	3.8%	5.3%			4.0%

[(a)] 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 exclude the effects of application of IFRS 16

Following the adoption of IFRS 16, lower rents were recorded for Euro 4,171 thousand, higher depreciation/amortisation for Euro 3,186 thousand, higher financial expense for Euro 1,687 thousand and lower taxes for Euro 123 thousand, compared to an income statement drawn up with uniform accounting standards with respect to the annual financial statements as at 31 December 2018. In relation to the provisions of IAS 37 with regard to onerous contracts, an allocation to the provisions for risks was recognised for Euro 2,568 thousand and to deferred tax assets for Euro 729 thousand. Furthermore, a revision in the estimated useful life of certain asset classes was made, in accordance with the provisions of IAS 16, such as packed linen, hotel linen and mattresses, resulting in a total decrease in depreciation for Euro 4,947 thousand.

2 Main statement of financial position figures

The table below presents a comparison of the main consolidated statement of financial position figures as at 31 December 2019 with the figures as at 31 December 2018, and as at 1 January 2019 inclusive of the effect of first-time adoption of IFRS 16 (in thousands of Euros):

(thousands of Euros)	31 December 2019	1 January 2019	Change	Change %	31 December 2018
Net operating working capital[a]	(1,722)	5,615	(7,337)	-130.7%	5,615
Other current assets/liabilities[b]	(14,439)	(12,661)	(1,778)	14.0%	(12,661)
Net working capital	**(16,161)**	**(7,046)**	**(9,115)**	**129.4%**	**(7,046)**
Non-current assets - medium/long-term provisions	268,500	257,859	10,641	4.1%	225,948
of which Rights of use under IFRS 16	*29,236*	*31,911*	(2,675)	-8.4%	-
Net invested capital	**252,339**	**282,724**	**(30,385)**	**-10.7%**	**218,902**
Shareholders' equity (B)	139,026	139,600	(574)	-0.4%	139,600
Net financial debt[d] (A)	113,312	111,213	2,099	1.9%	79,302
of which Rights of use under IFRS 16	*29,872*	*31,911*	(2,039)	-6.4%	
Net invested capital[c]	**252,339**	**282,724**	**(30,385)**	**-10.7%**	**218,902**
Gearing [A/(A+B)]	**44.9%**	**44.3%**			**36.2%**
Debt/Equity (A/B)	**81.5%**	**79.7%**			**56.8%**

[a] *Net operating working capital is not an accounting measurement under the IFRSs endorsed by the European Union. 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] *Company management has defined net invested capital as the sum of Shareholders' equity and net financial debt.*

[d] *Company 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.*

3 Main cash flow figures

The table below presents a comparison between the main separate cash flow figures as at 31 December 2019 and as at 31 December 2018 (in thousands of Euros):

(thousands of Euros)	31 December 2019	31 December 2018	Change
Cash flow generated (absorbed) by operations	53,758	52,560	2,241
Net cash flow generated (absorbed) by investment activities	(49,724)	(48,903)	(821)
Net cash flow generated (absorbed) by financing activities	(3,542)	(3,500)	(1,086)
Increase/(decrease) in cash and cash equivalents	492	157	334
Opening cash and cash equivalents	1,671	1,514	157
Closing cash and cash equivalents	2,162	1,671	491

SERVIZI ITALIA GROUP

The consolidated financial statements as at 31 December 2019 present Group shareholders' equity of Euro 134,653 thousand and shareholders' equity attributable to non-controlling interests of Euro 3,604 thousand. The result for the year was a profit of Euro 9,514 thousand. This result was achieved after current and deferred tax for Euro 462 thousand and Euro 54,538 thousand for amortisation, depreciation, impairments and provision.

The companies, consolidated line-by-line in the financial statements for the period ended 31 December 2019, were as follows:

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

Steritek S.p.A., a joint-stock company established in 1999 with its registered office in Malagnino (CR), the leading Italian supplier of system validation and control services for sterilization processes and surgical instrument washing systems. The consolidation of Steritek S.p.A. generated sales revenues for Euro 3,084 thousand, an EBITDA of Euro 722 thousand, an EBIT of Euro 622 thousand and a profit pertaining to the Group of Euro 291 thousand.

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

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

The companies are involved in the supply of laundry services in the health sector in the State of São Paulo and the different brands meet the requirements in terms of textile processing services for hospitals and healthcare facilities. The consolidation of the companies in the Brazil perimeter generated sales revenues for Euro 31,923 thousand, EBITDA for Euro 10,451 thousand and EBIT for Euro 2,789 thousand and a loss pertaining to the Group for Euro 358 thousand, also considering the effect of financial expense connected to the remeasurement of debt for the put option of minority shareholders of the companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A. for Euro 1,385 thousand.

Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, a company in which Servizi Italia S.p.A. holds a 55% stake, with the subsidiary (with a 57.5% stake) Ergülteks Temizlik Tekstil Ltd. Sti. with registered office in Smyrna, is a leading company subject to Turkish law, based in Ankara and active through the brand "Ankara Laundry" in the laundry washing sector for healthcare facilities mainly located in central-western Turkey. The consolidation of the companies of the Turkish perimeter generated sales revenues for Euro 7,866 thousand, EBITDA for Euro 2,530 thousand and EBIT for Euro 1,947 thousand and a profit pertaining to the Group for Euro 325 thousand.

Wash Service S.r.l., company acquired on 27 February 2019 and 90% owned, 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. The consolidation of Wash Service S.r.l., starting from the acquisition date, generated sales revenues for Euro 6,449 thousand, an EBITDA of Euro 610 thousand, a negative EBIT of Euro 169 thousand and a loss pertaining to the Group of Euro 160 thousand.

Ekolav S.r.l., company acquired on 19 July 2019 and 100% owned, operating mainly in the offer of wash-hire services of flat linen, guest linen and staff clothing, particularly for nursing homes, retirement facilities, hospital facilities and industrial clients. The consolidation of Ekolav S.r.l., starting from the acquisition date, generated sales revenues for Euro 2,010 thousand, an EBITDA of Euro 337 thousand, an EBIT of Euro 26 thousand and a loss pertaining to the Group of Euro 28 thousand.

1 Statement of reconciliation between separate and consolidated financial statements

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

(thousands of Euros)	2019 Profit (Loss)	2019 Shareholders' Equity	2018 Profit (Loss)	2018 Shareholders' Equity
Profit (loss) and shareholders' equity of the parent company	**8,020**	**139,026**	**11,214**	**139,600**
Profit (loss) and shareholders' equity of the subsidiaries	2,684	61,885	1,433	50,216
Elimination of equity investments in consolidated subsidiaries	(467)	(78,975)	(263)	(68,106)
Consolidation differences due to goodwill	-	25,782	-	23,351
Other surplus value emerging at the time of acquisition	23	134	147	154
Registration of options on non-controlling interests	(1,837)	(7,098)	(454)	(4,430)
Valuation of associated companies and joint ventures with the equity method	1,091	(2,497)	43	(2,547)
Consolidated profit (loss) and shareholders' equity	**9,514**	**138,257**	**12,120**	**138,238**
Allocation of non-controlling interests profit (loss) and shareholders' equity	(524)	(3,604)	(520)	(2,163)
Group profit (loss) and shareholders' equity	**8,990**	**134,653**	**11,600**	**136,075**

2 Main consolidated income statement figures

The table below shows a comparison of the main figures of 2019 consolidated Income Statement with those of 2018 consolidated Income Statement (in thousands of Euros):

(thousands of Euros)	31 December 2019	31 December 2018	Change	Change % on turnover	31 December 2019 (*)
Revenues	262,403	250,908	11,495	4.6%	262,403
Ebitda[a]	68,387	64,423	3,964	1.5%	62,797
Ebitda %	26.1%	25.7%			23.9%
Operating profit (EBIT)	13,849	14,354	(505)	-0.2%	12,492
Operating profit (EBIT)%	5.3%	5.7%			4.8%
Profit before tax	9,976	12,678	(2,702)	-1.0%	10,907
Profit before tax %	3.8%	5.1%			4.2%

Net profit	9,514	12,120	(2,606)	-1.0%	10,246
Net profit %	3.6%	4.8%			3.9%

[(a)] *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.*

(*) Economic results exclude the effects of application of IFRS 16

Following the adoption of IFRS 16, lower rents were recorded for Euro 5,590 thousand, higher depreciation/amortisation for Euro 4,233 thousand, higher financial expense for Euro 2,288 thousand and lower taxes for Euro 199 thousand, compared to an income statement drawn up with uniform accounting standards with respect to the annual financial statements as at 31 December 2018. In relation to the provisions of IAS 37 with regard to onerous contracts, an allocation to the provisions for risks was recognised for Euro 2,568 thousand and to deferred tax assets for Euro 729 thousand. Furthermore, a revision in the estimated useful life of certain asset classes was made, in accordance with the provisions of IAS 16, such as packed linen, hotel linen and mattresses, resulting in a total decrease in depreciation for Euro 5,219 thousand.

3 Main consolidated statement of financial position figures

The table below presents a comparison of the main consolidated statement of financial position figures as at 31 December 2019 with the figures as at 31 December 2018, and as at 1 January 2019 inclusive of the effect of first-time adoption of IFRS 16 (in thousands of Euros):

(thousands of Euros)	31 December 2019	1 January 2019	Change	Change %	31 December 2018
Net operating working capital[(a)]	6,644	7,957	(1,313)	-16.5%	7,957
Other current assets/liabilities[(b)]	(18,852)	(13,102)	(5,750)	43.9%	(13,102)
Net working capital	**(12,208)**	**(5,145)**	**(7,063)**	**137.3%**	**(5,145)**
Non-current assets - medium/long-term provisions	277,873	259,727	18,146	7.0%	225,578
of which Rights of use under IFRS 16	*35,783*	*34,149*	1,634	4.8%	-
Invested capital	**265,665**	**254,582**	**11,083**	**4.4%**	**220,433**
Shareholders' equity (B)	138,257	138,238	19	0.0%	138,238
Net financial debt[(d)] (A)	127,408	116,344	11,064	9.5%	82,195
of which Financial liabilities under IFRS 16	*36,258*	*34,149*	2,109	6.2%	-
Invested capital[(c)]	**265,665**	**254,582**	**11,083**	**4.4%**	**220,433**
Gearing [A/(A+B)]	**48.0%**	**45.7%**	**(1,313)**	**-16.5%**	**37.3%**
Debt/Equity (A/B)	**92.2%**	**84.2%**			**59.5%**

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

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

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

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

4 Main consolidated cash flow figures

The table below presents a comparison between the main consolidated cash flow figures as at 31 December 2019 and as at 31 December 2018 (in thousands of Euros):

(thousands of Euros)	31 December 2019	31 December 2018	Change
Cash flow generated (absorbed) by operations	60,449	61,376	(927)
Net cash flow generated (absorbed) by investment activities	(57,514)	(61,404)	3,890
Net cash flow generated (absorbed) by financing activities	(2,690)	(6)	(2,684)
Increase/(decrease) in cash and cash equivalents	245	(34)	279
Opening cash and cash equivalents	7,003	7,999	(996)

Effect of exchange rate fluctuations	107	962	(855)
Closing cash and cash equivalents	7,141	7,003	138

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

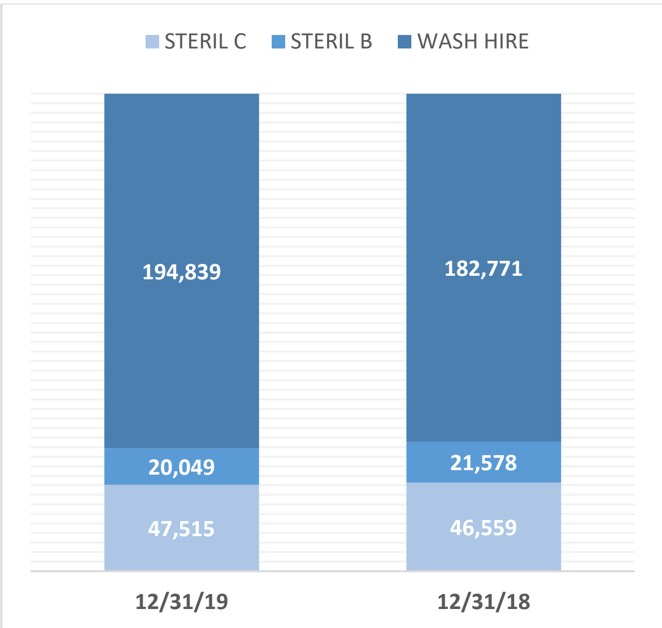
Servizi Italia S.p.A.'s business performance recorded revenues from sales and services in 2019 of Euro 212,811 thousand in total, essentially in line with the results recorded in 2018.

The consolidated turnover of the Servizi Italia Group was equal to Euro 262,403 thousand, with a 4.6% increase with respect to 2018, with the following performance by sector and region:

- Revenues from wash-hire services (which account for 74.3% of Group revenues in absolute terms) increased from Euro 182,771 thousand in 2018 to Euro 194,839 thousand in 2019, up 6.6%, mainly driven by growth in foreign turnover (+9.3% in Brazil and +19.4% in Turkey), as well as the acquisitions of Wash Service S.r.l., Ekolav S.r.l. and the business unit relative to Lavanderia Bolognini M&S S.r.l. (extraordinary transactions which in 2019 contributed to greater revenues for approximately Euro 13,218 thousand). With regard to the increase in foreign revenues, 2019 confirms excellent organic growth in local currency (+12.0% in Brazil and +33.0% in Turkey), only partly impacted by the effect of negative exchange rate translation with regard to both the Brazilian Real (negative exchange rate of 2.7% on revenues of Brazil) and the Turkish Lira (negative exchange rate impact of 13.6% on revenues of Turkey).

- Revenues from the linen sterilisation services (steril B) (which account for 7.6% of Group revenues in absolute terms) increased from Euro 21,578 thousand in 2018 to Euro 20,049 thousand, up 7.1%, mainly due to the termination of contracts in the Friuli and Emilia Romagna regions, in addition to the decrease in certain supplies to foreign countries.

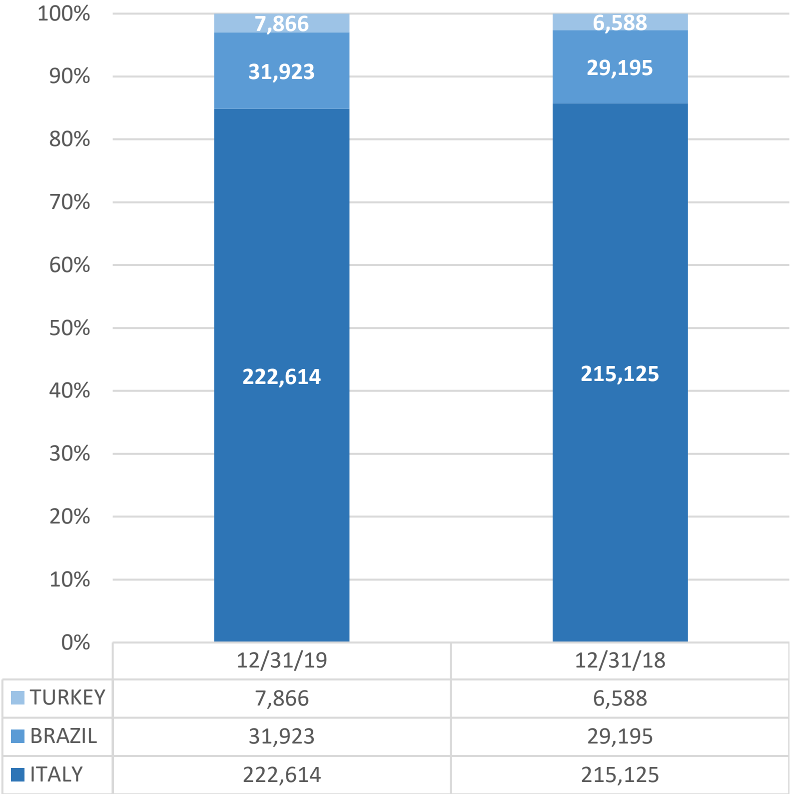
- Revenues from surgical instrument sterilisation services (steril C) (18.1% of Group revenues) increased by +2.1% from Euro 46,559 thousand in 2018 to Euro 47,515 thousand in 2019. Also impacting growth is the new sector of "turnkey" supplies, global service and project financing of healthcare facilities, focussed on setting up operating rooms.



The table below shows revenues from sales and services of the Servizi Italia Group, broken down by region, for the years ending on 31 December 2019 and 2018:

(thousands of Euros)	31 December 2019	%	31 December 2018	%	Changes
Revenues - Italy	222,614	84.8%	215,125	85.7%	3.5%
Revenues - Turkey	7,866	3.0%	6,588	2.6%	19.4%
Revenues - Brazil	31,923	12.2%	29,195	11.6%	9.3%
Sales revenues	**262,403**	**100.0%**	**250,908**	**100.0%**	**4.6%**

As previously indicated, the 2019 revenues from the Brazil region showed particularly positive organic growth in local currency (+12.0% compared to 2018), partly impacted by a negative translation effect (-2.7%, for a net growth in revenues during the year of +9.3%), due to depreciation of the Brazilian Real against the Euro. Revenues from Turkey also showed particularly positive organic growth in local currency (+33.0%), in turn impacted by a negative translation effect (-13.6%, for a net growth in revenues during the year of +19.4%).



Business performance

Servizi Italia S.p.A.

In 2019, Servizi Italia S.p.A. recorded a separate **EBITDA** of Euro 52,596 thousand (24.7% against turnover for the period), compared to Euro 53,312 thousand in 2018 (25.1%). Note that higher than expected start-up costs were sustained during the year, connected to the launch of wash-hire activities in the hotel sector (where a diversification process began at the end of 2018). In fact, by removing the effect of incorporation of the business unit relative to Lavanderia Bolognini M&S S.r.l., which took place in October 2018, the impact of 2019 EBITDA on revenues would rise to 25.1%. Weighing on the EBITDA for the year are higher external transport and logistics costs in particular. Compared to the prior year, in 2019 Servizi Italia S.p.A. also recorded growth of approximately 0.4% in energy costs (electricity and gas) compared to the turnover for the period and an increase in the impact of personnel costs (+0.5%) connected to incorporation of the Bolognini business unit as well as growth in staff, in line with the growth strategies and objectives.

In 2019, **EBIT** was Euro 8,655 thousand (4.1% against turnover for the period), compared to Euro 10,529 thousand in 2018 (5.0%).

The above change in EBIT, net of the positive effect resulting from application of IFRS 16 for Euro 985 thousand, is primarily attributable to two opposing effects. On the one hand, we have higher costs for Euro 2,568 thousand, connected to the allocation of provisions for risks as required by IAS 37 with regard to onerous contracts and, on the other, we recognise the effects of the revision in the estimated useful life of certain asset classes, such as packed linen, hotel linen and mattresses, resulting in a total decrease in depreciation for Euro 4,947 thousand.

Profit before tax decreased from Euro 11,159 thousand to Euro 7,583 thousand, down by 1.7% in terms of percentage of revenues. Financial management highlighted an increase in financial income in 2019 for Euro 282 thousand, predominantly for default interest collected during the year and discounts from suppliers. Financial expenses, net of the effect of IFRS 16 for Euro 1,687 thousand, are down compared to 2018 by approximately 12%. To be recorded under the item Income/(expense) from valuation of equity investments are the effects of the valuations based on the equity method, in relation to the equity investments in subsidiaries, including the impact of remeasurement of the put option (Euro 1,385 thousand) recognised upon acquisition to the minority shareholders of the companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A., whose right to sell may be exercised within third quarter 2020. Also to be noted is income from equity investments for Euro 550 for remeasurement at fair value of the investment in Ekolav S.r.l. held prior to the date of acquisition of control, as it is a business combination operation carried out in several phases, in accordance with IFRS 3, and the write-down of the investment in Shubhram Hospital Solutions Private Ltd. for Euro 759 thousand, following the results of the impairment test conducted on the carrying amount of the same, recognised in the Company's financial statements.

The separate financial statements as at 31 December 2019 closed with a **net profit** equal to Euro 8,020 thousand compared to Euro 11,214 thousand in 2018, for 1.5% decrease, in terms of incidence on revenues.

Servizi Italia Group

In 2019, the Group recorded a consolidated **EBITDA** of Euro 68,387 thousand, up compared to Euro 64,423 thousand in 2018, with an improvement in terms of percentage of revenues, at 26.1% in 2019 compared to 25.7% in the prior year. Note that the 2019 EBITDA benefits from the accounting effect of application of the new IFRS 16 accounting standard. Furthermore, the results for the period benefit from the positive performance of foreign operations consolidated on a line-by-line basis (Brazil and Turkey), but they are also impacted by the higher than expected start-up costs sustained during the year, connected to the launch of wash-hire activities in the hotel sector (where a diversification process began at the end of 2018), particularly with regard to logistics costs for transport and warehouse management

(+0.3%). In 2019, the Group also recorded a decline in the impact of cost of raw materials, offset by a 0.5% increase in costs for energy supply services.

In 2019, **EBIT** was Euro 13,849 thousand (5.3% against turnover for the period, or 6.0% at the same consolidation perimeter and exchange rate), compared to Euro 14,354 thousand in 2018 (5.7%). In addition to the trends already described in the comment on the change in EBITDA, the 2019 EBIT compared to 2018, net of the positive effect of application of IFRS 16 for Euro 1,357 thousand, includes higher costs for the allocation of provisions as required by IAS 37 with regard to onerous contracts, for Euro 2,568 thousand, and the effects of the revision in the estimated useful life of certain asset classes (such as packed linen, hotel linen and mattresses), resulting in a total decrease in depreciation of Euro 5,219 thousand.

Profit before tax went from Euro 12,678 thousand in 2018 to Euro 9,976 thousand in 2019, down by 1.2% in terms of incidence on revenues. Financial management showed essentially stable financial income. Excluding the higher costs for interest expense following application of IFRS 16, financial expenses are up compared to the same period in the prior year, mainly due to an increase in rates on the Turkish financial market and to the adjustment in debt (for Euro 1,385 thousand) as a result of the put option held by minority shareholders of the Brazilian companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A. (whose right to sell may be exercised within third quarter 2020). Also to be noted is income from equity investments for Euro 468 thousand for remeasurement at fair value of the investment in Ekolav S.r.l. held prior to the date of acquisition of control, as it is a business combination operation carried out in several phases, in accordance with IFRS 3.

Taxes for the period totalled Euro 462 thousand, with an incidence on the pre-tax result of 4.6%, up slightly compared to 4.4% as at 31 December 2018, mainly due to the progressive use of the cumulative effect of tax benefits deriving, in the Italian area, from deduction of the so-called "super-amortisation and hyper-amortisation" on investments from company income, as required by the 2017 Budget Law (Law no. 232/2016).

The consolidated financial statements as at 31 December 2019 closed with a **net profit** of Euro 9,514 thousand, compared to Euro 12,120 thousand in 2018, with an incidence on revenues that fell from 4.8% in 2018 to 3.6% in 2019.

Servizi Italia Group investments

Group investments in 2019 amounted to around Euro 57 million, down slightly with respect to the approximately Euro 60 million in 2018.

During the year 2019, particular mention goes to a reduction of approximately Euro 5.6 million in purchases of linen and technical fabrics, dropping from Euro 37.3 million in 2018 to about Euro 31.7 million in 2019 (55% of the total investments made). This decrease is related to both lower investments made in linens in Italy (higher in 2018 also due to the facilities in the Liguria region), as well as to the Group's propensity to constantly improve the efficiency of its procurement process, including through increasingly widespread systems to track linens.

In terms of business line, wash-hire is confirmed at the segment with the highest investments, equal to Euro 52.3 million (90% of the total). In 2019, these investments regarded the area of Italy in particular and were connected to purchases of linen with integrated tracking systems, systems to read this new equipment and the supplies necessary for management of the hotel sector business line. Investments in the plant of Barbariga (BS) were also made during the year, aimed at enabling the launch of processing of the new segment of uniforms. Note that a portion of the investments in intangible and tangible assets, on the domestic front, have benefited from deduction of the so-called "super-amortisation and hyper-amortisation", as required by the 2017 Budget Law (Law 232/2016).

In particular, the facilitated investments were made in the following production sites in particular:

- Arco di Trento (Trento, Italy): launch of a reorganisation project for the site dedicated to the hotel line, through installation of the "Omnibus" packaging line, of the MES software system to manage tracking of linens. These investments involve, through electronic systems integrated and interconnected with production, processing and movement of linens, improvement of the production flow in the following processing areas: i) linen delivery department, ii) linen washing department, iii) linen ironing, packaging and shipment department. To complete the reorganisation project of the site in Arco di Trento, a Flux Star dosage system was installed for the tunnel washers and washer-extractors, in order to ensure the dosage by flow meters for each line.
- Barbariga (Brescia, Italy): launch of an automated reorganisation project of the site dedicated to the Workwear line, through installation of the hanging system, of the automated transport system for handling of the "Metricon" linens, of a system aimed at optimising the steam drying process of the garments, consisting of a double fan system, and a system for the automated folding, sorting and stacking of garments. To complete the reorganisation project of the production site in Barbariga, the construction of a plant for the purification of wastewater from the production process has been envisaged, integrated with the factory system.

The investments related to the line of the sterilisation of surgical instruments were around Euro 3.5 million, down with respect to 2018 (Euro 4.0 million). Greater investments in relation to surgical instruments for the Circolo di Varese hospital and the Cona hospital of Ferrara were recorded in 2019.

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 for hospital facilities, nursing homes and retirement facilities. On 27 February 2019, the Group completed its acquisition of 90% of the share capital of Wash Service S.r.l. and simultaneously announced the closing of the transaction on said date.

On 7 March 2019, the Group announced that in February 2019 an exceptional malfunction occurred within the primary data centre, located at the facilities of the data hosting and network connectivity service provider. This made part of the Group's accounting information system unavailable, resulting in the loss of part of the accounting records for the 2018 financial year. The procedures to restore the compromised machines and IT system, as well as reconstruct the accounting information up the date of the incident, thanks to data available on management and auxiliary systems that were not affected by the malfunction, were completed successfully. The IT incident in no way detracted from the ordinary operations of the Group and the services provided to customer structures.

On 21 March 2019, the Group announced to have signed a binding agreement to acquire 25.0% 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 segment, it recently signed service contracts with some important companies in the industrial and financial sector.

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

On 30 May 2019, the Shareholders' Meeting

- ordinary session: (i) approved the financial statements of the Parent Company ended 31 December 2018 and the distribution of a gross single dividend of Euro 0.16, excluding treasury shares in the portfolio; (ii) renewed authorisation for the purchase and disposal of treasury shares, in accordance with the proposal by the Board of Directors, upon revocation of the authorisation to purchase and dispose of treasury shares resolved on 20 April 2018 for the unused portion;

- 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 standards for companies and organisations that intend to guarantee and affirm their ethics and compliance with regard to respect and protection of human rights and the rights of workers, the fight against child labour and the protection of wellbeing and safety of employees in the workplace.

On 19 July 2019, the Group announced its acquisition of the remaining 50% of share capital of Ekolav S.r.l., company based in the Tuscany region and operating mainly in the offer of wash-hire services of flat linen, guest linen and staff clothing, particularly for nursing homes, retirement facilities, hospital facilities and industrial clients. The acquisition of control will allow Servizi Italia to fully consolidate the results of Ekolav S.r.l. and implement several operating measures aimed at sustaining growth in revenues and margins, as well as generate production and commercial synergies with the Group.

On 29 July 2019, Junta Comercial di San Paolo approved the process for termination of the company Steriliza Serviços de Esterilização S.A. in liquidation.

The Company was unsuccessful in the call for tenders launched by the Lazio Region for management of the wash-hire services in the Region's hospitals. Consequently, as early as in the month of August and up to 30 November 2019, the laundry plant in Ariccia (Rome) recorded a decrease in volumes processed and, consequently, an impact on sales revenues, employment of workers and, therefore, margins.

Since the provisional award phase, the Company had pursued all defensive measures deemed useful at the relative offices against the unfavourable outcome of the award, and it appealed against the first instance rulings in relation to lots 3 (Spallanzani and San Camillo) and 7 (Frosinone and Latina). The Council of State, after an appeals meeting, published sentence no. 7446 on 30 October 2019, rejecting the Company's appeal. It should be noted that the Company evaluated, by the deadline of 31 January 2020 and with the contribution of its legal advisors, the existence of conditions to lodge an appeal for revocation, and decided not to proceed with the appeal. Note that the Lazio Region decided, pursuant to the provisions of Art. 32, paragraph 11 of Legislative Decree no. 50/2016, to proceed in any case with stipulation of the contracts with the successful bidders.

Given the progressive decline in volumes, the Company promptly launched a plan of remedial action on the sustainability of a reorganisation, in order to contain the economic impact and safeguard employment at the Ariccia (Rome) production site. The plan envisaged:

1) commercial measures aimed at recovering volumes to process in the laundry plant;
2) constant interaction with the trade unions and trade union representatives in order to reduce operating times at the production plants and the contractual hours of employees. For additional information, see the Industrial Relations section.

On 20 December 2019, the Company announced that the Board of Directors examined, on the same date, an initial analysis of the preliminary data for the year 2019, presented by the CEO. The announcement highlighted the fact that the Italian market of industrial laundry facilities, the segment in which Servizi Italia S.p.A. operates, is undergoing a structural decline linked to a number of specific critical factors in the health services sector, such as the awarding of contracts with increasingly low bids. Within this scenario of market decline, the following also occurred: (i) non-renewal of the contract to provide wash-hire services to hospitals of the Lazio Region, in relation to which the Lazio Region decided, pursuant to the provisions of Art. 32, paragraph 11 of Legislative Decree no. 50/2016, to proceed with stipulation of the contracts with the successful bidders; (ii) renewal of the contracts in Emilia Romagna and Lombardy at lower prices. Although the Company has not disclosed to the market any forecasts or estimates regarding the possible results for 2019, the Board of Directors' meeting held on 20 December 2019, having taken note of an initial analysis of the preliminary data for 2019 presented by the CEO, deemed it prudent, with a view to timely and transparent market disclosure, to announce that the analyses revealed a reduction in revenues and margins expected by the Servizi Italia Group in fourth quarter 2019, compared to the figures in the Interim Report as at 30 September 2019, for the wash-hire business segment. For additional information, see the press release.

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

Customer	Service provided	Duration years	Contract value per year (thousands of Euros)
Regione Emilia Romagna Intercenter (Area Modena)*	Wash-hire services	5	3,800
Regione Emilia Romagna Intercenter (Area Parma)*	Wash-hire service	5	3,500
Regione Emilia Romagna Intercenter (Area Reggio E.)*	Wash-hire service	5	3,700
Istituto Burlo Garofalo di Trieste**	Surgical instruments sterilisation service	6 months	168
Azienda Ospedaliera Nazionale SS. Antonio e Biagio e Cesare Arrigo di Alessandria**	Wash-hire service for uniforms and personal protective equipment for "118" emergency services operators	2	65
Azienda Pubblica di Servizi alla Persona Centro Residenziale Abelardo Collini – Pinzolo*	Wash-hire service for flat linen and uniforms	2	64
APSS Casa di Riposo San Vigilio – Fondazione Bonazza*	Wash-hire service for flat linen and uniforms	2	92
Opere Pie Devoto Marina Sivori – Lavagna (awarded as part of a temporary joint consortium)*	Wash-hire and mattress 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.**	Wash-hire and laundry service for high-visibility uniforms	3	68
ARCA S.p.A. – ASST Fatebenefratelli e Sacco*, ASST Melegnano e della Martesana*, ASST Vimercate**, Fondazione IRCCS Cà Granda ospedale Maggiore Policlinico** and ASST Valtellina e Alto Lario**	Wash-hire service	4	5,233
Fondazione Pitsch APSP*	Wash-hire service and delivery of flat linen	3	131
ASL Roma 6*	Sterilisation service and rental of surgical instruments 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 service	5	1,006
Arca S.p.A. – ASST Mantova*	Wash-hire service	5	1,197
Arca S.p.A. – ASST Crema*	Wash-hire service	5	576
APSP Levico Curae**	Flat linen wash-hire service	2	91
Arca S.p.A. – ASST Spedali Civili di Brescia*	Wash-hire service	5	1,582
Arca S.p.A. – ASST Cremona*	Wash-hire service	5	946
Arca S.p.A. – ASST Franciacorta*	Wash-hire service	5	571
Antica Scuola dei Battuti*	Linen wash-hire service, internal logistics and linen storage	2	307
Arca S.p.A. - ASST dei Sette Laghi*	Sterilisation service for the Hospital of Varese, and rental and maintenance of surgical instruments for the hospitals of Varese, Filippo del Ponte di Varese and Tradate	9	2,459
ETRA S.p.A.**	Laundry, sanitisation and maintenance service for uniforms and high-visibility personal protective equipment	2	120
Metropolitana Milanese S.p.A.**	Rental, collection, conditioning and return of personal protective equipment	4	279
Arca S.p.A. – ASST Pavia*	Wash-hire and related services	5	1,119
SETA S.p.A.**	Wash-hire service for uniforms and high-visibility personal protective equipment	3	73
ASST Rhodense**	Wash-hire service	5	400
ASPS Fondazione Comunità di Arco*	Rental, collection, washing, drying, folding and ironing of flat linen	14 months	71

* renewed
** new customer

The contracts that ended during the reference period are outlined below:

Customer	Service provided	Contract value per year (thousands of Euros)
Terme di Comano (TN)	Wash-hire services	130
ASST Valcamonica	Wash-hire services	622
ASL Frosinone	Wash-hire services	1,752
INMI Spallanzani – Rome	Wash-hire services	300
IFO Regina Elena – Rome	Wash-hire services	480
ASL Roma 3	Wash-hire services	896
AO San Camillo Forlanini – Rome	Wash-hire services	3,194
Nuovo Robbiani srl - Cremona	Wash-hire services	*

San Raffaele – Rome	Wash-hire services	*

* private customer

Treasury shares

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

Research & Development activities

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

Transactions with parent companies and associates

Servizi Italia S.p.A.'s transactions with subsidiaries, associates, 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 Financial Statements, in section 8.

It should also be noted that, in addition to the Regulations adopted by Consob by means of resolution no. 17221 dated 12 March 2010, as amended, on 24 November 2010, the Board of Directors approved the Regulations for related party transactions, subsequently updated on 13 November 2015, 12 May 2017 and 14 November 2018, which are both posted on Company's website.

Significant events after the end of the year

On 7 January 2020, the Company announced the resignation of its CEO Mr. Enea Righi from every office, function and role covered in the Company and in any other company of the Servizi Italia Group. The Board of Directors, upon consultation with the Nomination and Remuneration Committee, activated the succession planning policy and assigned the management powers to an Executive Committee consisting of Roberto Olivi (Chairman of the Board of Directors), Ilaria Eugeniani (Director, appointed Vice-Chairman of the Board of Directors) and Michele Magagna (Director), assisted by the Chief Operating Officer Andrea Gozzi. For additional information, see the press release.

On 23 January 2020, the Company announced that it called the Board of Directors' meeting to approve the draft separate financial statements and consolidated financial statements as at 31 December 2019 for 13 March 2020. It also announced that the Shareholders' Meeting would take place on 28 April 2020 (First Call).

The SARS-Cov-2 viral epidemic (known as Coronavirus), which first occurred in Italy at the end of January 2020, has imposed the need to contain epidemiological development as much as possible, leading to changes in hospital procedures and activities with regard to hygiene guarantees for medical and nursing staff, for wards and in-patients designated for the treatment of infections caused by the Coronavirus.

The activities of the Group and, in particular, of the Parent Company, which operates in strict compliance with the relevant regulations, are impacted by the evolution of the contingent epidemiological situation.

At present, for the Parent Company, which carries out its own production activities of washing, reconditioning and logistic handling of textiles and sterilisation of surgical instruments, the effects of the events in progress are resulting in:

- an increase in the reconditioning of hospital textiles, in particular the uniforms of health workers, as well as an increase in equipment compared to that agreed in the various centres of use;
- a reduction in production activities in the sterilisation plants due to the fact that many hospitals have reduced the number of scheduled surgeries in their strategy to contain the virus;
- possible shifts of production activities between the Group's various operating sites with available production capacity.

The combination of these factors is producing evolving economic effects, the monitoring of which by management is expected to lead to the definition of additional fees to cope with different cost dynamics compared to the ordinary nature of the contracts currently in place.

On 5 March 2020, the Board of Directors appointed Roberto Olivi as Director responsible for the internal control and risk management system ad interim. This role had been previously held by the outgoing CEO.

As at 31 December 2019, the Company had acquired a total of 874,211 treasury shares on the market regulated and managed by Borsa Italiana S.p.A., equal to 2.748% of the share capital.

Business outlook

The activities of the Group are affected by the general conditions of the economy in the countries in which it operates. In particular, the Italian market of industrial laundry facilities is undergoing a structural decline linked to a number of specific critical factors in the health services sector, such as the awarding of contracts with increasingly low bids, the effects of which have impacted the Parent Company with the non-renewal of contracts in the portfolio and the awarding of contracts already in the portfolio at lower prices. Management therefore believes that, despite forecasts of a largely positive overall operating margin in the foreseeable future, medium-term operations will be affected by a reduction in revenues in the domestic wash-hire sector and a decline in operating margins which, in part, can be offset by further growth of the sectors with higher margins and by measures already planned to increase production efficiency and optimisation, allowing these operating margins to recover. Furthermore, the Group as a whole may benefit from the effects of the internationalisation strategy, consolidating the positive results obtainable in the countries where it operates, particularly Brazil and Turkey.

Derivatives

As at 31 December 2019 and 31 December 2018, the Group held no derivatives. Some companies not wholly-owned and therefore not consolidated on a line-by-line basis have taken out derivative financial instruments to hedge the risk of fluctuations in interest rates on loans taken out as part of project financing, given the significant amount of financial commitments undertaken and the over ten-year duration of the same. The economic and financial effects of such derivatives are incorporated into the valuations of equity investments in the companies that hold them.

Company Headquarters

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

City	Address	City	Address
Arco (TN)	Via Linfano, 6	Palermo (PA)	Piazza Nicola Leotta, 4
Ariccia (RM)	Via Nettunense Km 8, 100	Pavia di Udine (UD)	Viale Grado, 51
Ariccia (RM)	Via Quarto Negroni, 58	Piacenza (PC)	Via Machiavelli, 29
Barbariga (BS)	Strada Statale Quinzanese, 2	Podenzano (PC)	Via Primo Maggio, 123
Bergamo (BG)	Piazza Org. Mond. Sanità, 1	Prato (PO)	Via Ugo Foscolo, 7
Brescia (BS)	Piazzale Spedali Civili, 1	San Daniele del Friuli (UD)	Viale Trento Trieste, 2
Cividale del Friuli (UD)	Piazzale dell'Ospedale, 2	San Dorligo della Valle (TS)	Via Travnik, 20
Crema (CR)	Via Largo Ugo Dossena, 2	Sarzana (SP)	Via Cisa SN
Ferrara (FE)	Via Aldo Moro, 8	Travagliato (BS)	Via Sambrioli, 1
Florence (FI)	Lungo Rio Freddo, 15	Treviso (TV)	Via Concordia, snc
Genoa (GE)	Largo Rosanna Benzi, 10	Treviso (TV)	Piazza Hospital, 1
Genova Bolzaneto (GE)	Via Albisola, snc	Udine (UD)	Piazzale Maria della Misericordia, 15
Lastra a Signa (FI)	Via Livornese, 68	Varese (VA)	Via Luigi Borri, 57
Messina (ME)	Via Consolare Valeria, 1	Varna (BZ)	Via Forch, 11
Milan (MI)	Via Michelangelo Buonarroti, 48	Vimercate (MB)	Via SS Cosma e Damiano, 10
Modena (MO)	Via Giardini, 1355	Zibido San Giacomo (MI)	Via Castoldi, 5
Montecchio Precalcino (VI)	Via Palugara, 22	Zibido San Giacomo (MI)	Via Castoldi, 11

Servizi Italia and the financial markets

The Company shares have been traded 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 31 December 2019 are reported below, along with share volume and price trends (in Euros):

Share and stock exchange data	31 December 2019
No. of shares making up the share capital	31,809,451
Price at IPO: 4 April 2007	€ 8.50
Price as at 31 December 2019	€ 2.99
Maximum price during the period	€ 4.14
Minimum price during the period	€ 2.40
Average price during the period	€ 3.32
Volumes traded during the period	11,822,432
Average volumes during the period	46,914

Share volumes and prices as at 31 December 2019

In 2019, the Investor Relations Team held several individual and group meetings with analysts and investors and also organised guided tours of the sterilisation centres and industrial laundering sites for shareholders and potential investors who so requested. During the year, the Company met with investors at the "STAR Conference" event in London, organised by Borsa Italiana.

In addition to the research study by Specialist Intermonte SIM, the Group also appointed Midcap Partners (Appointed rep by Louis Capital Markets UK, LLP).

For information purposes, note that, although the Shareholders' Equity of Servizi Italia S.p.A. is higher than the market capitalisation of the stock as at 31 December 2019, it is not considered an indicator of impairment, also given the impairment test results subsequently presented.

Report on corporate governance and ownership structure

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

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

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

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

Consolidated non-financial disclosure: 2019 sustainability report

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

Risk management information

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

- risk governance and risk culture;
- strategy and definition of risk targets;
- risk analysis;
- risk information, communication and reporting;
- monitoring of the performance of the risk model.

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

1. Business objectives:

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

2. Governance objectives:

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

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

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

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

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

For the performance of its activities, 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 at achievement of the business objectives.

Every six months, the results of the activities carried out 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 correctly monitoring the risks identified in all activities, which is an essential condition to preserve the trust of 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 propensity 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 social, environmental and governance risks (ESG).

1 Risk Factors

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

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

1.1 Strategic and policy risks

Market risk and sector competition

The activities of the Group are affected by the general conditions of the Italian economy. Continuation of the economic crisis could expose the Group to several types of risks of a macroeconomic nature, deriving for example from changes in the political, social economic and regulatory systems of the country in which it operates. In particular, in Italy, for the sector in which the Group operates, there could be restrictions on the services provided, due to spending reviews by the Ministry of Health and reorganisation of the health care facilities in the different Regions that requires changes to the type of public health procurement (demand organised by aggregating entities: regional commissioning centres, CONSIP, etc.) and/or contractual conditions (Quality/Price), specifically the critical nature of the healthcare services sector. However, it is the phenomenon of awarding contracts at increasingly lower prices that could lead the Group to consider not submitting bids at economically unsustainable sales prices. A slowdown in consumption and/or the non-submission of bids at economically unsustainable prices could have a negative impact on the Group's sales performance, leading to a decline in production volumes and causing significant uncertainty with regard to the future outlook, with the consequent risk that more modest performance may impact margins over the short term. To mitigate the possible negative impact that a lower demand may have on its profitability, the Group plans to pursue a strategy of diversification of its services, thereby increasing the offer; moreover, it has set up a managing structure that, through project management and project control activities, pursues objectives of organisational and operational efficiency in order to maintain the levels of margins and profitability of the business in general.

Country risk

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

Risks associated with growth

The Group aims at continuing to grow through a strategy based on strengthening its presence in the markets in which it operates. Within this strategy, the Group may have to face some challenges in managing possible adjustments to the structure or business model. Finally, if the growth of the Group is pursued through external actions such as acquisition operations, it is possible that it may have to face, inter alia, difficulties connected to the correct measurements and integration of the acquired assets, as well as not achieving the expected synergies which may negatively reflect on the asset and on the future economic-financial results of the Group. For the purpose of mitigating these risks, the Group has set up a number of internal processes for safeguarding the approval and valuation phases of the investment initiatives. The processes, in addition to the appropriate formal procedures, provide for due diligence operations, aimed, among other things, at verifying compliance of business partners with the ethics standards of the Group, binding contracts, multi-level internal authorisation processes, more effective project management and project control activities which are carried out by management to promptly implement any possible changes and therefore minimise the economic or financial impact that may derive from the events described above.

1.2 Risks associated with the outside environment

Risks associated with customers' orders

The Group aims at achieving its internal growth in the markets where it operates, through a strategy that includes the awarding of service contracts through public calls for tender or private negotiations, which are regulated by laws that differ from country to country. More specifically, the contracts executed with customers generally have a multi-annual duration, with the possibility, at the end of the first natural expiry date, of an extension for an additional period, normally of the same duration as the initial one; this allows the Group to plan its future activities. However, there are no certainties about the Group being able to maintain the same relationship as a contractual vendor and no certainties about the fact that the new public calls for tender or other private negotiations will offer technical-economic conditions of interest to the Group; this may cause negative and significant effects on the business and on the economic, equity and financial position of the Group. With regard to the contracts in the portfolio, there is no concentration in their maturities, also taking into account that the Group is recognised as a key partner for public and private healthcare facilities in the countries in which it operates, through: (i) an offer portfolio that meets the explicit and implicit requirements of customers; (ii) the provision of high-quality services and their monitoring through the RFID technology applied to distribution and traceability issues; (iii) constant dialogue with the customer focused on improvement of services; (iv) research and development activities. On an ongoing basis, the Group adopts mitigation strategies for the risks connected to customer orders, in order to reduce the possibility of negative impacts on its consolidated results over time (in terms of lower revenues as well as lower margins). To mitigate "operating/process" risks, management plans and implements organisational and industrial restructuring and efficiency measures for operations, in order to improve margins and profitability. Furthermore:

Mitigation of the risk of non-awarding of contracts:

- formulation of a technical-economic and administrative offer to clients that satisfies the requirements expressed and implicit in the specifications/requests for offer;
- ongoing search for the best communication strategy towards the commissioning body within the technical report describing the organisation and the disbursement of services;

- high-quality proposals for the sampling of the subject goods of the service (e.g. textile goods, also traceable) and a supply chain that adopts responsible and sustainable purchasing criteria;
- demonstrations, upon request by the commissioning body, of the technical proposal and its simulations;
- research and development of technology, in order to provide sustainable services throughout the chain of services. Ongoing research is viewed as a premium service for commissioning bodies that have implemented programmes for the purchase of sustainable services with low environmental and energy impact;
- planning, in the offer drafting phase, of internal organisational restructuring and efficiency measures for operations throughout the services chain, in order to define economically sustainable prices for the service requested, safeguarding respect of the regulations and of responsible and sustainable purchasing criteria;
- accuracy of information/documentation provided to the commissioning body.

Mitigation of the risk of contractual withdrawal and/or application of penalties:

- provision of high-quality services and their monitoring through RFID technology applied to distribution and traceability issues. This technology, deemed rewarding, provides the Company and the commissioning body with a quantitative assessment and optimal management of stock levels, in order to guarantee just-in-time provisioning, proper use of the subject assets of the service and respect of the agreements on provision of the service (quantities and delivery times);
- ongoing relationship with the client aimed at improving services and customer satisfaction, respecting the role of the parties in accordance with ethical and responsible conduct.

Risks associated with the competition

The competitive map of the markets where the Group operates differs from country to country. In particular: (i) the Italian market is highly competitive due to the presence of different operators in the sector of the services offered; (ii) the Brazilian market, due to the growing penetration rate of the demand for services, has witnessed the development of the competition map represented by operators, who through external growth operations, have strengthened their positions in some areas of the country, and by other family-based and small-sized operators, with a limited capacity of self-financing and relatively ineffective management models; (iii) the market of the other countries where the Group operates at this time is not characterised by a significant competitive map. It is not possible to exclude that the intensification of the level of competition in the sector of the services in which the Group operates may condition activities in the future and have significantly negative impacts on operations and on income, the financial position and cash flows. The Group deals with this risk by offering innovative services of proven quality in rigorous compliance with regulations. During 2020, the Parent Company is also expected to draw up and adopt Guidelines on Antitrust compliance pursuant to the regulations in effect.

Risks associated with changes in sector legislation

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

1.3 Financial risks

Interest rate risk

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

Credit risk

Receivables due from public institutions are certain in terms of collectability and, by nature, have a very low risk of loss, while those from private customers are exposed to greater uncertainties. The Group has adopted procedures for the ongoing monitoring of its exposure to different counterparties and has implemented adequate measures for risk mitigation through procedures for the recovery of doubtful receivables using legal assistance if the filing of legal actions is required.

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

Price risk

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

Exchange rate risk

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

With reference to transactional risk, under the co-ordination of the Administration, Finance and Audit divisions, the Group handles the exposure to foreign exchange rate risk on certain currency flows (Brazilian Real, Turkish Lira, Indian Rupee and Albanian Lek) as regards development investments in Brazil, Turkey, India and Albania in order to minimise any possible negative effect. With regard to translation risk, the Group policy provides for exchange rate risk to be hedged only if it has a significant impact on the cash flows with respect to the reference currency. The costs and risks associated with a hedging policy must be acceptable both from a financial and commercial standpoint and accordingly the Group has decided not to enter into hedging transactions on exchange rates since no inflows of foreign capital are envisaged over the short term.

Liquidity risk

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

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

1.4 Process risks

Risks associated with related party transactions

Transactions with related parties are regulated in compliance with the provisions of the Regulations approved by Consob with resolution no. 17221 of 12 March 2010, as subsequently amended, and the Regulations for Transactions with Related Parties approved by the Board of Directors of Servizi Italia S.p.A. on 24 November 2010, subsequently amended on 13 November 2015, 12 May 2017 and 14 November 2018. The Servizi Italia Group has transactions outstanding with related parties (as defined by international accounting standard IAS 24); these transactions have been analysed in the specific supplementary annual and consolidated income statement and statement of financial position schedules as at 31 December 2019 and stated in detail in the related notes. The "Regulations for related party transactions" contain the rules that govern the identification, approval and execution of related party transactions implemented by Servizi Italia S.p.A., directly or via subsidiaries, for the purpose of ensuring the transparency and accuracy, both essential and procedural, of said transactions.

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

The Group is exposed to risks related to the type of activities implemented as well as the methods of providing services. In particular, the linen and surgical instrument sterilisation activity consists of the careful execution of all activities necessary to ensure that the service/product is effective and safe for the final user. Any defects in the business process could generate liability vis-à-vis the customers or third parties and give rise to subsequent requests for damage compensation. Accordingly, the Company has taken out insurance policies to cover these risks, in line with sector practice, to cover the liability: (i) in relation to the product, and (ii) civil vis-à-vis third parties and workers in the sterilisation centres.

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

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

The Group has adopted the management and organisation model envisaged by Italian Legislative Decree No. 231/2001 for the purpose of creating a system of rules aimed at preventing the adoption of unlawful conduct by senior management, executives or in any event those with decision-making powers deemed significant for the purpose of application of this legislation. Servizi Italia deems that it has adopted the utmost diligence for the purpose of implementing the provisions as per Italian Legislative Decree No. 231/2001; however, no certainty exists with regard to the fact that the model adopted may be considered suitable by the legal authority possibly called to check the cases contemplated by said legislation. If such cases should occur, and in the event of an unlawful event, the Company's exemption from liability is not recognised on the basis of the provisions contained in said decree, it is envisaged that the Company, in any event and for all the unlawful acts committed, will be fined, as well as, for more serious cases, be subject to disqualification measures, such as disqualification from carrying out activities, suspension or revocation of authorisations, licences or concessions, prohibition from contracting with public administration authorities, exclusion from loans, grants and subsidies and possible revocation of those already granted and, in conclusion, prohibition from publicising goods and services, with consequent significant negative impacts on the Group's economic and financial results. The Group, to control the risk: (i) in Italy, has adopted, since 2006, tools such as the Code of Ethics and the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, along with a whistleblowing procedure; (ii) at the foreign subsidiaries, with the promotion to adopt a Code of Ethics and a group policy based on an analysis of the risks of the company processes, prepared a set of procedures, regulations and formats to ensure preventive monitoring of processes at risk of unlawful acts and corruption, auditing by the Parent Company, auditing by third parties and training programmes for employees, aimed at acquiring knowledge of and applying the prevention system.

The consolidated non-financial disclosure and 2019 sustainability report, to which reference is made, also indicate the management methods and mitigation measures for ESG risks (Environmental compliance risks, Physical risks linked to climate change, Transition risks liked to climate change, Risks linked to health and safety in the workplace, Risks related to corruption).

Information on proceedings in progress

Servizi Italia S.p.A. has proceedings in progress for the administrative liability of legal entities - pursuant to Italian Legislative Decree no. 231 of 2001 - for an alleged violation of Art. 319 of the Italian Criminal Code. This is deemed as an offence and was brought against two former directors (involved as executive bodies with spending power within Servizi Italia as of the date of the facts), concerning the awarding of a tender issued by AOU Policlinico di Modena for a nine-year "Global Service" contract, through 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 by 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.) as principals. Servizi Italia S.p.a., 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 so at the legal proceedings, pending and in the debate phase. It should be noted that a director currently in office in Servizi Italia is also involved in the above proceedings (as an executive body with spending power in companies belonging to the Coopservice Group), although this fact relates to another economic operator outside of the Servizi Italia Group and belonging to the Coopservice Group. Note that no precautionary or disqualification measures have been taken against the subject individuals to date, and the commissioning body has neither revoked the contract nor indicated that it intends to assess the possible revocation of the contract. The Company, having carried out the necessary verifications and assessed, on the one hand, the soundness of its defensive arguments and, on the other, the uncertainty and unreliability of the current estimate of possible economic damage, has not yet decided to make provisions in the financial statements.

Human resources and industrial relations

The workforce of Servizi Italia Group, including employees of consolidated companies, as at 31 December 2019, was as follows:

Company	Executives	Middle managers	White-collar staff	Blue-collar staff	Total
Servizi Italia S.p.A.	12	32	179	1,723	1,946
Steritek S.p.A.	-	-	21	-	21
Lavsim Higienização Têxtil S.A.	1	10	43	337	391
Maxlav Lavanderia Especializada S.A.	4	1	12	423	440
Vida Lavanderias Especializada S.A.	-	-	4	136	140
Aqualav Serviços De Higienização Ltda	-	2	4	209	215
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	2	1	5	218	226
Ergülteks Temizlik Tekstil Ltd. Sti.	-	-	3	129	132
Wash Service S.r.l.	-	-	9	48	57
Ekolav S.r.l.	-	-	8	49	57
TOTAL	**19**	**46**	**288**	**3,272**	**3,625**

1 Industrial relations

In 2019, talks continued with the Trade Union Organisations and the company workers' representatives with the aim of defining shared solutions to satisfy the changing market requirements, through the identification of measures aimed at increasing flexibility in the organisation of work and streamlining staff, with a view to greater efficiency and integration.

With this in mind, given the unsuccessful outcome of the call for tenders launched by the Lazio Region, mentioned in the section Significant events and transactions, during the period indicated above, the

Human Resources Department drew up a plan to safeguard the employment levels, aimed at avoiding closure of the plant in Ariccia (Rome).

Following the joint assessment pursuant to Art. 4, paragraph 7, of Law 223/91 at the offices of the Lazio Region, measures were defined to reduce the total number of redundancies, through a decrease in contractual working hours and incentives for retirement.

Furthermore, in 2019, the Human Resources Department, in accordance with the new SA8000 regulations, launched discussions with the Trade Union Organisations to promote and launch the Social Performance Team (SPT) committee, which is tasked with:

- conducting a formal assessment of the risks linked to the SA8000 standard;

- monitoring activities;

- collaborating in the application of corrective and preventive measures and verification of efficacy.

Lastly, on 17 July 2019, negotiations began for renewal of the National Collective Labour Agreement.

The Human Resources Director participated in talks with the Trade Union Organisations, actively collaborating in the promotion of an innovative industrial policy, paying particular attention to the issues of labour costs and contractual dumping, in order to protect the high qualitative production standards that have always been a distinctive feature of the Company.

2 Training and development

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

In 2019, the Group provided approximately 11,709 hours of training, and 3.23 hours per capita per employee. Some 84% of training hours involved blue-collar staff, while 16% involved the remaining positions.

For additional information on the issues concerning personnel training and development, refer to the Consolidated Non-financial Disclosure, 2019 Sustainability Report.

Other information

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 aforementioned Consob Regulation at the time of significant mergers, 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 periodic information, meeting the obligations specified for 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 notice no. 7578 issued by Borsa Italiana on 21 April 2016.

Allocation of the profit (loss) for the year

Dear Shareholders,

Acknowledging that the net profit for the year is equal to Euro 8,019,702, the Board of Directors asks you to approve the separate financial statements for the year ended 31 December 2019 and to allocate the profit for the year according to the proposal made in the notes to the separate financial statements, that is:

- a maximum amount of Euro 4,453,323 to distribution to the shareholders, corresponding to ordinary dividends per share, gross of legal withholdings, equal to 14 Euro cents for the shares in circulation, excluding treasury shares in the portfolio;
- Euro 1,012,644 to the valuation reserve for equity investments by using the equity method;
- to carry forward the residual profit for the year.

It also proposes to allocate Euro 239,097 from the valuation reserve for equity investments by using the equity method to profit carried forward as the restrictions on distribution as dividends no longer apply.

The dividend will be paid as from 13 May 2020, with ex-dividend date on 11 May 2020, and will be paid to the shares that are in circulation as of that date.

The Chairman of the Board of Directors
(Roberto Olivi)

Separate Financial Statements

as at 31 December 2019

Servizi Italia

SERVIZI ITALIA S.P.A.
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Share Capital: Euro 31,809,451 fully paid-up
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STATEMENT OF FINANCIAL POSITION

(Euros)	Note	31 December 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**	131,263,731	-	98,758,194	-
Intangible assets	**6.2**	3,974,693	-	3,606,461	-
Goodwill	**6.3**	44,575,157	-	44,575,158	-
Equity-accounted investments	**6.4**	57,532,230	-	48,783,671	-
Equity investments in associates, joint ventures and other companies	**6.5**	30,344,594	-	30,195,315	-
Financial receivables	**6.6**	6,726,223	*4,149,604*	7,174,096	*4,330,098*
Deferred tax assets	**6.7**	3,919,046	-	2,021,647	-
Other assets	**6.8**	3,529,413	-	4,281,329	-
Total non-current assets		**281,865,087**		**239,395,871**	
Current assets					
Inventories	**6.9**	5,027,385	-	4,905,719	-
Trade receivables	**6.10**	61,159,715	*13,330,834*	70,646,460	*14,801,178*
Current tax receivables	**6.11**	1,899,376	-	1,746,450	-
Financial receivables	**6.12**	9,190,279	*6,827,974*	8,239,421	*5,870,763*
Other assets	**6.13**	6,319,444	-	6,181,123	-
Cash and cash equivalents	**6.14**	2,162,045	-	1,671,329	-
Total current assets		**85,758,244**		**93,390,502**	
TOTAL ASSETS		**367,623,331**		**332,786,373**	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	**6.15**	30,935,240	-	31,429,575	-
Other reserves and retained earnings	**6.15**	100,071,225	-	96,956,248	-
Profit (loss) for the year		8,019,702	-	11,213,803	-
TOTAL SHAREHOLDERS' EQUITY	**6.15**	**139,026,167**		**139,599,626**	
LIABILITIES					
Non-current liabilities					
Due to banks and other lenders	**6.16**	62,276,691	-	34,984,947	-
Deferred tax liabilities	**6.17**	1,892,728	-	1,805,242	-
Employee benefits	**6.18**	9,167,248	-	9,822,648	-
Provisions for risks and charges	**6.19**	1,115,342	-	-	-
Other financial liabilities	**6.20**	1,189,425	-	1,819,563	-
Total non-current liabilities		**75,641,434**		**48,432,400**	
Current liabilities					
Due to banks and other lenders	**6.16**	62,387,994	-	54,227,340	-
Trade payables	**6.21**	67,909,475	*10,105,738*	69,937,124	*11,931,942*
Current tax payables	**6.22**	-	-	-	-
Other financial liabilities	**6.23**	4,668,681	*2,460,000*	3,460,000	*2,460,000*
Provisions for risks and charges	**6.19**	1,452,816			
Other payables	**6.24**	16,536,764	-	17,129,883	-
Total current liabilities		**152,955,730**		**144,754,347**	
TOTAL LIABILITIES		**228,597,164**		**193,186,747**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**367,623,331**		**332,786,373**	

INCOME STATEMENT

(Euros)	Note	31 December 2019	*of which with related parties (Note 8)*	31 December 2018	*of which with related parties (Note 8)*
Sales revenues	**7.1**	212,811,478	*16,480,207*	212,501,450	*17,047,213*
Other income	**7.2**	5,514,745	*1,819,550*	6,054,410	*1,953,244*
Raw materials and consumables	**7.3**	(21,684,484)	*(124,183)*	(21,906,787)	*(604,612)*
Costs for services	**7.4**	(70,665,272)	*(24,904,085)*	(71,067,424)	*(25,380,988)*
Personnel expense	**7.5**	(72,118,786)	*(828,967)*	(70,904,440)	*(4,565,981)*
Other costs	**7.6**	(1,261,850)	-	(1,364,881)	*(15,284)*
Depreciation/amortisation, impairment and provisions	**7.7**	(43,941,149)	*(32,209)*	(42,783,066)	-
Operating profit		**8,654,682**		**10,529,262**	
Financial income	**7.8**	1,643,206	*476,732*	1,361,166	*578,509*
Financial expenses	**7.9**	(2,800,484)	-	(1,258,570)	-
Share of profit/loss of equity-accounted investments	**6.4**	928,144	-	262,781	-
Income/(expense) from equity investments	**7.10**	(842,896)	*388,144*	264,768	*121,140*
Profit before tax		**7,582,652**		**11,159,407**	
Current and deferred taxes	**7.11**	437,050		54,396	
Profit (loss) for the year		**8,019,702**		**11,213,803**	

STATEMENT OF COMPREHENSIVE INCOME

(Euros)	Note	31 December 2019	31 December 2018
Profit (loss) for the year		**8,019,702**	**11,213,803**
Other comprehensive income that will not be reclassified to the Income Statement			
Actuarial gains (losses) on defined benefit plans	**6.18**	(261,954)	131,360
Portion of comprehensive income of the investments measured using the equity method			
Income taxes on other comprehensive income	**6.7** **6.17**	62,869	(31,526)
Other comprehensive income that may be reclassified to the Income Statement			
Portion of comprehensive income of the investments measured using the equity method	**6.4**	(1,831,248)	(7,619,133)
Income taxes on other comprehensive income			-
Total other comprehensive income after taxes		**(2,030,333)**	**(7,519,299)**
Total comprehensive income for the period		**5,989,369**	**3,694,504**

STATEMENT OF CASH FLOWS

(Euros)	Note	31 December 2019	*of which with related parties (Note 8)*	31 December 2018	*of which with related parties (Note 8)*
Cash flow generated (absorbed) by operations					
Profit (loss) before tax		7,582,652	-	11,159,409	-
Payment of current taxes		(535,627)	-	(652,339)	-
Depreciation/amortisation	**7.7**	40,761,603	-	42,213,714	-
Impairment and provisions	**7.7**	3,179,547	-	569,352	-
Gains/losses on equity investments	**6.4 7.10**	(85,248)	-	(527,549)	-
Gains/losses on disposal	**7.2 7.6**	(235,428)	-	(232,358)	-
Interest income and expense accrued	**7.8 7.9**	1,157,277	-	(102,596)	-
Interest income collected	**7.8**	299,688	-	444,608	-
Interest expense paid	**7.9**	(959,823)	-	(1,009,073)	-
Interest paid on liabilities for leasing	**7.9**	(1,686,930)	-	-	
Provisions for employee benefits	**6.18**	(255,721)	-	323,366	-
		49,221,990	-	**52,186,534**	-
(Increase)/decrease in inventories	**6.9**	(121,666)	-	(602,244)	-
(Increase)/decrease in trade receivables	**6.10**	4,432,905	*1,470,344*	(972,880)	*(1,278,891)*
Increase/(decrease) in trade payables	**6.21**	595,020	*(1,826,204)*	4,588,881	*(1,939,448)*
Increase/(decrease) in other assets and liabilities		388,069	-	(1,303,509)	-
Settlement of employee benefits	**6.18**	(759,735)	-	(1,336,804)	-
Cash flow generated (absorbed) by operations		**53,756,583**	-	**52,559,978**	-
Net cash flow generated (absorbed) from investment activities in:					
Intangible assets	**6.2**	(1,327,085)	-	(611,404)	-
Property, plant and equipment	**6.1**	(39,650,799)	-	(38,814,910)	-
Dividends received	**7.10**	617,241	-	663,169	-
Sale of equity investments		-	-	14,847	-
Purchase of equity investments	**6.4 6.5**	(9,362,972)	-	(10,154,379)	-
Net cash flow generated (absorbed) by investment activities		**(49,723,615)**	-	**(48,902,677)**	-
Cash flow generated (absorbed) from financing activities in:					
Financial receivables	**6.6 6.12**	(76,354)	*(776,717)*	(178,715)	*342,012*
Net (purchase)/sales of treasury shares	**6.15**	(1,554,745)	-	(1,360,781)	-
Dividends paid	**6.15**	(5,008,083)	-	(5,405,813)	-
Share capital increase	**6.15**	-	-	-	-
Current liabilities to banks and other lenders	**6.16**	5,645,957	-	7,651,798	-
Non-current liabilities to banks and other lenders	**6.16**	(65,168)	-	(4,206,072)	-
Reimbursement of liabilities for leasing		(2,483,859)	-	-	-
Cash flow generated (absorbed) from financing activities		**(3,542,252)**	-	**(3,499,583)**	-
(Increase)/decrease in cash and cash equivalents		**490,716**		**157,718**	
Opening cash and cash equivalents	6.14	**1,671,329**		**1,513,611**	
Incorporated cash		**-**		**-**	
Closing cash and cash equivalents	6.14	**2,162,045**		**1,671,329**	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(thousands of Euros)	Share capital	Share premium reserve	Legal reserve	Retained earnings	Translation reserve	Profit (loss) for the year	Total Shareholders' Equity
Balance as at 1 January 2018	**31,798,901**	**53,249,795**	**5,365,734**	**45,782,358**	**(7,706,982)**	**13,822,067**	**142,311,873**
Allocation of profit from the previous year	-	-	691,103	7,725,151	-	(8,416,254)	-
Distribution of dividends	-	-	-	-	-	(5,405,813)	(5,405,813)
Acquisition non-controlling interests	-	-	-	359,843	-	-	359,843
Treasury share transactions	(369,326)	(991,455)	-	-	-	-	(1,360,781)
Profit (loss) for the year	-	-	-	-	-	11,213,803	11,213,803
Other components of comprehensive income	-	-	-	99,834	(7,619,133)	-	(7,519,299)
Balance as at 31 December 2018	**31,429,575**	**52,258,340**	**6,056,837**	**53,967,186**	**(15,326,115)**	**11,213,803**	**139,599,626**
Balance as at 1 January 2019	**31,429,575**	**52,258,340**	**6,056,837**	**53,967,186**	**(15,326,115)**	**11,213,803**	**139,599,626**
Allocation of profit from the previous year	-	-	560,690	5,645,030	-	(6,205,720)	-
Distribution of dividends	-	-	-	-	-	(5,008,083)	(5,008,083)
Acquisition non-controlling interests	-	-	-	-	-	-	-
Treasury share transactions	(494,335)	(1,060,410)	-	-	-	-	(1,554,745)
Profit (loss) for the year	-	-	-	-	-	8,019,702	8,019,702
Other components of comprehensive income	-	-	-	(199,085)	(1,831,248)	-	(2,030,333)
Balance as at 31 December 2019	**30,935,240**	**51,197,930**	**6,617,527**	**59,413,131**	**(17,157,363)**	**8,019,702**	**139,026,167**

EXPLANATORY NOTES

Introduction

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

These financial statements were approved on 13 March 2020 by the Board of Directors, which authorised their publication.

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

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

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

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

IFRS accounting standards, amendments and interpretations applied as from 1 January 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, Regulation 2017/1986 was published, which adopts **IFRS 16 - Leases**, aimed at improving 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 replaces. Leases are defined as contracts that confer the right to control a specific asset ("right of use"), for a pre-specified period of time, in exchange for a consideration. The new standard, however, eliminates for the lessee the need under IAS 17 to distinguish between operating and finance lease. All of the different cases are brought back to a single category, distinguishing leasing agreements from service agreements by identifying the following distinguishing factors: asset identification, right of replacement of the asset, right to obtain substantially all the economic benefits deriving from the use of the asset and right to control the use of the asset underlying the agreement.

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

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

- a financial liability, equal to the current value of the residual future payments at the transition date, discounted by 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 effects of adoption of IFRS 16 on the statement of financial position as at 1 January 2019 are outlined below:

(thousands of Euros)	**Effects as at 1 January 2019**
Non-current assets	
Land and buildings	30,979
Equipment	264
Other assets	668
Non-current liabilities	
Non-current financial liabilities for leases	29,620
Current liabilities	
Current financial liabilities for leases	2,291
Total effect on the equity reserves	-

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

- The Company reviewed all lease contracts and identified the lease term for each, which is indicated by the "non-cancellable" period, plus the effects of any extension or early termination clause whose exercise is considered to be reasonably certain. More specifically, for real estate, this valuation has taken into account the specific facts and circumstances of each asset. With regard to other asset categories, mainly company cars, the Company has usually concluded that the exercise of any extension or early termination clauses is unlikely, in view of the prevailing practices;
- Definition of the incremental borrowing rate: since most lease contracts stipulated 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 in Italy, increased by the

average spread applied by the banks to the Company, with maturity corresponding to the duration of the specific lease.

In adopting IFRS 16, the Company made use of the exemption granted by IFRS paragraph 16:5(a) in regard to short-term leases for the following asset classes:

- motor vehicles;
- plants and equipment.

Likewise, the Company used the exemption granted by IFRS 16:5(b) in regard to the lease contracts for which the underlying assets can be qualified as low-value assets (that is, the value as new of the assets underlying the lease agreement are worth less than Euro 5,000). The contracts for which the exemption was applied mainly fall into 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 continue to be recognised in the income statement under Costs for services, 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 the provisions of IFRS 16 were applied for the entire lease term considered (therefore including the effects of the extension or early termination clauses, the exercise of which is thought to be reasonably certain):

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

In order to provide an aid to understanding the impacts deriving from the first application of the standard, the following table shows a reconciliation between the future commitments relating to the lease contracts referred to above, and the impact deriving from the adoption of IFRS 16 as at 1 January 2019:

Reconciliation of commitments for leases *(thousands of Euros)*	1 January 2019
Operating lease commitments as at 31 December 2018	**45,838**
Minimum lease payments on finance lease liabilities as at 31 December 2018	-
Non-discounted finance lease liabilities as at 1 January 2019	**45,838**
Effect of discounting under IFRS 16	(13,927)
Finance lease liabilities as at 1 January 2019	**31,911**
Present value of finance lease liabilities as at 31 December 2018	31,911
Additional finance lease liabilities due to initial application of IFRS 16 as at 1 January 2019	-

- On 12 December 2017, the IASB published the document "**Annual Improvements to IFRS 2015-2017 Cycle**", implementing the changes to certain principles as part of the annual process for their improvement. The main amendments concern:
    - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendments clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. However, this process is not envisaged in the event of obtainment of joint control.
    - IAS 12 Income Taxes: the amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified under shareholders' equity) must be recorded consistently with the transaction that generated said profits (income statement, OCI or shareholders' equity).
    - IAS 23 Borrowing Costs: the amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, that borrowing becomes part of the funds used when calculating financing costs.

    The adoption of these amendments did not affect the Company's separate financial statements.

- On 7 February 2018, the IASB published the document "**Plant Amendment, Curtailment or Settlement" (Amendments to IAS 19).** The document clarifies how an entity must recognise an amendment, curtailment or settlement of a defined benefits plan. The amendments require an entity to update its assumptions and remeasure the net liability or asset deriving from the plan. The amendments clarify that, after the verification of said event, an entity uses updated assumptions to measure the current service cost and interest for the rest of the reference period after the event.
  Adoption of this new amendment had no impact on the Company's separate financial statements.

- On 12 October 2017, the IASB published the document "**Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**". The amendment clarifies the necessity to apply IFRS 9, including the requirements linked to impairment, to long-term interests in an associate or joint venture for which the equity method is not applied.
  Adoption of this new amendment had no impact on the Company's separate financial statements.

- On 7 June 2017, the IASB published the interpretative document "**Uncertainty over Income Tax Treatments (IFRIC Interpretation 23**). The interpretation addresses the uncertainties over income tax treatments. In particular, the interpretation calls for an entity to analyse uncertain tax treatments (individually or together, depending on the characteristics) by always assuming that the taxation authority will examine the subject tax position, having full knowledge of all relevant information when doing so. If the entity considers it unlikely that the taxation authority accept the tax treatment applied, the entity must reflect the effect of uncertainty in the measurement of its current and deferred income taxes. In addition, the interpretation does not contain any new disclosure requirements but underlines that the entity must assess whether it will be necessary to provide information on all the assumptions made by the management and

on the uncertainty inherent in the accounting for income tax, in accordance with IAS 1. This interpretation was applied as from 1 January 2019.
Adoption of this new amendment had no impact on the Company's separate financial statements.

- On 12 October 2017, the IASB published an amendment to **IFRS 9** "**Prepayment Features with Negative Compensation"**. This document specifies that the instruments that require an early repayment could respect the Solely Payments of Principal and Interest ("SPPI") test, also if the "reasonable additional compensation" to be paid in case of early repayment is a "negative compensation" for the lender.
  Adoption of this new amendment had no impact on the Company's separate financial statements.

IFRS accounting standards, amendments and interpretations approved by the European Union, not yet applicable on a mandatory basis and not adopted early by the Company as at 31 December 2019

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 Company's financial statements.

- On 31 October 2018, the IASB published the document **"Definition of Material (Amendments to IAS 1 and IAS 8)"**. The document has introduced a revised definition of "material" which is quoted in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The purpose of the amendment is to give a more specific definition of "material", and it introduces the "obscured information" concept alongside the concepts of omitted or misstated information already found in the two amended standards. The amendment clarifies that information is "obscured" if it is described in a way to produce for the primary readers of financial statements an effect similar to that which would have been produced if this information had been omitted or misstated.
  The changes were approved on 29 November 2019 and apply to all transactions subsequent to 1 January 2020.

  Directors do not expect any significant effect on the separate financial statements of the Company upon adoption of this amendment.

- On 29 March 2018, the IASB published an amendment to the "**References to the Conceptual Framework in IFRS Standards**". The amendment is effective for periods beginning 1 January 2020 or thereafter, but early adoption is permitted.
  The Conceptual Framework defines the fundamental concepts for financial disclosure and guides the Board in developing the IFRS standards. The document helps ensure that the standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, lenders and other creditors.

The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.
Directors do not expect any significant effect on the separate financial statements of the Company upon adoption of this amendment.

- On 26 September 2019, the IASB published the "**Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform***". This amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendments modify specific hedge accounting requirements, providing for temporary derogations in order to mitigate the impact of uncertainty with regard to the IBOR reform (still underway) on future cash flows during the period prior to its completion. The amendments also require additional disclosures related to hedges directly impacted by the uncertainties generated by the reform and to which such derogations apply.
  The amendments are effective from 1 January 2020, with early adoption permitted. Directors do not expect any effects on the separate financial statements of the Company upon adoption of this amendment.

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

At the reference date of this document report, the European Union had not yet concluded the approval process needed for the adoption of the amendments and standards described below.

- On 22 October 2018, the IASB published the document "**Definition of a Business (Amendments to IFRS 3)"**. The document provides some clarifications in regard to the definition of business for the purposes of correct application of IFRS 3. In particular, the amendment clarifies that, while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to satisfy the definition of business, an acquired set of activities and assets must at least include an input and a substantive process that together significantly contribute to the ability to create output. To this end, the IASB replaced the term "ability to create output" with "ability to contribute to the creation of an output", to underline that a business can exist even though all inputs and processes to create output are not present.

  The amendment also introduced an optional "concentration test", which rules out the presence of a business if the price paid essentially refers to a single activity or group of activities. The changes must be applied to all business combinations and asset acquisitions carried out after 1 January 2020, but early adoption is allowed.

As this amendment applied to new acquisitions completed from 1 January 2020, any effects will be recognised in the financial statements subsequent to said date.

Extraordinary transactions carried out during the year

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

On 27 February 2019, the Company acquired 90% of Wash Service S.r.l., company 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. The purchase price of the stake was Euro 5,002 thousand, partly already paid and partly to be paid in tranches up to 2022.

The purchase agreement envisages mutual put/call options that regulate the transfer of the residual 10% of Wash Service S.r.l., which can be exercised in 2024 and measured based on a formula linked to the company's economic performance in 2023 and to its net financial position as at the option exercise date, subject to minimum and maximum limits with respect to the acquisition price. As at the end of the year, given that the estimated exercise price of the options is essentially equal to the fair value attributable to the underlying minority interest, a null value was assigned to the put/call options.

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

On 19 July 2019, the Group purchased the remaining 50% of share capital of Ekolav S.r.l., company based in the Tuscany region and operating mainly in the offer of wash-hire services of flat linen, guest linen and staff clothing, particularly for nursing homes, retirement facilities, hospital facilities and industrial clients. The purchase price of the stake was Euro 600 thousand, paid fully as at the date of this report.

Since this involves a business combination carried out in stages, in accordance with IFRS 3, steps were taken to recalculate the interest previously held in Ekolav S.r.l. at fair value, equal to Euro 50 thousand and corresponding to 50% of the share capital, recognising a gain of Euro 550 thousand in the separate financial statements.

1 Core business

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

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

2 The Company as part of a group

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

3 Accounting standards and basis of preparation

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

A. Property, plant and equipment

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

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

The useful life of the company's linen used in the production process has been estimated and revised annually, taking into consideration numerous factors that may affect it, such as the wear and tear deriving from use and from the washing cycles. These factors are subject to variations over time, due to their very nature.

The quantitative and qualitative analyses conducted during the year, also based on a retrospective analysis supported by data acquired from the information systems, resulted in a revision to the estimated useful life of the following asset categories, referring solely to the financial statements of Servizi Italia S.p.A.:

Category	Old useful life (years)	Revised useful life (years)
Packed linen for hospital wards and operating rooms	3	4
Uniforms for 118 emergency services operators	3	4
Hotel linen	3	4
Mattresses	3	8

In accordance with the provisions of paragraph 51 of IAS 16, the change in estimated useful life was reflected prospectively and resulted in lower depreciation for the year ended 31 December 2019 for Euro 4,947 thousand, broken down as follows:

Category	Old depreciation	Revised depreciation	Impact of useful life revision
Packed linen for hospital wards and operating rooms	6,713	3,556	(3,157)
Uniforms for "118" emergency services operators	125	78	(47)
Hotel linen	1,307	798	(509)
Mattresses	1,619	385	(1,234)
Total	**9,764**	**4,817**	**(4,947)**

The impact on the results for 2019 are partly offset by a lower tax deduction for IRES and IRAP purposes of the portions of depreciation recognised in the income statement.

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

Category	Years
Industrial buildings	33
Plant and machinery	12
General plant	7
Industrial and commercial equipment	4
Specific equipment	8
Flat linen	3
Packed linen for "118" emergency services operators and hotel	4
Mattresses	8
Furniture and fixtures	8
Electronic machinery	5
Cars	4
Other vehicles	5

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

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

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

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

B. Leasing

Assets and/or services acquired via finance and/or operating lease contracts, if inherent to their definition under IFRS 16, are recognised under property, plant and equipment, with recognition under liabilities of a financial payable for the same amount. The payable is progressively reduced on the basis of the repayment plan for the principal amounts included in the fees contractually envisaged, while the value of the assets recorded among property, plant and equipment is systematically depreciated in relation to the economic-technical life of said asset in the event of a finance lease, or based on the duration of the contractually defined non-cancellable period in the event of an operating lease.

C. Intangible assets

Only identifiable assets, controlled by the enterprise, which are able to produce future economic benefits, can be defined as intangible assets.

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

The intangible assets with a defined useful life are amortised systematically as from the moment the asset is available for use over the envisaged period of utility. They are mainly represented by software licences acquired for a consideration capitalised on the basis of the cost incurred. These costs are amortised on a straight-line basis according to their estimated useful life (3-5 years).

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

D. Goodwill

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

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

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

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

E. Impairment test

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

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

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

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

F. Equity investments

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

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

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

a) Equity investments in subsidiaries

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

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

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

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

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

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

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

Currency	Exchange rate as at 31 December 2019	Average exchange rate for 2019	Exchange rate as at 31 December 2018	Average exchange rate for 2018
Brazilian Real (BRL)	4.5157	4.4134	4.444	4.3085
Turkish Lira (TRY)	6.6843	6.3578	6.0588	5.7077

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

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

c) Equity investments in other companies

Equity investments in other companies include minority interests of less than 20% related to strategic and productive investments held since related to the management of orders or concessions. These equity investments usually cannot be freely transferred to third parties, since they are subject to rules and agreements that in practice prevent their free circulation. The equity investments in other companies are recognised at the fair value if there is an active market for the securities representative of these equity investments. The profits or the losses deriving from changes in the fair value are recognised directly in the Income Statement. If an active market is not available, which is the case for all equity investments held by the Company as at 31 December 2019, equity investments in other companies are recognised at the cost of purchase or setup, reduced for any impairment or capital refund, as best estimate of the fair value.

G. Financial instruments

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

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

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

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

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

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

- for financial assets that did not see a significant increase in credit risk from the time of the initial recognition or that have a low credit risk at the reporting date, the expected loss is calculated on the subsequent 12 months;

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

For trade receivables that do not contain a significant financing component, the expected loss is calculated using a method that is simplified with respect to the general approach described above. The simplified approach envisages the estimate of expected loss throughout the life of the credit and without needing to assess the 12-month Expected Credit Loss and the existence of significant increases in credit risk. In an additional derogation from the general method, for financial assets that have a low credit risk, when there is a low risk of default in the short term and in the presence of unfavourable changes in economic conditions, the 12-month expected loss is used.

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

H. Other non-current assets held for sale

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

I. Inventories

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

J. Employee benefits

<u>Post-employment plans</u>

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

- Termination indemnity fund accrued as of 1 January 2007 falls within the category of defined-contribution plans both in the event of opting for supplementary welfare and in the case of assignment to the Treasury Fund of INPS. The accounting treatment is similar to that existing for other kinds of contributory payments.
- Termination indemnity fund accrued as of 31 December 2006: this remains a defined-benefits plan determined by applying an actuarial-type method; the amount of the rights accrued in the period by the employees is booked to the Income statement under the item payroll and related costs while the figurative financial expense which the company would incur if a loan was requested from the market for an amount equal to the severance indemnity is booked to net financial income (expense). The actuarial gains and losses which reflect the effects deriving from changes in the actuarial hypotheses used are recognised under other comprehensive income in accordance with the matters envisaged by IAS 19 Employee benefits, section 93A.

Remuneration plans under the form of participation in the capital

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

Other long-term benefits

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

K. Provisions for risks and charges

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

For onerous contracts, whose non-discretionary costs necessary for fulfilment of the obligations adopted exceed the economic benefits expected to be achieved, a provision is set aside which corresponds to the lesser of the cost necessary for fulfilment and any compensation or sanction deriving from breach of contract.

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

L. Revenue and cost recognition

Provision of services

The Company offers the following services:

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

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

Some contracts also include installation/restructuring activities to be provided at customers' washing and sterilisation facilities. These contracts generally envisage the existence of a single performance obligation, and revenues are recognised throughout the duration of the contract, based on the contractual variables governing the provision of the service. When these services are identified as separate performance obligations with respect to the washing and sterilisation services, the corresponding considerations - allocated to the contractual obligations based on the relative standalone prices - are recognised according to the progress of completion of the work, calculated according to the costs incurred with respect to the estimate, regularly updated, of the total cost or, alternatively, based on the units delivered. For these contracts, as well as for all those that include multiple performance obligations, the price corresponding to each service is based on the standalone sale prices. If these prices cannot be directly observed, they are estimated based on the expected cost plus margin.

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

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

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

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

M. Income taxes

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

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

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

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

N. Earnings per share

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

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

O. Use of estimated values

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

<u>Particularly significant accounting standards</u>

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

- Goodwill: in accordance with the accounting standards adopted for the drafting of the financial statements, the Company checks the goodwill each year so as to ascertain the existence of any impairment to be recognised in the income statement. In detail, the check involves the allocation of goodwill to cash flow generating units and the subsequent determination of the related recoverable value. If it should emerge as lower than the book value of the cash flow generating units, steps shall have to be taken to impair the goodwill allocated to this. The identification of the cash flow generating units, the allocation of goodwill to these and the forecast of the future cash flows involve the use of estimates, which depend on factors that may change over time with consequent effects, possibly significant, with respect to the valuations made by the directors.
- Linen asset: the economic life of the Company's linen used in the production process has been estimated taking into consideration numerous factors that may affect it, such as the wear and tear deriving from use and from the washing cycles. These factors are subject to changes over time and could significantly affect the depreciation of the linen.
- Deferred taxes: the recognition of deferred tax assets is carried out on the basis of the expectations of income envisaged in future periods. The valuation of the expected income for the purposes of recognition of the deferred taxation depends on factors that may vary over time and have significant effects on the valuation of the deferred tax assets.
- Provisions for risks and charges: in the presence of obligations and legal and tax risks, provisions are recognised in respect of the potential liabilities and risk of losing lawsuits. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate made by management as at the reporting date. This estimate involves the adoption of assumptions which depend on factors that may change over time and which therefore could have significant effects with respect to the current estimates made by the directors for the drafting of the Company's financial statements.
- Revenues from sales and services: the revenues for services underway in relation to contracts, which envisage invoicing of advance payments and the balance on the basis of the data communicated by the customer (days of hospitalisation, number of employees clothed, number of operations), are estimated internally on the basis of the past data supplemented by the most up-to-date information available. This estimate involves the adoption of hypotheses on the performance of the variable to which the payment is linked.

4 Risk management policy

The management of 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 transactions that have strict relevance in the composition of the financial and/or trade assets and liabilities.

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

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

4.1 Type of risks hedged

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

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

Price risk

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

Interest rate risk

The Company's net financial debt comprises short-term payables which, as at 31 December 2019, represent approximately 63% of its debt, at an average annual rate of around 0.31%. In relation to the domestic financial scenario, the Company is monitoring the market and assessing the appropriateness of taking out hedging transactions on the rates in order to limit the negative impacts of changes in interest rates on the company's income statement. The table below demonstrates the effect that would be generated by a 0.5% increase or decrease in rates (in thousands of Euros).

(thousands of Euros)	0.5% rate increase		0.5% rate decrease	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial receivables	+71	+71	(71)	(71)
Financial payables	+572	+508	(572)	(508)
Factoring of receivables	+423	+447	(423)	(447)

Credit risk

As receivables are essentially due from public bodies, they are deemed certain in terms of collectability and, due to their nature, are subject to a low risk of loss. Collection times depend on the loans received, the Local Health Authorities, the Hospitals and the Regional Authorities and at present average collection days are 103.

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

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

The expected loss rates are based on the sale payment profiles in a period of 7 years before 1 January 2019 and the corresponding historical losses on receivables that occurred in this period. The historical loss rates are adjusted to reflect current and expected future information on macroeconomic factors that affect the customers' ability to settle the amounts due.

A summary of trade receivables, net and gross of bad debt provisions, and the stratification by maturity of receivables as at 31 December 2019 is presented below:

(thousands of Euros)	Not yet due	Past due by less than 2 months	Past due by less than 4 months	Past due by less than 12 months	Past due by more than 12 months	Receivables with indications of impairment	Total
Expected loss rate	5.4%	0.4%	1.5%	0.2%	2.8%	80.4%	9.2%
Gross trade receivables	38,768	3,495	2,667	6,223	11,595	4,638	67,387
Loss expected as at 31 December 2019	**2,110**	**16**	**39**	**11**	**323**	**3,728**	**6,227**

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

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

Liquidity risk

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

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

Concentrating its business on orders contracted with the Public Administration Authorities, the Company is exposed to risks associated with delays in payments for receivables. In order to balance this risk, factoring agreements have been entered into with the without recourse formula, renewed also for 2019.

To correctly manage the liquidity risk, an adequate level of cash and cash equivalents must be maintained. In light of the predominantly public nature of the group's customers and the average collection times, cash and cash equivalents are mainly obtained from accounts receivable financing and medium-term loans. The loan agreements with Banca Intesa S.p.A., Banca Nazionale del Lavoro S.p.A., Banca Crédit Agricole Cariparma S.p.A., Banco BPM S.p.A. and Unicredit Banca S.p.A. include clauses for the early repayment with respect to the corresponding amortisation plan if certain financial indicators ("covenants") have not been met. As at 31 December 2019, all covenants included in the loan agreements had been met.

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

(thousands of Euros)	Financial payables		Trade and other payables		Total	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Less than or equal to 3 months	45,535	37,583	55,885	63,908	101,420	101,491
3 to 12 months	14,687	17,002	28,437	22,806	43,125	39,809
1 to 2 years	18,446	15,967	-	-	18,446	15,967
More than 2 years	16,799	19,350	-	-	16,799	19,350
Total	**95,468**	**89,902**	**84,322**	**86,714**	**179,789**	**176,617**

Exchange rate risk

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

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

4.2 Fair value hierarchy and information

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

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

The types of financial instruments present in the financial statement items are shown in the following table, with indication of the accounting treatment applied. Note that no financial instrument has been valued at fair value, except for equity investments in other companies for which, lacking an active market in which such securities are traded, the cost sustained is considered to be the best approximation of the fair value. With regard to the financial instruments valued at amortised cost, it is believed that the book value also represents a reasonable approximation of their valuation at fair value.

(thousands of Euros)	Fair value through profit or loss	Fair value through OCI	Amortised cost
Non-current assets			
Equity investments in associates, joint ventures and other companies	3,677		
Financial receivables			6,726
Other assets			3,529

Current assets	
Trade receivables	61,160
Financial receivables	9,190
Other assets	6,319
Non-current liabilities	
Due to banks and other lenders	62,277
Other financial liabilities	1,189
Current liabilities	
Due to banks and other lenders	62,388
Trade payables	67,909
Other financial liabilities	4,669
Other payables	16,537

4.3 Supplementary information on the capital

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

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

(thousands of Euros)	31/12/2019	01/01/2019[b]	31/12/2018	Change	% change
Shareholders' equity (B)	139,026	139,600	139,600	(574)	-0.4%
Net financial debt[a] (A)	112,269	111,213	79,302	1,056	0.9%
Net invested capital (C)	**251,295**	**250,813**	**218,902**	**482**	**0.2%**
Gearing (A/C)	**44.7%**	**44.3%**	**36.2%**		

[a] *Company 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.*

[b] *Including the effects of first-time adoption of IFRS 16 on Net Financial Debt.*

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

5 Segment reporting

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

- Wash hire: this includes (i) planning and provision of integrated hire, reconditioning (disinfection, washing, finishing and packaging) and logistics (pick-up and distribution to usage centres) services for textile items, mattresses and accessories, (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 rooms (linens for operating rooms and scrubs) packed in kits for the operating areas, in cotton or in re-usable technical fabric, as well as personal protection equipment;

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

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

6 Statement of financial position

6.1 *Property, plant and equipment*

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

(thousands of Euros)	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Fixed assets under constr.	Total
Historical cost	6,286	114,206	29,421	59,716	111,568	2,066	323,263
Accumulated depreciation	(2,026)	(80,000)	(19,042)	(44,313)	(78,281)	-	(223,662)
Balance as at 1 January 2018	**4,260**	**34,206**	**10,379**	**15,403**	**33,287**	**2,066**	**99,601**
Increases	123	3,830	632	2,653	30,220	3,340	40,798
Decreases	-	(202)	-	(3)	(22)	(229)	(456)
Depreciation/amortisation	(185)	(6,160)	(2,039)	(4,864)	(27,937)	-	(41,185)
Impairments (reinstatements)	-	-	-	-	-	-	-
Reclassifications	30	924	15	26	8	(1,003)	-
Balance as at 31 December 2018	**4,228**	**32,598**	**8,987**	**13,215**	**35,556**	**4,174**	**98,758**
Historical cost	6,440	117,081	29,367	61,891	115,735	4,174	334,688
Accumulated depreciation	(2,212)	(84,483)	(20,380)	(48,676)	(80,179)	-	(235,930)
Balance as at 31 December 2018	**4,228**	**32,598**	**8,987**	**13,215**	**35,556**	**4,174**	**98,758**
Impact of first-time adoption of IFRS 16	30,979	-	-	264	668	-	31,911
Balance as at 1 January 2019	**35,207**	**32,598**	**8,987**	**13,479**	**36,224**	**4,174**	**130,669**
Increases	844	6,934	903	3,854	26,815	3,167	42,517
Decreases	(80)	(65)	(20)	(28)	(20)	(1,906)	(2,119)
Depreciation	(2,959)	(6,269)	(1,774)	(4,463)	(24,338)	-	(39,803)
Impairments (reinstatements)	-	-	-	-	-	-	-
Reclassifications	92	890	72	121	14	(1,189)	-
Balance as at 31 December 2019	**33,104**	**34,088**	**8,168**	**12,963**	**38,695**	**4,246**	**131,264**
Historical cost	38,256	124,443	30,322	63,623	123,737	4,246	384,627
Accumulated depreciation	(5,152)	(90,355)	(22,154)	(50,660)	(85,042)	-	(253,363)
Balance as at 31 December 2019	**33,104**	**34,088**	**8,168**	**12,963**	**38,695**	**4,246**	**131,264**

Notes on the main changes:

Land and buildings

The increases in the item mainly regarded investments for redevelopment of the building in Barbariga (Euro 477 thousand), anti-seismic adaptation of the building in Pavia di Udine (Euro 190 thousand) and adaptation of the right of use due to indexation of the rents (Euro 91 thousand).

Plant and machinery

The increases in plant and machinery in 2019 amounted to Euro 6,934 thousand and mainly related to the following production sites: Barbariga (Euro 2,621 thousand), Castellina di Soragna (Euro 1,472 thousand), Arco di Trento (Euro 1,251 thousand), Pavia di Udine (Euro 366 thousand), Travagliato (Euro 240 thousand), Montecchio (Euro 123 thousand) and Ariccia (Euro 118 thousand).

The residual represents investments carried out at the customers for the purchase of plants and equipment to support the washing and sterilisation activities performed. In particular, they regard the sterilisation facility in Treviso (Euro 99 thousand) and the sterilisation plant in Varese (Euro 156 thousand).

The item also includes reclassifications for Euro 890 thousand, predominantly regarding the commissioning of plants and machinery at: the sterilisation plant of Columbus (Euro 153 thousand), the plant in Arco (Euro 188 thousand), the plant in Castellina (Euro 173 thousand), and the various storage facilities situated throughout Italy (Euro 133 thousand) to permit reading of the chips inserted in the linen.

Returnable assets

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

With regard to the year ended 31 December 2019, the increases in investments in returnable goods, equal to Euro 903 thousand, mainly concerned the redevelopment of the properties where the leased production sites are situated (Euro 314 thousand) and redevelopment of the warehouse in Varna (Euro 335 thousand), while the remaining portion was related to investments made at customers' sites for the improvement and upgrade of the systems currently in use for Euro 245 thousand.

Industrial and commercial equipment

The changes during the year ended 31 December 2019 present an increase of Euro 3,843 thousand, of which Euro 2,427 thousand for the purchase of surgical instruments and Euro 1,416 thousand for the purchase of industrial equipment.

Other assets

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Linens and mattresses	35,936	33,801
Furniture and fixtures	271	316
Electronic machinery	1,362	1,177
Cars	12	-

Motor vehicles	247	199
Telephone switchboards	50	63
Rights to use motor vehicles	817	-
Total Other assets	**38,695**	**35,556**

The purchases carried out during the year were related to linen for a total of Euro 25,559 thousand. The latter are necessary for an increasingly efficient management of the warehouse, both for the new contracts acquired during 2019 and for the renewal of existing contracts.

The Company sold linen, generating a capital gain of Euro 274 thousand. Furthermore, the value of the linen and mattresses completely amortised, for a total of Euro 19,176 thousand, was reversed from the respective accumulated depreciation, because it is presumed that on conclusion of the useful life of said assets, the value is no longer quantifiable so as to establish any additional contribution to the production process.

Assets under construction

These are primarily investments underway at the end of the year.

The item is broken down as follows as at 31 December 2019:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Sterilisation centre investments	1,239	2,663
Laundering facility investments	890	1,322
Investments on contracts	2,117	189
Total	**4,246**	**4,174**

Increases in investments on contracts during 2019 amounted to Euro 2,097 thousand, while investments in laundering facilities were up by Euro 810 thousand. Both primarily regarded the supply and upgrading of plants and machinery for the washing line. Decreases during the year primarily regarded the disposal of works at the sterilisation centre of Busto Arsizio for Euro 1,325 thousand.

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

The changes in the rights of use included in each category of property, plant and equipment from the date of first-time adoption of IFRS 16 are indicated below:

(thousands of Euros)	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Assets under construction	Total
Balance as at 1 January 2019	**30,979**	**-**	**-**	**264**	**668**	**-**	**31,911**
Increases	91	-	-	11	476	-	578
Decreases	(67)	-	-	-	-	-	(67)
Depreciation	(2,753)	-	-	(106)	(327)	-	(3,186)
Impairments (reinstatements)	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Balance as at 31 December 2019	**28,250**	**-**	**-**	**169**	**817**	**-**	**29,236**
Historical cost	30,990	-	-	275	1,144	-	32,409
Accumulated depreciation	(2,740)	-	-	(106)	(327)	-	(3,173)
Balance as at 31 December 2019	**28,250**	**-**	**-**	**169**	**817**	**-**	**29,236**

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	Intangible assets in progress and payments on account	Total
Historical cost	4,011	7,006	1,016	46	12,079
Accumulated amortisation	(3,657)	(3,384)	(1,016)	-	(8,057)
Balance as at 1 January 2018	**354**	**3,622**	**-**	**46**	**4,022**
Increases	433	-	-	212	645
Decreases	-	-	-	(32)	(32)
Amortisation	(391)	(638)	-	-	(1,029)
Impairments (reinstatements)	-	-	-	-	-
Reclassifications	-	-	-	-	-
Balance as at 31 December 2018	**396**	**2,984**	**-**	**226**	**3,606**
Historical cost	4,444	7,028	-	226	11,698
Accumulated amortisation	(4,048)	(4,044)	-	-	(8,092)
Balance as at 31 December 2018	**396**	**2,984**	**-**	**226**	**3,606**
Increases	1,130	-	-	204	1,334
Decreases	-	-	-	(15)	(15)
Amortisation	(546)	(413)	-	-	(959)
Impairments (reinstatements)	8	-	-	1	9
Reclassifications	163	-	-	(163)	-
Balance as at 31 December 2019	**1,151**	**2,571**	**-**	**253**	**3,975**
Historical cost	5,728	7,028	-	253	13,009
Accumulated amortisation	(4,577)	(4,457)	-	-	(9,034)
Balance as at 31 December 2019	**1,151**	**2,571**	**-**	**253**	**3,975**

The increase in intangible assets is essentially due to investments in software for Euro 1,129 thousand.

Assets in progress mainly concern the management software being implemented.

6.3 Goodwill

The item in question did not record any changes during the year, as shown below:

(thousands of Euros)	as at 31 December 2018	Increases	Decreases	Impairment	as at 31 December 2019
Goodwill	**44,575**	-	-	-	**44,575**

The impairment test is carried out by comparing the value of goodwill and of the group of assets able to independently produce cash flows (CGU), to which this can be reasonably allocated, with the value in use of the CGU or the value recoverable through the sale of the CGU, whichever is the higher (fair value net of sale costs). In detail, the value in use was determined by applying the "discounted cash flow" method discounting back the operating cash flows emerging from economic-financial projections relating to a period of five years. The 2020-2024 multi-annual plan, which was used for impairment tests, was previously approved by the Board of Directors of Servizi Italia S.p.A. The underlying hypotheses of the plan used reflect past experience and the information gathered at the time of purchase, and are consistent the external sources of information available.

The terminal value is determined by applying a perpetual growth factor of 1.50% to the operating cash flow relating to the last year of the plan appropriately standardised, essentially representative on the one part of the inflation rate expected in Italy and on the other part of the uncertainties that characterise the Italian market. The discount rate used, equal to 5.51% (7.74% in the previous year), reflects the current valuations of the market with reference to the current value of money and the specific risks associated with the activities. The discount rate was estimated, after taxes, on a consistent basis with the cash flows being considered, through determination of the weighted average cost of capital (WACC).

A sensitivity analysis was carried out on the recoverability of the book value of goodwill based on changes in the main assumptions that were used to calculate the value in use, also in consideration of the prudent approach used to select the above financial parameters. The analysis has shown that, to make the recoverable value equal to the book value, the following would be necessary: (i) a growth rate of the terminal values of 0.47 percentage points or (ii) a 6.35% increase in the WACC or (iii) an 18.96% annual reduction of the reference EBIT, keeping the other assumptions of the plan unchanged. At this time, it is not reasonable to hypothesise any change in the assumptions made which could lead to the cancellation of the surplus.

With reference to 31 December 2019 and to the previous years, the impairment test did not reveal impairments in the goodwill recognised.

6.4 Equity-accounted investments

Equity investments in subsidiaries underwent the following changes:

(thousands of Euros)	1 January 2019	Reinstatement /(Impairment)	Increases	Decreases	Change in translation reserve	31 December 2019
S. Martino 2000 S.c.r.l.	6	-	-	-	-	6
Se.sa.tre. S.c.r.l. in liquidation	12	-	-	(12)	-	-
Steritek S.p.A.	3,334	291	-	(132)	-	3,493
SRI Empreendimentos e Participacoes Ltda	33,056	(357)	3,500	-	(684)	35,515
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	12,376	171	1,212	(107)	(1,147)	12,505
Wash Service S.r.l.	-	-	5,002	(160)	-	4,842
Ekolav S.r.l.	-	521	650	-	-	1,171
Total	**48,784**	**626**	**10,364**	**(411)**	**(1,831)**	**57,532**

The main increases recorded during the year regard the acquisitions of Wash Service S.r.l. and Ekolav S.r.l., respectively, already mentioned in the section "Extraordinary transactions carried out during the year". Furthermore, capital increases fully paid up by the Company were recorded for Euro 3,500 thousand, in favour of SRI Empreendimentos e Participacoes Ltda, and for Euro 1,212 in favour of Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve.

Equity investments in subsidiaries measured with the equity method, except for consortium S. Martino 2000 S.c.r.l., include implicit goodwill originating at the time of the acquisition, as follows:

- SRI Empreendimentos e Participações Ltda: Euro 9,109 thousand;
- Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi: Euro 10,248 thousand;
- Steritek S.p.A.: Euro 2,121 thousand;
- Wash Service S.r.l.: Euro 3,368 thousand;
- Ekolav S.r.l. Euro 936 thousand.

When considering that the equity method synthetically reflects the same effects of the consolidation process, the implicit goodwill contained in the book value of the equity investments in subsidiaries is thus equal to that posted in the consolidated financial statements of the Servizi Italia Group and, as such, is subject to the impairment test each year. In detail, the value in use is determined by applying the "discounted cash flow" method, discounting back the operating flows emerging from economic-financial projections relating to a period of five years. The underlying hypotheses of the plans used reflect past experience, and the information gathered at the time of purchase for the Brazilian/Turkish market and are consistent the external sources of information available. The Company has taken into consideration, with reference to the period in question, the expected performance resulting from the business plan set up for the 2020-2024 period.

The terminal value is determined by applying a perpetual growth factor of 1.50% for the Steritek, Wash Service and Ekolav CGUs, 3.50% for the Brazil CGU and 11.00% for the Turkey CGU to the operating cash flow relating to the last year of the plan appropriately standardised (these rates are essentially representative on the one part of the inflation rate expected in Italy, Brazil and Turkey to which the prices of services offered are indexed and on the other part of the uncertainties which characterise the Brazilian and Turkish markets, which present risks of a macroeconomic nature). The discount rate used to discount back the cash flows of the Steritek, Wash Service and Ekolav CGUs located in Italy is 5.51%, while it is 9.45% for the Brazil CGU and 18.22% for the Turkey CGU. These rates reflect the current valuations of the market with reference to the current value of money and the specific risks associated with the activities. The discount rates have been estimated, after taxes, on a consistent basis with the cash flows considered, by means of the determination of the weighted average cost of the capital (WACC). A list of registered offices, share capital and percentage interest in subsidiaries and the total amount of current and non-current assets, current and non-current liabilities, revenue, costs and results at 31 December 2019 is provided below:

Company name	Registered office	Currency	Share capital	% interest 2019	% interest 2018
San Martino 2000 S.c.r.l.	Genoa	EUR	10	60.0%	60.0%
Steritek S.p.A.	Cremona	EUR	134	70.0%	70.0%
SRI Empreendimentos e Participacoes LTDA	São Paulo (Brazil)	BRL	187,906	100.0%	100.0%
Lavsim Higienização Têxtil S.A. (*)	São Roque, São Paulo (Brazil)	BRL	14,930	100.0%	100.0%
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 São Paulo (Brazil)	BRL	15,400	100.0%	100.0%
Ankateks Turizm İnsaat Tekstil Temizleme Sanayi Ve	Ankara, Turkey	TRY	20,000	55.0%	55.0%
Ergülteks Temizlik Tekstil Ltd. Sti.(**)	Smyrna, Turkey	TRY	1,700	57.5%	57.5%
SIA Lavanderia S.A.(*)	Manaus, State of Amazonas (Brazil)	BRL	9,766	100.0%	100.0%
Wash Service S.r.l.	Castellina di Soragna (PR)	EUR	10	90%	-
Ekolav S.r.l.	Lastra a Signa (FI)	EUR	100	100%	50%

(*) Held through SRI Empreendimentos e Participações Ltda

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

(thousands of Euros)	Currency	Shareholders' equity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Costs	Profit/(Loss)
San Martino 2000 S.c.r.l.	EUR	10	2,442	2,712	-	5,144	6,057	6,057	-
Steritek S.p.A.	EUR	1,960	211	2,686	293	644	3,090	2,673	417
SRI Empreendimentos e Participacoes LTDA	BRL	192,282	188,343	9,492	-	5,553	5,505	3,102	2,403
Lavsim Higienização Têxtil S.A.	BRL	27,149	48,148	17,696	23,675	15,020	52,304	51,074	1,230

Maxlav Lavanderia Especializada S.A.	BRL	8,126	27,193	18,556	24,415	13,208	50,875	48,365	2,510
Vida Lavanderias Especializada S.A.	BRL	2,881	3,806	3,346	1,185	3,086	15,050	14,235	815
Aqualav Serviços De Higienização Ltda	BRL	9,624	30,094	24,749	24,600	20,619	31,464	30,050	1,414
Ankateks Turizm insaat Tekstil Temizleme Sanayi Ve	TRY	27,035	55,436	27,957	6,337	50,021	36,588	34,730	1,858
Ergülteks Temizlik Tekstil Ltd. Sti.	TRY	2,381	10,206	11,121	1,895	17,051	16,061	15,855	206
SIA Lavanderia S.A.	BRL	288	-	590	-	302	466	747	(281)
Wash Service S.r.l.	EUR	1,639	3,366	3,433	1,665	3,495	6,569	6,747	(178)
Ekolav S.r.l.	EUR	236	3,986	1,709	2,711	2,748	2,103	2,131	(28)

6.5 *Equity investments in associates, joint ventures and other companies*

The breakdown of the item was as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Equity investments in associates, joint ventures	26,667	26,470
Equity investments in other companies	3,677	3,725
Total	**30,344**	**30,195**

The increase in the item is mainly due to the capital increases in favour of the joint-control company SAS Sterilizasyon Servisleri A.Ş. for Euro 257 thousand and in favour of subsidiary IdsMED Servizi Plus Ltd for Euro 199 thousand. Also noted is the increase in capital in the company StirApp S.r.l., for Euro 502 thousand, company operating in the design and management of applications and websites dedicated to the booking and management of services of laundry and/or ironing both for individuals and for the corporate sector, achieving a percent ownership in favour of Servizi Italia of 25% of the share capital.

Following the outcome of the impairment test in relation to the carrying amount of the stake in the joint-control company Shubhram Hospital Solutions Private Limited, a negative difference of Euro 760 thousand was noted. The book value was therefore adjusted by this amount in order to reflect the lesser of carrying amount initial recognised and the recoverable value (value in use). The underlying hypotheses of the plan used in the impairment test reflect past experience and the information gathered at the time of purchase for the Indian market. With reference to the explicit period, the Company took into consideration expected trends set forth in the 2020-2024 business plan. The terminal value was determined by applying a perpetual growth rate factor of 4.00% to the operating cash flow relating to the last year of the plan, duly standardised. The rate used to discount the cash flows is 9.86% and includes, on a prudent basis, an execution risk of 1%, to take into consideration the shifts recorded in the past between final and budget results. These rates reflect the current valuations of the market with reference to the current value of money and the specific risks associated with the activities. The discount rates have been estimated, after taxes, on a consistent basis with the cash flows considered, by means of the determination of the weighted average cost of the capital (WACC).

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

(thousands of Euros)	1 January 2019	Increases	Impairment/Decreases	31 December 2019
Finanza & Progetti S.p.A.	8,320	-	-	8,320
Brixia S.r.l.	3,002	-	-	3,002
Arezzo Servizi S.c.r.l.	5	-	-	5
CO.SE.S S.c.r.l.	3	-	-	3

PSIS S.r.l.	5,000	-	-	5,000
Ekolav S.r.l.	50	-	(50)	-
Steril Piemonte S.c.r.l.	2,000	-	-	2,000
AMG S.r.l.	2,033	-	-	2,033
Iniziative Produttive Piemontesi S.r.l.	1,322	-	-	1,322
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	3
Saniservice Sh.p.k.	6	-	-	6
Servizi Sanitari Integrati Marocco S.a.r.l.	89	-	-	89
SAS Sterilizasyon Servisleri A.Ş.	1,060	257	-	1,317
Shubhram Hospital Solutions Private Limited	2,090	-	(759)	1,330
Sanitary Cleaning Sh.p.k.	1,300	-	-	1,300
IDSMED Servizi Pte. Limited	187	199	-	386
StirApp S.r.l.	-	551	-	551
Total	**26,470**	**1,007**	**(809)**	**26,668**

A list of registered offices, share capital and percentage interest in associates and joint ventures and the total amount of current and non-current assets, current and non-current liabilities, revenue, costs and results as at 31 December 2019 is provided below:

Company name	Registered office	Currency	Share capital	% interest 2019	% interest 2018
Arezzo Servizi S.c.r.l.	Arezzo - Italy	EUR	10	50%	50%
PSIS S.r.l.	Padua - Italy	EUR	10,000	50%	50%
Steril Piemonte S.c.r.l.	Turin - Italy	EUR	4,000	50%	50%
AMG S.r.l.	Busca (CN) - Italy	EUR	100	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%(*)
CO.SE.S S.c.r.l. in liquidation	Perugia - Italy	EUR	10	25%	25%
SAS Sterilizasyon Servisleri A.S.	Istanbul - Turkey	TRY	13,517	51%	51%
Shubhram Hospital Solutions Private Ltd.	New Delhi - India	INR	305,172	51%	51%
Finanza & Progetti S.p.A.	Vicenza - Italy	EUR	550	50%	50%
Brixia S.r.l.	Milan – Italy	EUR	10	23%	23%
Saniservice Sh.p.k.	Tirana – Albania	LEK	2,746	30%	30%
Sanitary cleaning Sh.p.k.	Tirana – Albania	LEK	2,799	40%	40%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MAD	122	51%	51%
StirApp S.r.l	Modena – Italy	EUR	208	25%	3.3%
Idsmed Servizi Pte. Limited	Singapore – Singapore	SGD	2,000	30%	30%

(thousands of Euros)	Currency	Shareholders' equity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Costs	Profit/(Loss)
SAS Sterilizasyon Servisleri A.Ş.	TRY	16,948	14,103	8,630	-	5,785	21,140	18,489	2,651
Saniservice Sh.p.k.	LEK	172,439	1,822,162	1,110,957	1,285,443	1,475,237	1,431,294	1,503,150	242,971
Shubhram Hospital Solutions Private Limited	INR	(191,224)	814,589	286,602	588,117	704,298	422,882	518,197	(95,315)
Finanza & Progetti S.p.A.	EUR	12,196	22,544	30,633	40	40,941	40	39,040	1,632
Arezzo Servizi S.c.r.l.	EUR	10	420	1,153	158	1,405	2,264	2,264	-
CO.SE.S S.c.r.l. in liquidation	EUR	14	-	151	-	137	8	8	-
PSIS S.r.l.	EUR	7,960	18,859	3,291	698	9,668	8,727	8,737	(10)
Steril Piemonte S.c.r.l.	EUR	3,945	3,422	1,881	-	1,358	2,835	2,835	-
AMG S.r.l.	EUR	2,585	1,846	2,237	600	898	4,078	3,934	114
Iniziative Produttive Piemontesi S.r.l.	EUR	1,631	513	3,109	284	1,707	3,357	3,438	(81)
Brixia S.r.l.	EUR	39	-	6,425	-	6,386	19,420	19,405	15
Servizi Sanitari Integrati Marocco S.a.r.l.	MAD	1,580	500	1,158	-	78	820	25	795

Piemonte Servizi Sanitari s.c.r.l.	EUR	10	285	926	-	1,201	1,154	1,154	-
Sanitary Cleaning Sh.p.k.	LEK	51,430	22,259	73,561	13,948	30,442	160,556	152,323	8,233
StirApp S.r.l	EUR	475	447	245	95	121	292	(632)	(340)
IDSMED Servizi Pte. Limited	SGD	864	2	1,115	14	239	-	797	(797)

Equity investments in other companies underwent the following changes:

(thousands of Euros)	1 January 2019	Increases	Impairment/Decreases	31 December 2019
Asolo Hospital Service S.p.A.	464	-	-	464
Prosa S.p.A.	462	-	-	462
PROG.ESTE S.p.A.	1,212	-	-	1,212
Progeni S.p.A.	380	-	-	380
Sesamo S.p.A.	353	-	-	353
Synchron Nuovo San Gerardo S.p.A.	344	-	-	344
Spv Arena Sanità	278	-	-	278
Futura S.r.l.	89	-	-	89
CNS – Consorzio Nazionale Servizi Soc. Coop. a r.l	63	-	-	63
StirApp S.r.l.	49	-	(49)	-
Other	31	1	-	32
Total	**3,725**	**1**	**(49)**	**3,677**

For this item, mention goes to the decrease of Euro 49 thousand in the equity investment in StirApp S.r.l., reclassified under associates and joint ventures.

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

The total values of the assets, liabilities, revenues and profit/loss, on the basis of the last set of available financial statements, of the main equity investments in other companies held by the Company are presented below, along with related shareholding held as at 31 December 2019:

(thousands of Euros)	Registered office	Assets	Liabilities	Revenues	Profit/(Loss)	Interest of equity investment
Asolo Hospital Service S.p.A.	Asolo (TV)	109,505	101,225	38,520	918	7.03%
Prosa S.p.A.	Carpi (MO)	7,678	2,385	1,587	712	13.20%
Progeni S.p.A.	Milan	272,323	273,788	46,769	(114)	3.80%
Sesamo S.p.A.	Carpi (MO)	34,724	25,798	18,003	1,276	12.17%
Prog.este. S.p.A.	Carpi (MO)	220,113	217,780	36,817	621	10.14%

6.6 *Non-current financial receivables*

The item in question changed as follows in 2019:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Prosa S.p.A.	-	119
Sesamo S.p.A.	353	353
Progeni S.p.A.	982	982
Prog.Este S.p.A.	531	531

Saniservice Sh.p.K.	4,000	4,000
Summano Sanità S.p.A.	2	2
Futura S.r.l.	46	46
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	149	330
Arena Sanità S.p.A.	317	491
Syncron S.p.A.	346	320
Total	**6,726**	**7,174**

The financial receivables refer to the interest-bearing loans granted to the companies Prosa S.p.A. (3.50% rate plus 3-month Euribor), Sesamo S.p.A. (3% rate plus IRS rate at 20 years), Progeni S.p.A. (7.81% rate), Prog.Este. S.p.A. (rate equal to 7.46%), Summano Sanità S.p.A. (rate equal to 6.25%), Arena Sanità S.p.A. (rate 3.4% plus 6-month Euribor) and Synchron S.p.A. (rate 8%) and with a term equal to the global service agreements for which the companies were established (expiring on 21 February 2031, 31 December 2037, 31 December 2033, 31 December 2031, 31 December 2035, 20 August 2032 and 14 June 2042, respectively), as well as the loans granted to the company Futura S.r.l. (expiring on 30 June 2040) and to the Albanian investee company Saniservice Sh.p.K. and the Turkish investee company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, whose value in foreign currency fell due to devaluation of the Turkish Lira. The loan granted to Arena Sanità S.p.A. was partly repaid, while the loan to Prosa S.p.A. was fully repaid following instalments during 2019.

6.7 Deferred tax assets

This item changed as follows:

(thousands of Euros)	Share capital increase costs	Lease contracts	Property, plant and equipment	Employee benefits	Previous tax losses/"ACE" corporate income tax deduction	Other costs with deferred deductibility	Total
Deferred taxes as at 1 January 2018	**3**	**-**	**723**	**183**	**-**	**300**	**1,209**
Changes recognised in the income statement	(3)	-	166	(80)	820	(59)	844
Changes recognised in other comprehensive income	-	-	-	(31)	-	-	(31)
Deferred taxes as at 31 December 2018	**-**	**-**	**889**	**72**	**820**	**241**	**2,022**
Deferred taxes as at 1 January 2019	**-**	**-**	**889**	**72**	**820**	**241**	**2,022**
Changes recognised in the income statement	-	123	20	49	1,008	634	1,834
Changes recognised in other comprehensive income	-	-	-	63	-	-	63
Deferred taxes as at 31 December 2019	**-**	**123**	**909**	**184**	**1,828**	**875**	**3,919**

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

6.8 Other non-current assets

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Substitute tax Italian D.L. 185/2008 subsequent years	3,354	4,106
Receivables for IRES reimbursement request pursuant to Art. 2 par.1-quater Italian Decree Law no. 201/2011	175	175
Total	**3,529**	**4,281**

The decrease in the item regards releases to the income statement for goodwill released pursuant to Art. 15 of Italian Decree Law 185/2008, following the mergers by incorporation in prior years. Releases of substitute taxes paid, recognised in the income statement item current taxes, take place during the period of time in which the Company benefits from the tax deduction for the portion of goodwill recognised.

6.9 Inventories

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

6.10 Trade receivables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Due from third parties	51,831	60,023
Due from subsidiaries	6,088	6,377
Due from associates and joint ventures	3,114	4,005
Due from parent company	119	240
Receivables from companies under the control of the parent companies	8	1
Total	**61,160**	**70,646**

Trade receivables are shown net of bad debt provisions, equal to Euro 6,227 thousand as at 31 December 2019 and Euro 6,240 thousand as at 31 December 2018.

Trade receivables due from third parties

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Due from customers	58,058	66,263
Bad debt provision	(6,227)	(6,240)
Total	**51,831**	**60,023**

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

- trade receivables were assigned without recourse to Credem Factor S.p.A. for a total of Euro 49,812 thousand, in exchange for a consideration equal to Euro 49,702 thousand;
- trade receivables were assigned without recourse to Unicredit Factoring S.p.A. for a total of Euro 34,718 thousand, in exchange for a consideration equal to Euro 34,653 thousand.

Bad debt provisions in 2019 and in 2018 changed as follows:

(thousands of Euros)	
Balance as at 1 January 2018	**6,026**
Utilisations	(135)
Adjustments	(144)
Provisions	493
Balance as at 31 December 2018	**6,240**
Balance as at 1 January 2019	**6,240**
Utilisations	(122)
Adjustments	(175)
Provisions	284
Balance as at 31 December 2019	**6,227**

Trade receivables due from subsidiaries

Trade receivables due from subsidiaries as at 31 December 2019 were equal to Euro 6,088 thousand. These included receivables from subsidiaries San Martino 2000 S.c.r.l. for Euro 4,942 thousand, SRI Empreendimentos e Participacoes LTDA for Euro 990 thousand, Ekolav S.r.l. for Euro 136 thousand and Steritek S.p.A. for Euro 20 thousand.

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

The balance as at 31 December 2019 of trade receivables due from associates and jointly controlled companies, equal to Euro 3,114 thousand, mainly consists of receivables from the companies Brixia S.r.l. for Euro 846 thousand and Saniservice Sh.p.k. for Euro 2,146 thousand.

Furthermore, there is a credit balance due from the parent company Coopservice Soc.Coop. p.A. for Euro 119 thousand and a balance of Euro 8 thousand from companies under the control of parent companies.

6.11 Current tax receivables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Current tax receivables	1,899	2,380
Current tax payables	-	(634)
Total	**1,899**	**1,746**

This item predominantly comprises the excess IRES and IRAP credit. Tax receivables are indicate net of current tax payables for 2019.

6.12 Current financial receivables

The item in question changed as follows in 2019:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Asolo Hospital Service S.p.A.	1,748	1,783
P.S.I.S. S.r.l.	3,843	3,845
Ekolav S.r.l.	1,129	470
Arezzo Servizi S.c.r.l.	403	403
Steril Piemonte S.c.r.l.	-	150
Iniziative Produttive Piemontesi S.r.l.	90	91
Gesteam S.r.l.	312	312

Saniservice Sh.p.k.	983	703
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	380	210
Other	302	272
Total	**9,190**	**8,239**

Financial receivables are for loans granted to the companies indicated above, which are due within the year or repayable on demand. The increase with respect to 31 December 2018 is due to the increase in the loan to Ekolav S.r.l. upon purchase of the financial receivable previously held by the company Serenissima Ristorazione S.p.A., prior shareholder with which the Company had joint control, equal to Euro 526 thousand including interest and to the portion of the interest accrued on the loan to the company Saniservice Sh.p.k. equal to Euro 280 thousand, net of the Euro 150 thousand reduction of the loan to Steril Piemonte S.c.r.l. as a result of offsetting against trade payables.

6.13 Other current assets

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Due from others	4,983	4,948
Deferred income	1,124	1,028
Guarantee deposits receivable	212	205
Total	**6,319**	**6,181**

Guarantee deposits receivable essentially relate to utilities and rentals. The item Due from others mainly includes the amounts receivable from INPS for welfare support and tax bonus, under Italian Decree Law 66/2014 for Euro 160 thousand and VAT receivables for Euro 4,084 thousand. The remaining balance of amounts Due from others is made up of advances and amounts due from social security and welfare institutions and sundry, all due within 12 months.

6.14 Cash and cash equivalents

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Bank and postal deposits	2,131	1,633
Cheques	3	-
Cash in hand	28	38
Total	**2,162**	**1,671**

6.15 Shareholders' equity

Share capital and reserves

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

In 2019, the Company purchased 494,335 treasury shares for Euro 1,555 thousand. These were equal to 1.55% of the share capital with an average purchase price of Euro 3.15 per share. Following these transactions, the Company held 874,211 treasury shares equal to 2.75% of the share capital as at 31 December 2019. Their value as at 31 December 2019 of Euro 2,964 thousand was classified as a decrease to share capital for their nominal amount of Euro 874 thousand, and the value exceeding the nominal amount, totalling Euro 2,090 thousand, was recognised as a reduction in the share premium reserve.

There was also a negative effect, referred to the financial year, for Euro 1,831 thousand, on the translation reserves for the assets of subsidiaries consolidated with the equity method that prepare their financial statements in foreign currency. The negative effect was mainly a result of the devaluation of the Brazilian Real and Turkish Lira.

The Legal reserve and Other reserves increased due to the allocation of the 2018 profit of the Company as per the resolution of the shareholders' meeting held on 30 May 2019, along with the payment of dividends for Euro 5,008 thousand equating to 16 Euro cents per share.

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

(thousands of Euros)	Amount	Available for use[1]	Available portion	Distributable portion
Share capital	30,935	-	-	-
Share premium reserve	51,198	A, B, C	51,198	51,198
Legal reserve	6,617	B	6,617	255
Other reserves	42,256	A, B, C	42,256	42,027
Total share capital and reserves	**131,006**		**100,071**	**93,480**
Profit (loss) for the year	8,020			
Total Shareholders' Equity	**139,026**			

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

In 2019, the share premium reserve became distributable since the legal reserve has reached the limit envisaged by Article 2430 of the Italian Civil Code.

Other reserves include Retained earnings for Euro 59,413 thousand and the negative reserve for the conversion of the financial statements in foreign currency of the subsidiaries measured with the equity method for Euro 17,157 thousand. Retained earnings include the reserve for equity-accounted investments for Euro 1,957 thousand. Pursuant Art. 2426, Par. 1(4), Italian Civil Code, these cannot be distributed until the realisation. This reserve refers for Euro 1,729 thousand to the reinstatement of the equity investment in Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve, fully offset by the negative value of the translation reserve (Euro 7,346 thousand), and for Euro 229 thousand to the reinstatement of the equity investment in Steritek S.p.A. reported therefore as non-distributable portion. Due to the distribution of dividends in 2019 by Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve (equal to Euro 107 thousand) and Steritek S.p.A. (equal to Euro 132 thousand), the reserve for equity-accounted investments can now be distributed for a corresponding amount.

6.16 Due to banks and other lenders

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019			as at 31 December 2018		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowing	59,715	34,920	**94,635**	54,217	34,985	**89,202**
Payables due to other lenders	2,673	27,357	**30,030**	10	-	**10**
Total	**62,388**	**62,277**	**124,665**	**54,227**	**34,985**	**89,212**

Bank borrowing

The portion of the payable falling due within 12 months relating to the item Due to banks as at 31 December 2019 presents an increase with respect to 31 December 2018 of Euro 5,498 thousand. This increase was due to the repayment of the loan instalments that expired during the period, net of the instalments of the new loans expiring within 12 months and to greater recourse to self-liquidating credit lines.

The portion of the payable falling due beyond 12 months related to the item Due to banks as at 31 December 2019 was stable compared to 31 December 2018, highlighting a decrease of Euro 65 thousand. This decrease is related to the reclassification to short-term of the loan instalments due within the subsequent 12 months, to repayment of the loan amounts due during the year, and to the stipulation of two new unsecured loans with Banca Monte dei Paschi di Siena S.p.A. for Euro 15,000 thousand (residual borrowing due after 12 months equal to Euro 8,437 thousand) and BPER Banca S.p.A. for Euro 10,000 thousand (residual borrowing due after 12 months equal to Euro 7,264 thousand), aimed at maintaining a proper balance between short and medium-term debt.

<u>Financial covenants</u>

Some loans envisage respect of certain financial indicators (covenants) to maintain the benefit of the term, summarised below by bank counterpart:

	NFP/Shareholders' equity	NFP/EBITDA
Banca Nazionale del Lavoro	< 1.5	< 2.0
Unicredit	< 1.5	< 2.5
Cassa di Risparmio di Parma e Piacenza	< 1.5	< 2.5
Banco BPM	< 2.0	< 2.0
Banca Crédit Agricole Cariparma	< 1.8	< 2.8
BPER Banca	< 1.5	< 2.75
Banca Monte dei Paschi di Siena	< 2.0	< 3.0

Note that the Net Financial Position (NFP) and EBITDA envisaged by the loan agreements represent alternative performance indicators not defined by the reference accounting standards and may therefore differ from the similar figures defined by management of Servizi Italia and reported in the financial disclosures. As at 31 December 2019, all covenants had been met.

Amounts due to banks are shown below by maturity:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Maturity less than or equal to 6 months	50,612	42,575
Maturity between 6 and 12 months	9,103	11,642
Maturity between 1 and 5 years	34,920	34,985
More than 5 years	-	-
Total	**94,635**	**89,202**

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

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
1 to 2 years	18,235	15,767
Maturity between 2 and 5 years	16,685	19,218
More than 5 years	-	-
Total	**34,920**	**34,985**

The average effective interest rates as at 31 December 2019 were as follows:

	as at 31 December 2019	as at 31 December 2018
Advances on invoices	0.31%	0.32%
Bank loan	0.77%	0.78%

Payables due to other lenders

Payables to other lenders are broken down by maturity below:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Maturity less than or equal to 6 months	1,968	10
Maturity between 6 and 12 months	706	-
Maturity between 1 and 5 years	8,751	-
More than 5 years	18,605	-
Total	**30,030**	**10**

The increase compared to the prior year is due to the recognition of financial liabilities from application of IFRS 16.

6.17 Deferred tax liabilities

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

(thousands of Euros)	Leasing	Property, plant and equipment	Intangible assets	Goodwill	Total
Deferred tax liabilities as at 1 January 2018	**25**	**269**	**732**	**1,379**	**2,405**
Changes recognised in the income statement	(17)	33	(732)	116	(600)
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred tax liabilities as at 31 December 2018	**8**	**302**	**-**	**1,495**	**1,805**
Changes recognised in the income statement	(8)	(4)	-	100	88
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred tax liabilities as at 31 December 2019	**-**	**298**	**-**	**1,595**	**1,893**

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

6.18 Employee benefits

This item changed as follows:

(thousands of Euros)	2019	2018
Opening balance	**9,823**	**9,995**
Incorporations	-	14
Provision	(256)	323
Financial expenses	98	82
Actuarial (gains)/losses	199	(131)
Transfers (to)/from other provisions	-	-
(Benefits paid)	(697)	(460)
Reclassifications	-	-
Closing balance	**9,167**	**9,823**

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

The cash bonus envisaged by the 2018-2020 Long-Term Investment Plan payable at the end of the vesting period was estimated as equal to zero, as it is deemed that the objectives for vesting of the bonus cannot be reasonably achieved. Therefore, the prior allocation of Euro 366 thousand under the item Employee benefits was released to the income statement, in accordance with the provisions of paragraph 156 of IAS 19.

The item also includes the indemnity for termination of office accrued by the CEO for Euro 500 thousand as at 31 December 2019; following the resignation on 7 January 2020, this amount will be released to the income statement in 2020.

Financial hypotheses adopted

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

	2019	2018
Technical annual discounting back rate	0.37%	1.13%
Annual inflation rate	1.00%	1.50%
Annual growth rate of the severance indemnity	2.25%	2.63%

With regard to the discount rate, the iBoxx Eurozone Corporates AA 7 - 10 index as of the valuation date was taken as reference for the valuation of this parameter. The duration of the liability is 8 years.

Demographic hypotheses adopted

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

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

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

Sensitivity analysis

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

(thousands of Euros)	Discount rate		Inflation rate		Duration	
	+0.50%	**-0.50%**	**+0.25%**	**-0.25%**	**+1 year**	**-1 year**
Change in liabilities	-297	+315	+88	-86	+135	-112

6.19 Provisions for risks and charges

The following changes were reported for the item in question:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Opening balance	-	**120**
Provisions	2,568	-
Payments/resolutions	-	(120)
Other changes	-	-
Closing balance	**2,568**	-

The allocation to the provisions for risks of Euro 2,568 thousand as at 31 December 2019 represents the outcome of estimates made in relation to the provisions of IAS 37 with regard to onerous contracts. During the course of 2019, the Company was awarded new contracts and renewed others, in the Emilia Romagna and Lombardy areas, with prices generally lower than the past in the wash-hire segment; it also learned of the non-confirmation of the contract for wash-hire services for the hospitals of the Lazio Region, awarded to competitors at significantly lower prices than the previous contract. These situations demonstrate, as also highlighted by the Assosistema trade association, how the Italian market of industrial laundry facilities is undergoing a structural decline linked to a number of specific critical factors in the health services sector, such as the awarding of contracts with increasingly low bids.

This scenario impacts at the revenues level but also in terms of absorption of the costs of the production facility, as reflected in the sales and margin forecasts of the Company’s contracts portfolio, summarised in the 2020 budget and in the 2020-2024 multi-annual plan approved by the Board of Directors of Servizi Italia on 23 January 2020. As commented with regard to the impairment test on goodwill, the multi-annual plan and the future expected trend indicate large cash flows compared to the net assets recognised in the financial statements and, in accordance with such forecasts, no write-downs of goodwill or other fixed assets were made. Nevertheless, while considering the forecasts of a largely positive overall operating margin in the foreseeable future, the analysis highlighted that in the current market scenario, the cumulative margins up to the date of expiry of certain wash-hire contracts is negative, and such contracts are therefore classified as “onerous contracts” pursuant to IAS 37. Therefore, after having assessed the effects of positive sales and cost recovery measures that could mitigate such losses, and in some cases fully absorb them, an allocation was made for the best estimate of present value of inevitable future liabilities connected to said contracts. This provision will be released to the income statement in the future years in which the expected negative margins occur, thereby offsetting the impact on the Company’s profitability. Based on the projections made to estimate the provision, and according to the average terms of the contracts examined, use of Euro 1,453 thousand of the amount allocated is envisaged in 2020, consequently reclassified to current liabilities, with full use of the provisions expected within 2025.

6.20 Other non-current financial liabilities

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Payables to Area S.r.l.	200	500
Payables to Steritek S.p.A. shareholders	-	225
Payables to Lavanderia Bolognini M&S S.r.l.	-	1,000
Payables to Wash Service S.r.l. shareholders	989	-
Other payables	-	95
Total	**1,189**	**1,820**

The main items refer to the residual payable from acquisition of the interest of Brixia S.r.l. from Area S.r.l. and the payable to minority shareholders of Wash Service S.r.l. for the acquisition in 2019.

6.21 Trade payables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Due to suppliers	59,014	59,421
Payables to subsidiaries	1,939	1,762
Due to associates and joint ventures	2,212	2,945
Due to parent company	4,607	5,342
Payables to companies under the control of the parent companies	137	467
Total	**67,909**	**69,937**

Due to suppliers

The balance as at 31 December 2019 refers entirely to trade payables due within 12 months.

Payables to subsidiaries

The balance as at 31 December 2019 includes trade payables due within 12 months to the subsidiaries San Martino 2000 S.c.r.l. for Euro 676 thousand, Ekolav S.r.l. for Euro 794, Steritek S.p.A. for Euro 358 thousand and Wash Services S.r.l. for Euro 111 thousand.

Due to associates and joint ventures

The balance as at 31 December 2019 is composed mainly of trade payables due to the companies Steril Piemonte S.c.r.l. for Euro 834 thousand, AMG S.r.l. for Euro 567 thousand, Arezzo Servizi S.c.r.l. for Euro 515 thousand and Piemonte Servizi Sanitari S.c.r.l. for Euro 222 thousand.

Due to parent company

Trade payables due to the parent company Coopservice S.Coop.p.A. amount to Euro 4,607 thousand.

Payables to companies under the control of the parent companies

The main trade payables to companies under the control of the parent company Coopservice S.Coop.p.A. refer for Euro 116 thousand to Archimede S.p.A. and Euro 16 thousand to Gesta S.r.l.

6.22 Current tax payables

The balance as at 31 December 2019 of current tax payables is zero, as it fully offset the corresponding receivable amounts.

6.23 Other current financial liabilities

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Payables to Area S.r.l.	300	500
Payables to Steritek S.p.A. shareholders	-	-
Payables to Finanza e Progetti S.p.A.	2,460	2,460
Payables to Lavanderia Bolognini M&S S.r.l.	1,000	500
Payables to Wash Service S.r.l. shareholders	909	-
Total	**4,669**	**3,460**

The change of the item is related in particular to the balance of the payable for the payment of the deferred price for the purchase from Lavanderia Bolognini M&S S.r.l. of the business unit that operates in the sector of industrial washing and wash-hire for private facilities. The residual refers to the amount payable to Finanza & Progetti S.p.A. for capital increase, equal to Euro 2,460 thousand, and to Area S.r.l., for the acquisition of the interest in Brixia S.r.l.

6.24 Other current payables

The table below provides a breakdown of other current liabilities:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Accrued liabilities	86	122
Deferred income	55	240
Payables due to social security and welfare institutions	4,899	5,246
Other payables	11,497	11,522
Total	**16,537**	**17,130**

Payables due to social security and welfare institutions

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

Other payables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Due to employees	8,676	8,749
Employee/professional IRPEF (personal income tax) payable	2,389	2,312
Other payables	432	461
Total	**11,497**	**11,522**

6.25 Financial guarantee contracts

The table below provides the details of the guarantees given by the Company as at 31 December 2019 and 31 December 2018:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Guarantees issued by banks and insurance companies for tenders	73,281	61,961
Guarantees issued by banks and insurance companies for lease agreements and utilities	667	637
Guarantees issued by banks and insurance companies in favour of third parties	43,253	47,629

Owned assets held by third parties	49	49
Pledge on Asolo Hospital Service S.p.A. shares given as loan guarantee	464	464
Pledge on Sesamo S.p.A. shares given as loan guarantee	237	237
Pledge on Prog.Este S.p.A. shares given as loan guarantee	1,212	1,212
Pledge on Progeni S.p.A. shares given as loan guarantee	380	380
Pledge on Futura S.r.l. stake given as loan guarantee	89	89
Total	**119,632**	**112,658**

The guarantees issued and the other commitments refer to:

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

7 Income Statement

7.1 Revenues from sales

The revenue from sales and services of Servizi Italia Group is shown below, divided by business line, as at 31 December 2019 and 31 December 2018.

(thousands of Euros)	**Year ended as at 31 December**	
	2019	**2018**
Wash-hire	147,992	147,034
Steril B (Linen Sterilisation)	20,049	21,578
Steril C (Surgical Instruments Sterilisation)	44,770	43,889
Sales revenues	**212,811**	**212,501**

Revenues of Servizi Italia show a slight increase compared to those of the prior year (+0.15%). This shift is partly due to an increase in revenues from wash-hire services, which increased from Euro 147,034 thousand as at 31 December 2018 to Euro 147,992 thousand (+0.65%), predominantly relating to the contribution, over the twelve months of 2019, of the hotel sector relative to the Bolognini business unit, acquired on 1 October 2018. On a like-for-like basis, revenues for 2019 amount to Euro 143,233 thousand, down 2.6% compared to revenues as at 31 December 2018, primarily due to lower sales regarding contracts in the Lazio Region, as well as renewal of the service in several facilities of the Lombardy area at lower prices. Revenues from the linen sterilisation services (steril B) decreased from Euro 21,578 thousand as at 31 December 2018 to Euro 20,049 thousand, down 7.1%, mainly due to the termination of certain contracts in the Friuli and Emilia Romagna regions, in addition to the decrease in certain supplies to foreign countries. Revenues from surgical instrument sterilisation services (steril C) increased by 2.0% from Euro 43,889 thousand as at 31 December 2018 to Euro 44,770 thousand. Also impacting growth is the new sector of "turnkey" supplies, global service and project financing of healthcare facilities.

7.2 Other income

Other income went from Euro 6,054 thousand as at 31 December 2018 to Euro 5,515 thousand as at 31 December 2019, as indicated below:

(thousands of Euros)	Year ended as at 31 December	
	2019	**2018**
Rental income	49	48
Capital gains from asset sale	309	335
Recovery costs pertaining to third parties	1,816	1,611
ATI income	1,463	1,597
Non-recurring income	725	684
Recovery costs and miscellaneous income	1,153	1,779
Sales revenues	**5,515**	**6,054**

The main decrease in the subject item regards revenues from the sale of white certificates in 2018.

Pursuant to Art. 1, paragraphs 125 to 129, of Law no. 124 of 4 August 2017, relating to the obligations of publication of grants, contributions, paid positions and in any case economic advantages of any nature received from public administrations, note that the disbursing Bodies are required to publish contributions on the National Register of government aid, accessible at: www.rna.gov.it/sites/PortaleRNA/it_IT/trasparenza on government aid and *aiuti de minimis*.

Contributions received by the Company in 2019 are contained in the aforementioned Register.

7.3 Raw materials and consumables

Consumption of raw materials, equal to Euro 21,684 thousand, decreased with respect to the previous year (Euro 21,907 thousand in 2018). The decrease in the item is predominantly due to the lower cost of some supplies, resulting from the termination of contracts in the Friuli area, partly offset by higher costs for materials linked to the new sector of "turnkey" supplies, global service and project financing of healthcare facilities, to the new hotel sector, as well as to disposable sets and personal protective equipment.

7.4 Costs for services

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2019	**2018**
External laundering and other industrial services	21,086	20,098
Travel and transport	11,967	10,801
Utilities	10,433	9,558
Administrative costs	2,087	2,156
Consortium and sales costs	11,491	11,638
Personnel expense	1,955	1,814
Maintenance	6,932	6,723
Use of third-party assets	2,888	6,716
Other services	1,826	1,563
Total	**70,665**	**71,067**

The item Costs for services was down by 0.6% with respect to the same period of the previous year; its incidence on turnover was also down, by 0.2 percentage points.

On a like-for-like basis, and net of the IFRS 16 effect, costs for services are up by Euro 1,897 thousand, while the impact is at -1.0% compared to the previous year. The items with the greatest impact are costs for third-party services, particularly for the management of several warehouses in northern Italy, and costs for "turnkey" construction of operating rooms, linked to the new healthcare facilities construction sector. Travel and transport expenses are also up, due to sales activities related to the activation of new customers. Furthermore, there was an increase in the cost of utilities, due to higher energy prices and consumption of gas and electricity.

Costs for services also include one-off costs relating to restoration of systems and recovery of data following the IT incident at the beginning of 2019 for Euro 210 thousand.

Note that costs for the use of third-party assets recognised as at 31 December 2019, and therefore not subject to application of IFRS 16, predominantly regard rentals of pressure-relieving mattresses, royalties and software licences, electronic machinery and rentals of other assets with duration of less than 12 months, or low value assets.

7.5 Personnel expense

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2019	**2018**
Costs for directors' fees	1,144	1,641
Salaries and wages	49,245	48,136
Temporary work	1,924	2,172
Social security charges	16,205	15,506
Employee severance indemnity	3,344	3,202
Other costs	257	247
Total	**72,119**	**70,904**

Several factors impacted the increase during the period, such as the increase in personnel linked to the new hotel sector for Euro 2,179 thousand and new administrative personnel for the Italian area, with decreases in the cost of personnel for the Lazio region, due to the termination of wash-hire services for a number of customers.

The table below shows the average composition of workforce:

	Average number of employees	
	2019	**2018**
Executives	11	8
Middle managers	30	25
White-collar staff	179	175
Blue-collar staff	1,762	1,727
Total	**1,982**	**1,935**

7.6 Other costs

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2019	**2018**
Tax-related expense	218	250
Contingent liabilities	14	64
Membership fees	212	200
Gifts to customers and employees	133	296
Other	685	555
Total	**1,262**	**1,365**

The item Other costs was down slightly by Euro 103 thousand with respect to the same period of the previous year

7.7 Depreciation/amortisation, impairment and provisions

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2019	**2018**
Amortisation of intangible assets	959	1,029
Depreciation of property, plant and equipment	39,803	41,185
Impairment and provisions	611	569
Provision for risks	2,568	-
Total	**43,941**	**42,783**

A number of components not present in 2018 had an impact in 2019, in particular the revision of estimated useful life for some types of line described in paragraph 3.A (specifically packed linen, uniforms for "118" emergency services operators, line for the hotel sector and mattresses), investment in new linen for the hotel sector, and allocation to the provision of onerous contracts described in paragraph 6.19. Excluding these effects, the balance of the item "Depreciation, amortisation and impairment" would amount to Euro 46,320 thousand as at 31 December 2019, up from Euro 3,537 thousand as at 31 December 2018.

The decrease in the amortisation of intangible fixed assets is due to the gradual depletion of the residual value of the customer portfolios valued during the merger by incorporation of companies previously controlled. Amortisation of property, plant and equipment also declined as a result of lower investments in flat linen, due to the introduction of Tag technology and lower depreciation on surgical instruments.

7.8 Financial income

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2019	**2018**
Bank interest income	-	-
Default interest	845	614
Interest income on loans to third-party companies	670	690
Exchange rate earnings and losses	-	-
Other financial income	128	57
Total	**1,643**	**1,361**

Default interest accrues as a result of the delays in payment by some private customers. The increase in default interest compared to 2018 is primarily due to the release of prior write-downs of interest subsequently collected for approximately Euro 134 thousand. Interest income on loans to third companies was basically in line with the financial receivables against which it accrues. The item Other financial income mainly represents interest income on tax refunds of previous years.

7.9 Financial expenses

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2019	**2018**
Interest expense and bank fees	768	741
Interest expense for leasing	1,687	-
Interest and expense to other lenders	186	203
Financial expense on employee benefits	98	82
Net exchange rate losses	46	212
Other financial expenses	15	21
Total	**2,800**	**1,259**

The increase in the item is mainly due to the effects of application of IFRS 16 for Euro 1,687 thousand. Losses on exchange rates regard the currency adjustment on the loan to Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, expressed in Turkish Lira.

7.10 Income and expense from equity investments

The item includes dividends collected in 2019 from associates and other companies for Euro 361 thousand. More specifically, Euro 148 thousand were collected from the subsidiary AMG S.r.l., Euro 122 thousand from the associate Sesamo S.p.A., Euro 89 thousand from the associate Prosa S.p.A. and Euro 2 thousand from other companies. Following acquisition of control of Ekolav S.r.l., a gain of Euro 550 thousand was recognised, relative to the remeasurement at fair value of the investment previously held, equal to 50% and recognised at cost for Euro 50 thousand, as it was a business combination operation carried out in several phases. Revaluations of equity investments in subsidiaries valued according to the equity method were also recognised, equal to Euro 463 thousand and referring to Steritek S.p.A. for Euro 292 thousand and Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi for Euro 171 thousand. Impairment of equity investments in subsidiaries valued according to the equity method amounted to Euro 546 thousand and primarily refer to the investment in SRI Empreendimentos e Participações Ltda impacted by the effect of remeasurement of the put option of minority shareholders of Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A for Euro 1,385 thousand. Moreover, as already mentioned in the paragraph on equity investments in associates and jointly controlled companies, following the outcome of the impairment test in relation to the carrying amount of the stake in the Indian company Shubhram Hospital Solutions Private Limited, a negative difference of Euro 759 thousand was noted, leading to impairment of the book value of the investment for the same amount.

7.11 Income taxes

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2019	**2018**
Current taxes	1,310	1,389
Deferred tax liabilities/(assets)	(1,747)	(1,443)
Total	**(437)**	**(54)**

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

(thousands of Euros)	**2019**	**Incidence**	**2018**	**Incidence**
IRES (company earnings tax) reconciliation				
Profit before tax from Income statement	7,583		11,159	
Theoretical taxes	**1,820**	**24.00%**	**2,678**	**24.00%**
Tax effects of the permanent differences:				
on increases	577	7.6%	584	5.2%
on decreases	(4,026)	-53.1%	(4,449)	-39.9%
foreign taxes	10	0.1%	38	0.3%
substitute taxes	801	10.6%	504	4.5%
Total effective IRES taxes	**(818)**	**-10.8%**	**(645)**	**-5.8%**
IRAP (regional business tax)	381	5.0%	591	5.3%
Total effective taxes	**(437)**	**-5.8%**	**(54)**	**-0.5%**

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

8 Transactions with group companies and related parties

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

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

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

Income statement, statement of financial position and financial transactions with related companies in 2019 are presented below:

(thousands of Euros)	31 December 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 investments**
Coopservice S.Coop.p.A. (parent company)	77	52	10,810	-	-	18	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	2,799	864	3,634	-	-	-	-	-
Steritek S.p.A. (subsidiary)	-	67	338	-	7	-	-	132
Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE (subsidiary)	-	-	-	-	-	-	42	108
SRI Empreendimentos e Participacoes LTDA (subsidiary)	-	-	-	-	-	-	-	-
Ekolav S.r.l. (subsidiary)	64	1	2,019	-	40	-	7	-
Wash Service S.r.l. (subsidiary)	-	-	241	-	-	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-	-
Arezzo Servizi S.c.r.l. (joint control)	-	8	1,067	-	-	-	3	-
Consorzio Co.Se.S. (associate)	-	-	2	-	-	-	-	-
Psis S.r.l. (joint control)	181	122	-	-	-	-	43	-
Amg S.r.l. (joint control)	-	14	748	-	17	-	-	148
Steril Piemonte S.c.r.l. (joint control)	17	318	1,421	-	-	-	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	94	352	-	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	1	7	126	-	-	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (joint control)	-	-	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (joint control)	-	-	-	-	-	-	-	-
Sanitary cleaning Sh.p.k. (joint control)	-	-	-	-	-	-	-	-
Saniservice Sh.p.k. (joint control)	743	120	-	-	-	-	381	-
Servizi Sanitari Integrati Marocco S.a.r.l. (joint control)	-	-	-	-	-	-	-	-
Finanza & Progetti S.p.A. (joint control)	-	54	-	-	-	-	-	-
Brixia S.r.l. (associate)	3,885	-	37	-	-	1	-	-
IdsMed Serviziplus PTE LTD. (joint control)	-	94	-	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	-	7	-	-	-	-	-
Focus S.p.A. (affiliated)	-	7	2,810	-	-	12	-	-
Archimede S.p.A. (affiliated)	-	-	7	829	-	-	-	-
Gesta S.p.A. (affiliated)	-	7	54	-	-	-	-	-
New Fleur S.r.l. (affiliated)	35	-	1,027	-	-	-	-	-
Ad Personam S.r.l. (affiliated)	-	-	29	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	-	-	-	-	-	-
Everest S.r.l. (related party)	-	-	291	-	-	1	-	-
Ospedal Grando S.p.A. (related party)	8,678	-	7	-	-	-	-	-
Total	**16,480**	**1,829**	**25,027**	**829**	**64**	**32**	**476**	**388**

(thousands of Euros)	31 December 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)	119	4,601	-	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	4,942	676	-	-	-
Steritek S.p.A. (subsidiary)	20	357	-	-	-
Ankateks Turizm insaat Tekstil Temizleme Sanayi VE (subsidiary)	-	-	530	-	-
SRI Empreendimentos e Participacoes LTDA (subsidiary)	990	1	-	-	-
Ekolav S.r.l. (subsidiary)	136	794	1,129	-	-
Wash Service S.r.l. (subsidiary)	-	111	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-
Arezzo Servizi S.c.r.l. (joint control)	9	515	403	-	-
Consorzio Co.Se.S. (associate)	-	2	-	-	-
Psis S.r.l. (joint control)	150	1	3,843	-	-
Amg S.r.l. (joint control)	14	567	-	-	-
Steril Piemonte S.c.r.l. (joint control)	196	834	-	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	57	222	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	3	62	90	-	-
SAS Sterilizasyon Servisleri A.Ş. (joint control)	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (joint control)	-	-	-	-	-
Sanitary cleaning Sh.p.k. (joint control)	-	-	-	-	-
Saniservice Sh.p.k. (joint control)	2,147	-	4,983	-	-
Servizi Sanitari Integrati Marocco S.a.r.l. (joint control)	-	-	-	-	-
Finanza & Progetti S.p.A. (joint control)	232	-	-	2,460	-
Brixia S.r.l. (associate)	846	10	-	-	-
IdsMed Serviziplus PTE LTD. (joint control)	55	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	6	-	-	-
Focus S.p.A. (affiliated)	61	-	-	-	-
Archimede S.p.A. (affiliated)	-	116	-	-	-
Gesta S.p.A. (affiliated)	8	22	-	-	-
New Fleur S.r.l. (affiliated)	216	969	-	-	-
Ad Personam S.r.l. (affiliated)	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	-	-	-
Everest S.r.l. (related party)	-	239	-	-	-
Ospedal Grando S.p.A. (related party)	3,232	-	-	-	-
Total	**13,433**	**10,105**	**10. 978**	**2,460**	**-**

Aside from the figures shown above, as at 31 December 2019, transactions with related parties included directors' fees for Euro 1,201 thousand and executive personnel expense for Euro 2,056 thousand. As at 31 December 2018, director fees were equal to Euro 1,696 thousand and executive personnel expense for Euro 1,606 thousand.

The main economic and financial relations with related companies in 2019 were the following:

Coopservice S.Coop.p.A.

Revenues from sales and the associated trade receivables as at 31 December 2019 refer primarily to linen and textile washing services within the cleaning activities provided to the parent company.

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

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

As at 31 December 2019, revenues from the sale of goods and services and related trade receivables due from Consorzio San Martino 2000 S.c.r.l. represented services provided by Servizi Italia S.p.A. in regard to the outstanding contract with IRCCS Az. Osp. Univ. San Martino in Genoa. Purchase costs and the related trade payables were instead related to the charge-back of costs incurred by the Consortium, which are divided amongst members according to their share of interest, while the purchase of fixed assets refers to mattresses used in the context of the previous contract.

Steritek S.p.A.

As at 31 December 2019, the costs and trade payables due in relation to the subsidiary Steritek S.p.A. were related to validation services for the sterilisation centres.

Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE

At 31 December 2019, financial income referred to interest income accrued and not yet paid by the company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi for the loan granted to the subsidiary, equal to Euro 530 thousand.

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

As at 31 December 2019, trade receivables from SRI Empreendimentos e Participacoes Ltda were related to the charge-back of cost of personnel seconded at the subsidiary and of service costs.

Arezzo Servizi S.c.r.l.

The company's purpose is the provision of wash-hire services to "Aziende dell'Area Vasta Sud-Est" and, to a lesser extent, to the hospital of the Arezzo ASL. Purchase costs and the corresponding trade payables were related to the charge-back of costs incurred by Arezzo Servizi S.c.r.l., which are divided amongst the shareholders on the basis of their shareholdings. The financial receivable is for a Euro 402 thousand loan granted to the associate.

Psis S.r.l.

As at 31 December 2019, revenues from the sale of goods and services to PSIS S.r.l. were related to the charge-back of administrative management services. The financial receivable was related to a loan granted for Euro 3,843 thousand to support current investments.

AMG S.r.l.

At the end of 2019, financial transactions were mainly for external laundering services at the ASLs in Asti and Casale Monferrato and at the Turin 3 ASL; the revenues derive from linen sterilisation services and supply of disposable medical devices for surgical procedures.

Ekolav S.r.l.

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

Steril Piemonte S.c.r.l.

As at 31 December 2019, revenues from the sale of goods and services and purchase costs associated with Steril Piemonte S.c.r.l. were related to the charge-back of costs incurred by the Company and Consortium for surgical instrument sterilisation activities at the ASL AL Piedmont Region.

Iniziative Produttive Piemontesi S.r.l.

As at 31 December 2018, revenues from the sale of goods and services to Iniziative Produttive Piemontesi S.r.l. were mainly related to validation services. The financial receivable is for a Euro 90 thousand loan granted to the associate.

Saniservice Sh.p.k.

As at 31 December 2019, revenues from the sale of goods and services to Saniservice Sh.p.k. mainly referred to the supply of material for the management of sterilisation facilities and to business management services. The financial receivable and financial income were related to a loan granted to the associate, equal to Euro 4,983 thousand.

Finanza & Progetti S.p.A.

As at 31 December 2019, the value of other liabilities was related to the future share capital increase subscribed and not yet paid, equal to Euro 2,460 thousand.

Brixia S.r.l.

As at 31 December 2019, revenues from the sale of goods and services to Brixia S.r.l. were related to the wash-hire service at the ASST Spedali Civili of Brescia.

Focus S.p.A.

Transactions with Focus S.p.A. were related to lease agreements on the Castellina di Soragna (PR), Montecchio Precalcino (VI), Ariccia (RM) and Genova Bolzaneto (GE) properties. In 2019, the total consideration for leased properties amounted to Euro 2,810 thousand.

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

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

Archimede S.p.A.

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

New Fleur S.r.l.

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

Everest S.r.l.

Transactions with Everest S.r.l. concern the lease agreements of the properties of Travagliato and Podenzano, the duration of which is six years, renewable for an additional six years. In 2019, the total consideration for leased properties amounted to Euro 239 thousand. Servizi Italia S.p.A.'s transactions with Everest S.r.l. in relation to lease agreements are entered into in compliance with the Regulations for related party transactions in force.

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

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

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

10 Treasury shares

The Shareholders' Meeting of 30 May 2019, upon revocation of the authorisation to purchase and dispose of treasury shares resolved on 20 April 2018 for the unused portion, renewed the authorisation for the purchase and disposal of treasury shares, in accordance with the proposal by the Board of Directors. The resolution authorised the purchase of a maximum of 6,361,890 ordinary shares with nominal value of Euro 1.00 each, corresponding to one-fifth of the Company's share capital (taking into account the shares already held by the Company) for a period 18 months from 30 May, while the duration of the authorisation for disposal of the treasury shares has no time limits.

The treasury shares purchase plan renewed by the Board of Directors, in implementation of the shareholders' meeting resolution, on 30 May 2019 - in accordance with the resolution of the Company's Shareholders' Meeting on the same date and with market practice no. 2 (establishment of a "stock of securities") permitted by Consob with resolution no. 16839/09 - aims to establish a stock of treasury shares to possibly use as consideration in extraordinary transactions and/or in trades and/or in the disposal of equity investments, and simultaneously represents an efficient investment opportunity for the company's liquidity.

In accordance with authorisation by the shareholders' meeting on 30 May 2019, transactions for the purpose of treasury shares are conducted on the Mercato Telematico Azionario (MTA, electronic stock market) through broker INTERMONTE SIM S.p.A., in accordance with the operating methods and at the price conditions pursuant to the provisions of Articles 3 and 4, par. 2, lett. b) of the Delegated (EU) Regulation 2016/1052, and in compliance with the principle of equal treatment of Shareholders and with market practice. In particular, the purchase price of each share must be, as a minimum, at least 20% and, as a maximum, not greater than 20% of the weighted average of the official prices of the shares recorded by Borsa Italiana on the MTA in the 3 days prior to each individual purchase, without prejudice to the fact that it cannot be greater than the higher of the last independent transaction and the highest current independent asking price on the MTA, in accordance with the shareholders' resolution of 30 May 2019 and any other applicable regulations (even European) and allowed market practice. Furthermore, the shares purchased during each session may not exceed 25% of the average daily volume of Servizi Italia S.p.A. shares traded on the MTA, calculated based on the daily average volume of trades in the 20 trading days prior to the purchase date.

The broker INTERMONTE SIM S.p.A., which coordinates the share purchase programme, shall make trading decisions in relation to the timing of the purchase of Servizi Italia S.p.A. shares, with full independence from the Company but within the limitations decided by the Shareholder's Meeting. As at 31 December 2019, the number of treasury shares in the portfolio amounted in total to 874,211 shares, corresponding to 2.75% of the share capital.

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

As regards:

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

please see the Remuneration Report, drawn up pursuant to article 123-ter of CFA for 2019.

12 Payment plans based on financial instruments

As at 31 December 2019, there were no remuneration plans based on financial instruments.

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

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

Type of service	Provider	Recipient	Fees
Audit service	Deloitte & Touche S.p.A	Servizi Italia S.p.A.	109,138
Audit service	Deloitte & Touche S.p.A	Subsidiaries	13,864
Audit service	Deloitte & Touche S.p.A. network	Subsidiaries	68,098
Other Assurance services	Deloitte & Touche S.p.A	Servizi Italia S.p.A.	4,500
Other services	Deloitte & Touche S.p.A	Servizi Italia S.p.A.	30,625
Advisory services	Deloitte & Touche S.p.A. network	Subsidiaries/associates	-
Advisory services	Deloitte & Touche S.p.A. network	Subsidiaries/associates	-
Total			**226,225**

14 Significant events and transactions during the year

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

15 Significant events after the end of the year

On 7 January 2020, the Company announced the resignation of its CEO Mr. Enea Righi from every office, function and role covered in the Company and in any other company of the Servizi Italia Group. The Board of Directors, upon consultation with the Nomination and Remuneration Committee, activated the succession planning policy and assigned the management powers to an Executive

Committee consisting of Roberto Olivi (Chairman of the Board of Directors), Ilaria Eugeniani (Director, appointed Vice-Chairman of the Board of Directors) and Michele Magagna (Director), assisted by the Chief Operating Officer Andrea Gozzi. For additional information, see the press release.

On 23 January 2020, the Company announced that it called the Board of Directors' meeting to approve the draft separate financial statements and consolidated financial statements as at 31 December 2019 for 13 March 2020. It also announced that the Shareholders' Meeting would take place on 28 April 2019 (First Call) for approval of the financial statements.

The SARS-Cov-2 viral epidemic (known as Coronavirus), which first occurred in Italy at the end of January 2020, has imposed the need to contain epidemiological development as much as possible, leading to changes in hospital procedures and activities with regard to hygiene guarantees for medical and nursing staff, for wards and in-patients designated for the treatment of infections caused by the Coronavirus.

The activities of the Company, which operates in strict compliance with the relevant regulations, are impacted by the evolution of the contingent epidemiological situation.

At present, for the Company, which carries out its own production activities of washing, reconditioning and logistic handling of textiles and sterilisation of surgical instruments, the effects of the events in progress are resulting in:

- an increase in the reconditioning of hospital textiles, in particular the uniforms of health workers, as well as an increase in equipment compared to that agreed in the various centres of use;
- a reduction in production activities in the sterilisation plants due to the fact that many hospitals have reduced the number of scheduled surgeries in their strategy to contain the virus;
- possible shifts of production activities between the various operating sites with available production capacity.

The combination of these factors is producing evolving economic effects, the monitoring of which by management is expected to lead to the definition of additional fees to cope with different cost dynamics compared to the ordinary nature of the contracts currently in place.

On 5 March 2020, the Board of Directors appointed Roberto Olivi as Director responsible for the internal control and risk management system ad interim. This role had been previously held by the outgoing CEO.

As at 5 March 2020, the Company had acquired a total of 1,091,528 treasury shares on the market regulated and managed by Borsa Italiana S.p.A., equal to 3.43% of the share capital.

16 Allocation of the profit (loss) for the year

The Board of Directors proposes to allocate the profit for the year, equal to Euro 8,019,702, as follows:

- a maximum amount of Euro 4,453,323 to distribution to the shareholders, corresponding to ordinary dividends per share, gross of legal withholdings, equal to 14 Euro cents for the shares in circulation, excluding treasury shares in the portfolio;

- Euro 1,012,644 to the valuation reserve for equity investments by using the equity method;
- to carry forward the residual profit for the year.

It also proposes to allocate Euro 239,097 from the valuation reserve for equity investments by using the equity method to profit carried forward as the restrictions on distribution as dividends no longer apply.

The dividend will be paid as from 13 May 2020, with ex-dividend date on 11 May 2020, and will be paid to the shares that are in circulation as of that date.

The Chairman of the Board of Directors
(Roberto Olivi)

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

Castellina di Soragna, 13 March 2020

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 Roberto Olivi, in his capacity as Chairman of the Executive Committee, and Ilaria Eugeniani, in her capacity as Financial Reporting Manager of Servizi Italia S.p.A., certify:

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

b) the effective application of the administrative and accounting procedures for the formation of the separate financial statements during 2019.

It is also hereby stated that the separate financial statements as at 31 December 2019:

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

b) correspond to the books and accounting entries;

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

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

The Chairman of the Executive Committee

Roberto Olivi

The Financial Reporting Manager

Ilaria Eugeniani

Deloitte.

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Servizi Italia S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Impairment test on Goodwill	
Description of the key audit matter	The separate financial statements of Servizi Italia S.p.A. as of 31 December 2019 report goodwill of Euro 44,575 thousand, relating entirely to the Servizi Italia cash-generating unit (CGU) and deriving from business combinations carried out in the prior years. No impairment losses were recorded during the year.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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

In view of the significance of the goodwill reported in the financial statements and the subjective nature of the estimates made to determine the cash flows of the CGU and the key variables of the impairment model, as well as the many unpredictable factors that might influence the performance of the market in which the Company operates, we considered the impairment test on goodwill to be a key audit matter of the audit of the separate financial statements of Servizi Italia S.p.A. as of 31 December 2019.

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

Audit procedures performed

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

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

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

Measurement of investments in subsidiaries

Description of the key audit matter	The separate financial statements of Servizi Italia S.p.A. as of 31 December 2019 report investments in subsidiaries totalling Euro 57,532 thousand, measured using the equity method. No impairment losses were recorded during the year. The process adopted by Management to identify possible impairment losses was complex and, considering the impairment indicators identified, is based on assumptions about, among others, the forecast cash flows of the cash-generating units (CGUs), the appropriate discount rate (WACC) and the long-term growth rate (g-rate). Furthermore, these assumptions, reflected in the long-term plans of the CGUs represented by the subsidiaries, were also influenced by future expectations and market conditions that give rise to uncertainties, especially with regard to the investments held in SRI Empreendimentos Participações L.t.d.a (Brazil), with a carrying amount of Euro 35,515 thousand, and Ankateks Turizm İnsaat Tekstil Temizleme Sanayi Ve Ticaret A.S. (Turkey), with a carrying amount of Euro 12,505 thousand, since they operate in geographical areas marked by economic instability. The carrying amount of the investments in consortium subsidiaries does not include any implicit goodwill. In view of the significance of the above investments in subsidiaries reported in the financial statements, the subjective nature of the estimates made to determine the cash flows of the CGUs and the key variables of the impairment model used to measure their implicit goodwill, as well as the many unpredictable factors that might influence the markets in which the subsidiaries operate, we considered measurement of the investments in subsidiaries to be a key audit matter of the separate financial statements of Servizi Italia S.p.A. as of 31 December 2019. The explanatory note in the paragraphs "3 E – Impairment test", "3 F – Equity investments" and "3 O Use of estimated values – Particularly significant accounting standards", report the disclosure related to the assessment process for the measurement of investments in subsidiaries; the note 6.4 presents disclosure about the items subject to impairment test.
Audit procedures performed	In the context of our audit work we performed the following procedures, among others, partly with assistance from experts: • examination of the approach taken by Management to determine the carrying amount of the investments in subsidiaries and analysis of the methods and assumptions used by Management to measure the equity investments concerned, considering the identified impairment indicators;

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of Servizi Italia S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Servizi Italia S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Servizi Italia S.p.A. as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Servizi Italia S.p.A. as at December 31, 2019 and are prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Parma, Italy
March 30, 2020

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

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

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

FINANCIAL STATEMENT AS AT 31 DECEMBER 2019

Dear Shareholders,

pursuant to article 2429 of the Italian Civil Code and to article 153, paragraph 1, of Legislative Decree no. 58 of 24 February 1998, we inform you that during the year ended 31 December 2019 we carried out the surveillance activities according to the provisions of the Civil Code, articles 149 and followings of the mentioned Legislative Decree, Revision of the Consolidated Law (Legislative Decree no. 39/2010) and the instructions contained in communications given by Consob, taking into account the principles of conduct recommended by the National Board of Accountants and Public Accountants.

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

Accordingly, we report about the supervision activity required by law that we have been carrying out during the year ended 31 December 2019

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

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

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

In 2019, the extraordinary operations carried out by the Company were:

a) Shareholding acquisition

As at 28 January 2019, the Company announced to have signed the agreement for the acquisition of the majority of Wash Service's share capital, a company mainly active in Norther Italy providing washing and hiring services for flat linen, guest and operating staff linen in healthcare facilities, hospitals, retirement houses, clinics and nursing homes. On 27 February, the Company completed the acquisition of 90% of the share capital of Wash Service S.r.l. and at the same time announced the closing of the transaction on that date;

On 19 July the Company announced to have acquired the remaining 50% of Ekolav S.r.l. share capital, a company located in Tuscany and providing washing and hiring services of flat linen, guest linen, staff linen for healthcare facilities, retirement houses, hospitals and industrial customers.

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

- attended the meetings of the Board of Directors, for a total of 12 sessions (23/01, 07/03, 13/03, 29/04, 30/05, 16/07, 30/07, 08/08, 10/10, 14/11, 12/12, 19/12), during which it has been informed on the activities and major operations performed by the Company and its subsidiaries;
- held 13 periodic meetings (11/02, 13/03, 14/03, 10/04, 30/05, 25/07, 08/08, 05/11, 14/11, 13/12, 16/12, 19/12, 23/12), during which there was also a mutual exchange of information with the external auditors Deloitte & Touche S.p.A. and the CEO, ensuring that no imprudent, risky or in potential conflict of interests operation have been implemented, as well as no operation against the law or in conflict with the resolutions of the Assembly or able to compromise the integrity of the assets of the Company. Moreover, at each meeting, the Board systematically discussed with the CFO, the Manager responsible for preparing corporate accounting documents and other Managers invited depending on topics;
- supervised, as far as concerned, the adequacy of the Company organizational structure, in terms of compliance with the principles of proper administration and the adequacy of instructions given to the subsidiaries pursuant to article 114, paragraph 2 of Legislative Decree no. 58/1998. This has been made by collecting information from the heads of the organizational functions in order to achieve a mutual exchange of data and relevant information;
- periodically examined, within the evaluation of the adequacy of the adopted internal control system, the updated map of all the risks related to the Company and its subsidiaries and then we have received, from the Internal Auditor, the positive evaluation on the suitability of the system under examination to achieve an acceptable overall risk profile; the evaluation was based on the assessment of the risk map and the overall monitoring of the internal control system. The Board, also coordinated with the Risk and Control Committee, taking note of the audit planning compiled by the Internal Auditor;
- verified, through the report of the Supervisory Body, the aspects related to the adequacy and constant updating of the organizational model pursuant to Legislative Decree 231/01, also in relation to the regulation updates;
- verified the information flow required by the whistleblowing procedure. The procedure is intended to ensure an adequate internal system for allowing employees to report any irregularity or violation of the laws and internal procedures, by means of a dedicated communication system with defined procedures, which ensures the confidentiality and anonymity of the informant, excluding the risk of retaliation and discrimination;
- studied all the documentation related to financial, industrial and support operations among companies which can be reasonably considered compliant to the principles of good administration and consistent with the Company's articles of association and the spirit of the current law;
- detected that no atypical and/or unusual operations, as defined by CONSOB communication DEM/6064293 dated July 28, 2006, have been carried out both within the Group and with related or third parties, as confirmed also by the Board of Directors, the Independent Auditors and the Internal Auditor;

- supervised on the actual implementation of the corporate governance rules envisaged in the Code of Conduct adopted by the Italian Stock Exchange;
- supervised on the actual implementation of the resolution of the Shareholders’ Meeting of 31 May 2019, which authorised the Board of Directors to purchase and sell treasury shares. The plan has a maximum duration of 18 months as from the date of issue of the authorisation by the Shareholders’ meeting. The intermediary appointed to carry out the buy-back program is Intermonte S.p.A. which takes negotiation decisions regarding Servizi Italia’s shares timing of purchase in complete independence from Company, but within the limits set by the Shareholders' Meeting.
- supervised, with regard to the regulations on non-financial reporting for the year 2019, on the observance of the provisions set forth in the principles of the Barnier Directive and Italian Legislative Decree 254/2016; thus on the compliance with the applicable legal provisions and the adequacy of the organisational, administrative, reporting and control system predisposed by the Company in order to allow for the correct and complete representation in the non-financial Report of the Company business, its results and its impact with regard to the non-financial matters referred to in art. 3, paragraph 1 of the decree (environmental, social, respect for human rights, etc.);
- adapted its supervisory functions, inter alia, to the activity of the statutory audit of annual and consolidated accounts verifying the independence of the independent auditors, especially for what concerns the provision of non-audit services to the Company under statutory audit, pursuant to art. 17, paragraph 9, letter a) of the Legislative Decree 39/2010;
- confirmed, the independence of the Independent auditors, also with reference to non-statutory audit services provided to the Company by the independent auditors and by other legal entities belonging to the same network as specifically indicated in the financial statements. To this end, the Board of Auditors – on the basis of what is referred by the Independent Auditors – underlines that during 2019:
    - Deloitte & Touche S.p.A. has not been given any assignment related to audit services and issue of certifications required by regulatory authorities;
    - there are no further evidence assignments to entities belonging to the same network, to shareholders, directors, members of supervisory bodies and/or employees of the said independent auditors, with the exception of the tasks relating to consulting services for support to the development and external growth of the Company.
- stated, based on the declarations made by the Directors and taking note of the evaluations expressed by the Board of Directors, that criteria and inspection procedures adopted by the Board itself for evaluating the independency of its members have been correctly applied (we have verified the independence of 4 Board members: Paola Schwizer, Romina Guglielmetti, Chiara Mio and Antonio Aristide Mastrangelo);
- successfully carried out the annual verification of compliance with the criteria of independence of each member, as required by the Code of Conduct and Regulation of Organized Markets managed by Borsa Italiana S.p.A;
- carried out, pursuant to Italian Stock Exchange Issuers’ Regulation, the compliance with the criteria for Servizi Italia S.p.A. remaining in the STAR segment (ref. art. 2.2.3, paragraph 10 of the Borsa Italiana’s Regulation and IA.4.2.3., paragraph 3, of the Instructions);

- verified the correct distribution of the total compensations within the Board of Directors, as approved by the Shareholders' Meeting on 20 April 2018;
- verified that the Directors, in accordance with Consob dispositions, have underlined in the Annual Financial Statement Report all the transactions carried out with companies of the Group and related parties. The Board has verified, with the help of the Internal Control Responsible, the compliance to the procedures which ensure that they were concluded under reasonable terms and in the interest of the Company;
- verified that the Company is able to regularly and promptly comply with the reporting obligations required by law, pursuant to art. 114, 2nd paragraph of the Legislative Decree 58/1998 for subsidiaries within the scope of consolidation;
- supervised, pursuant to ex art. 19, paragraph 1 of the Legislative Decree 39/2010, on the financial informative process, on the efficiency of the internal control system, of the audit system and of the risk management;
- received, pursuant to art. 19 paragraph 3 of the Legislative Decree 39/2010, the report of the Independent Auditors issued on 30 March 2020, explaining the key matters arisen from the statutory audit and any significant weakness connected to the internal control system and related to the financial reporting process;
- examined the coherence of the information included the Report on Corporate Governance and financial structure 2019, drafted according to the provisions of art. 123-bis of the Consolidated Law on Finance with the Separated and consolidated Balance Sheet. The Independent Auditors did not express any comment nor indicated any information reference regarding the Report;
- examined the coherence of the information included in the Consolidated Non-Financial Statement 2019, drafted in compliance with the guidelines Global Reporting Initiative (GRI) Sustainability Reporting Standards. The Independent Auditors did not express any comment nor indicated any information reference about the mentioned Report.
- attended the meetings of the Nomination and Remuneration Committee which were held during 2019 and taken note of what the Committee reported during the Board of Directors with regard to (i) the Annual Bonus System (ABS) for the reference year; (ii) and the Long Term Incentive Cash Plan for the three-year period 2018-2019-2020; (iii) to the Remuneration Policy and Remuneration paid report – Year 2019 according to the provisions of the framework nr. 7-bis and art. 123-ter of the Consolidated Law on Finance, which deals with the general policy adopted by the Company on the remuneration of Directors vested with particular offices, Executives with strategic responsibilities, Senior Managers and Executives.

Herewith, the Board gives also acknowledge of the following;

- the Company has adopted an Internal Dealing Code of Conduct and the subsequent communication obligations for those considered as relevant subjects for what concerns purchase, sale, underwriting, trading and any other operation which transfers the ownership of Servizi Italia's shares or other financial instruments linked to them, even through third parties;
- the Company activated an integrated risk management model based on the Enterprise Risk Management international principles, whose continuous development is connected to the changing needs of the Company, this model works as support to the administrative and control bodies of the

Company.

- on 7 March the Group announced that, in February 2019, an exceptional malfunction in the primary data centre, located at the data hosting and network connectivity service provider's facilities, made part of the Group's accounting information system unavailable, resulting in the loss of part of the accounting records for 2018. The procedures to restore the compromised machines and the information system, as well as those to reconstruct the accounting information up to the date of the incident, thanks also to the availability of data contained in the management and auxiliary systems that were not affected by the malfunction, were successfully completed. The computer malfunction that occurred did not in any way affect the Group's ordinary operations and the services provided to customer structures. During 2019, the Board of Statutory Auditors was in constant contact with management to monitor the progress of the initiatives implemented by the Company in the remediation plan to mitigate IT-related risks. The monitoring concerned, in particular, the state of progress of the investments in the Infrastructure/DataCenter, Application, Networking & Security, GDPR Adaptation and IT Inventory areas; as well as the implementation of the expansion of the audit activities carried out by the Internal Auditor and qualified third party IT Specialists and periodic technical tests to guarantee the availability and continuity of the systems. The Board of Statutory Auditors notes that, thanks to the successfully completed restoration activities and the initiatives undertaken to mitigate IT risks, there was no impact of the reported IT incident on the activities (and related timing) for the preparation of the financial statements at 31 December 2019.
- the Company took the necessary measures to ensure compliance with the provisions of Regulation EU 2016/679 ("GDPR") and with current national legislation governing personal data protection. In particular, as the Company does not fall among the cases for which appointment of a DPO is mandatory under GDPR, to prove its accountability, Servizi Italia S.p.A. appointed an internal privacy manager. With the appropriate organisational model, this will monitor and provide support and advice to all Company functions on the application of and compliance with the GDPR and current national legislation governing personal data protection;
- During 2019 the Company started and successfully completed the SA8000 certification process, based on the principles of the International Labour Organization (ILO) conventions, the Universal Declaration of Human Rights and the United Nations Convention on the Rights of the Child; in line with the International Standard, relations with employees are managed with respect for human and labour rights and in full compliance with the labour regulations in force in the countries where the Group operates. For what concerns the Safety Management System (SMS) and the Environment Management System (EMS), the Company has maintained its certifications according to UNI ISO 45001:2018 and UNI EN ISO 14001 standards and complies with Legislative Decree no. 81 dated 9 April 2008 "Consolidated law on health and safety at work" and Legislative Decree no. 152 dated 3 April 2006 "Environmental Regulations";
- the Company has drafted, in due time, the half-year financial report according to the provisions of art. 2428 of the Italian Civil Code. The report has been received by the Board of Auditors, made available to the public at the registered office of the Company and on the Company Internet website www.servizitaliagroup.com, according to the applicable law;
- the Company has carried out activities aimed at promoting the adoption of a code of ethics in Group companies and has started the UNI ISO 37001:2016 certification process, referring to management systems for the prevention of corruption. In addition, it is planned to adopt an anti-corruption group

policy at the subsidiaries, which is based on the implementation of a risk analysis of Company processes, the preparation of a set of procedures, regulations and formats that preventively oversee processes sensitive to the issue of offences and corruption, verification activities by the Group leader/third parties and training courses aimed at employees, aimed at knowledge and application of the preventive system of rules.

Atypical and unusual operations

No atypical or unusual operations result.

Transactions with group companies and related parties

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

- The transactions with related parties, as defined by the International Accounting Standard (IAS) 24, that the Company carried out during 2019 with subsidiaries, associates, joint ventures and parent companies mainly refer to: (i) dealings associated with commercial service agreements; (ii) financial dealings, represented by loans. From an economic, equity and financial point of view, the group of main transactions constitute ordinary transactions conducted under conditions equivalent to market or standard conditions and are regulated by the appropriate contracts. These reflect the actual use of the services and their correct execution in the interest of the Company, as they are aimed at rationalising the use of the Group's resources. Information on the transactions with related parties is presented in the Notes to the financial statements and, with reference to the Group, to the consolidated financial statements; the information herein is deemed to be adequate also in consideration of the Company's size and structure; reference is thus made to these sections, which also indicate the characteristics of the transactions and the consequent economic effects.
- During the year, the Board of Auditors has not issued opinions in accordance with art. 2389 of the Italian Civil Code, it has not received any notification from the Supervisory Body and it has not received any notification according to art. 2408 of the Italian Civil Code, nor complaint by shareholders or third parties.

It should be noted that during 2019:

- There have been no incidents of corruption ascertained within the Servizi Italia Group in which employees have been dismissed or subject to measures and for which contracts with business partners have been terminated or not renewed due to corruption-related violations. In addition, there were no incidents of corruption-related public lawsuits taken against the Group or its employees during the reporting period. With reference to the updates of the episodes in progress and recorded in previous years, these are still under investigation and for further details, please refer to the Separate and Consolidated Financial Statements as at 31 December 2019 in the section about ongoing proceedings;
- One report of alleged violations of the OMM.231 and the Code of Ethics was filed. The Supervisory Board started an investigation in accordance with the organisational model and procedures adopted by the company and in this context, the Supervisory Board also availed

itself of the advice of independent professionals. As a result of the investigation, no facts constituting offences under Decree 231/01 or violations of the Model emerged;

- One discrimination incident has been recorded and categorized as a discrimination complaint according to the procedures related to SA8000 certification. With regard to single episode recorded, the complaint was examined by the Social Performance Team, generating, with the protection of the reporter, corrective action that included training sessions and organizational changes in the context in which the episode occurred. Periodic monitoring of the effectiveness of the actions taken highlighted the positive resolution of the episode, which did not generate any measures of any kind and/or compensation;
- No legal actions were filed or concluded during the reporting period concerning anti-competitive behaviour, violation of antitrust laws and related monopolistic practices in which the Group was taking part;
- There have been no cases of substantiated complaints regarding breaches of customer privacy and leaks, theft or loss of customer data and complaints regarding breaches of privacy and loss of personal data in relation to the provisions of EU Regulation 2016/679 (GDPR, General Data Protection Regulation) and current national data protection legislation.

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

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

In addition to that, the Independent Audit Company Deloitte & Touche S.p.A. has transmitted to the Board its Reports about (i) the Separated and consolidated Balance Sheet of the Group; (ii) the Consolidated Non-financial Statement 2019, pursuant to art. 14 of the Legislative Decree 39 dated 27 January 2010 where an opinion with no remarks on the Company financial statement and Consolidated Financial Statement of the Group is expressed.

The activity of the Board has been reported in the minutes of meetings held during 2019. For what concerns the Consolidated Balance Sheet of the Group, the Statutory Auditors analysed the contents and they have no comments, pointing out that – pursuant to C.F.L., art. 165 paragraph1 bis, the independent auditors of your Company, as listed Parent Company, are fully responsible for the review of such Financial Statements.

Proposal to the General Shareholders' Meeting

The Board expresses its favourable opinion:

- for approving the Balance Sheet as at 31 December 2019 and agrees with the Net Income allocation proposed by the Board of Directors.

- for approving the Consolidated Non-financial Statement: 2019 Sustainability Report.

Castellina di Soragna – Italy, 30 March 2020

THE CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS

Gianfranco Milanesi

PERMANENT MEMBERS

Annamaria Fellegara

Simone Caprari

Consolidated Financial Statements

as at 31 December 2019

Servizi Italia

SERVIZI ITALIA S.P.A.
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Share Capital: Euro 31,809,451 fully paid-up
Tax Code and Register of Companies No.: 08531760158
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of Euros)	Note	31 December 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**	175,575	-	129,609	-
Intangible assets	**6.2**	5,901	-	4,809	-
Goodwill	**6.3**	71,025	-	67,926	-
Equity-accounted investments	**6.4**	25,372	-	24,463	-
Equity investments in other companies	**6.5**	3,677	-	3,725	-
Financial receivables	**6.6**	6,577	*4,000*	6,844	*4,000*
Deferred tax assets	**6.7**	4,960	-	3,023	-
Other assets	**6.8**	5,821	-	6,444	-
Total non-current assets		**298,908**		**246,843**	
Current assets					
Inventories	**6.9**	6,882	-	6,197	-
Trade receivables	**6.10**	72,126	*8,403*	75,900	*9,209*
Current tax receivables	**6.11**	2,085	-	1,961	-
Financial receivables	**6.12**	8,310	*5,936*	8,030	*5,867*
Other assets	**6.13**	9,604	-	8,868	-
Cash and cash equivalents	**6.14**	7,141	-	7,003	-
Total current assets		**106,148**		**107,959**	
TOTAL ASSETS		**405,056**		**354,802**	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Group shareholders' equity					
Share capital	**6.15**	30,935	-	31,430	-
Other reserves and retained earnings	**6.15**	94,728	-	93,045	-
Profit (loss) for the year		8,990	-	11,600	-
Total shareholders' equity attributable to shareholders of the parent company		**134,653**		**136,075**	
Total shareholders' equity attributable to non-controlling interests		**3,604**		**2,163**	
TOTAL SHAREHOLDERS' EQUITY	6.15	**138,257**		**138,238**	
LIABILITIES					
Non-current liabilities					
Due to banks and other lenders	**6.16**	68,558	-	36,044	-
Deferred tax liabilities	**6.17**	2,408	-	2,014	-
Employee benefits	**6.18**	10,321	-	10,179	-
Provisions for risks and charges	**6.19**	4,429	-	2,651	-
Other financial liabilities	**6.20**	3,877	-	6,421	-
Total non-current liabilities		**89,593**		**57,309**	
Current liabilities					
Due to banks and other lenders	**6.16**	74,301	-	61,184	-
Trade payables	**6.21**	72,364	*8,203*	74,140	*10,201*
Current tax payables	**6.22**	191	-	61	-
Other financial liabilities	**6.23**	9,269	*2,460*	3,602	*2,460*
Provisions for risks and charges	**6.19**	1,453	-	-	
Other payables	**6.24**	19,628	-	20,268	-
Total current liabilities		**177,206**		**159,255**	
TOTAL LIABILITIES		**266,799**		**216,564**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**405,056**		**354,802**	

CONSOLIDATED INCOME STATEMENT

(thousands of Euros)	Note	31 December 2019	*of which with related parties (Note 8)*	31 December 2018	*of which with related parties (Note 8)*
Sales revenues	**7.1**	**262,403**	*15,208*	**250,908**	*16,540*
Other income	**7.2**	5,140	*887*	5,607	*1,094*
Raw materials and consumables	**7.3**	(27,137)	*(117)*	(26,633)	*(131)*
Costs for services	**7.4**	(80,639)	*(18,975)*	(78,192)	*(21,291)*
Personnel expense	**7.5**	(89,539)	*(939)*	(85,358)	*(5,547)*
Other costs	**7.6**	(1,841)	*(35)*	(1,909)	*(15)*
Depreciation/amortisation, impairment and provisions	**7.7**	(54,538)	-	(50,069)	-
Operating profit		**13,849**		**14,354**	
Financial income	**7.8**	2,213	*488*	2,081	*587*
Financial expenses	**7.9**	(7,264)		(3,197)	-
Income/(expense) from equity investments	**7.10**	698		144	-
Share of profit/loss of equity-accounted investments	**6.4**	480		(704)	-
Profit before tax		**9,976**		**12,678**	
Current and deferred taxes	**7.11**	(462)		(558)	
Profit (loss) for the year		**9,514**		**12,120**	
of which: Attributable to shareholders of the parent company		8,990		11,600	
Attributable to non-controlling interests		524		520	
Basic earnings per share (in Euros)	**7.12**	**0.29**		**0.37**	
Diluted earnings per share (in Euros)	**7.12**	**0.29**		**0.37**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euros)	Note	31 December 2019	31 December 2018
Profit (loss) for the year		**9,514**	**12,120**
Other comprehensive income that will not be reclassified to the Income Statement			
Actuarial gains (losses) on defined benefit plans	**6.18**	(262)	131
Income taxes on other comprehensive income	**6.7 6.17**	63	(36)
Other comprehensive income that may be reclassified to the Income Statement			
Gains (losses) from translation of foreign financial statements		(2,030)	(7,963)
Portion of comprehensive income of the investments measured using the equity method	**6.4**	(882)	(501)
Income taxes on other comprehensive income			
Total other comprehensive income after taxes		**(3,111)**	**(8,369)**
Total comprehensive income for the period		**6,403**	**3,751**
of which: Attributable to shareholders of the parent company		6,001	3,518
Attributable to non-controlling interests		402	233

CONSOLIDATED CASH FLOW STATEMENT

(thousands of Euros)	Note	31 December 2019	*of which with related parties (Note 8)*	31 December 2018	*of which with related parties*
Cash flow generated (absorbed) by operations					
Profit (loss) before tax		9,976	-	12,678	-
Payment of current taxes		(1,544)	-	(1,273)	-
Amortisation	**7.7**	51,349	-	49,459	-
Impairment and provisions	**7.7**	3,189	-	610	-
Gains/losses on equity investments	**6.4 7.10**	(1,177)	-	560	-
Gains/losses on disposal	**7.2 7.6**	(482)	-	(334)	-
Interest income and expense accrued	**7.8 7.9**	5,051	-	1,116	-
Interest income collected	**7.8**	919	-	1,164	-
Interest expense paid	**7.9**	(3,096)	-	(2,605)	-
Interest paid on liabilities for leasing		(2,234)	-	-	
Provisions for employee benefits	**6.18**	(63)	-	396	-
		61,888		**61,771**	
(Increase)/decrease in inventories	**6.9**	(667)	-	(72)	-
(Increase)/decrease in trade receivables	**6.10**	2,793	*(806)*	(6,844)	*(5,337)*
Increase/(decrease) in trade payables	**6.22**	(1,574)	*(1,998)*	9,556	*1,095*
Increase/(decrease) in other assets and liabilities		(1,182)	-	(1,686)	-
Settlement of employee benefits	**6.18**	(809)	-	(1,349)	-
Cash flow generated (absorbed) by operations		**60,449**		**61,376**	
Net cash flow generated (absorbed) from investment activities in:					
Intangible assets	**6.2**	(1,527)	-	(1,412)	-
Property, plant and equipment	**6.1**	(52,144)	-	(55,649)	-
Dividends received	**7.10**	230	-	144	-
Acquisitions	**3.3**	(1,940)	-	(1,746)	-
Equity investments	**6.4 6.5**	(2,133)	-	(2,741)	-
Net cash flow generated (absorbed) by investment activities		**(57,514)**		**(61,404)**	
Cash flow generated (absorbed) from financing activities in:					
Financial receivables	**6.6 6.12**	908	*69*	(308)	*392*
Dividends paid	**6.15**	(5,152)	-	(5,681)	-
Net (purchase)/sales of treasury shares	**6.15**	(1,555)	-	(1,361)	-
Share capital increase	**6.15**	515	-	-	-
Other changes in equity	**6.15**	-	-	-	-
Current liabilities to banks and other lenders	**6.16**	8,040	-	11,100	-
Non-current liabilities to banks and other lenders	6.16	(2,358)	-	(3,756)	-
Reimbursement of liabilities for leasing		(3,088)	-	-	
Cash flow generated (absorbed) from financing activities		**(2,690)**		**(6)**	
(Increase)/decrease in cash and cash equivalents		**245**		**(34)**	
Opening cash and cash equivalents	**6.15**	**7,003**		**7,999**	
Effect of exchange rate fluctuations		**107**		**962**	
Closing cash and cash equivalents	**6.15**	**7,141**		**7,003**	

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(thousands of Euros)	Share capital	Share premium reserve	Legal reserve	Retained earnings	Translation reserve	Profit (loss) for the year	Reserves and profit (loss) of non-controlling interests	Total Shareholders' Equity
Balance as at 1 January 2018	**31,799**	**53,249**	**5,366**	**42,483**	**(7,707)**	**13,770**	**2,564**	**141,524**
Allocation of profit from the previous year	-	-	-	8,364	-	(8,364)	-	-
Distribution of dividends	-	-	-	-	-	(5,406)	(275)	(5,681)
Acquisition non-controlling interests	-	-	-	363	-	-	(359)	4
Treasury share transactions	(369)	(991)	-	-	-	-	-	(1,360)
Profit (loss) for the year	-	-	-	-	-	11,600	520	12,120
Other components of comprehensive income	-	-	-	(406)	(7,676)	-	(287)	(8,369)
Balance as at 31 December 2018	**31,430**	**52,258**	**5,366**	**50,804**	**(15,383)**	**11,600**	**2,163**	**138,238**
Balance as at 1 January 2019	**31,430**	**52,258**	**6,057**	**50,113**	**(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 increases of subsidiaries	-	-	-	-	-	-	1,009	1,009
Recognition of put-options on non-controlling interests	-	-	-	(860)	-	-	-	(860)
Change in the consolidation area	-	-	-	-	-	-	174	174
Treasury share transactions	(495)	(1,060)	-	-	-	-	-	(1,555)
Profit (loss) for the period	-	-	-	-	-	8,990	524	9,514
Other components of comprehensive income	-	-	-	(1,080)	(1,909)	-	(122)	(3,111)
Balance as at 31 December 2019	**30,935**	**51,198**	**6,618**	**54,204**	**(17,292)**	**8,990**	**3,604**	**138,257**

EXPLANATORY NOTES

Introduction

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

These financial statements were approved on 13 March 2020 by the Board of Directors, which authorised their publication.

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

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

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

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

IFRS accounting standards, amendments and interpretations applied as from 1 January 2019

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

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

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

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

- a financial liability, equal to the current value of the residual future payments at the transition date, discounted by 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 effects of adoption of IFRS 16 on the statement of financial position as at 1 January 2019 are outlined below:

(thousands of Euros)	**Effects as at 1 January 2019**
Non-current assets	
Land and buildings	33,070
Equipment	264
Other assets	815
Non-current liabilities	
Non-current financial liabilities for leases	30,468
Current liabilities	
Current financial liabilities for leases	3,681
Total effect on the equity reserves	-

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

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

contracts have been stipulated, increased by the average spread applied by the banks, with maturity corresponding to the duration of the specific lease.

In adopting IFRS 16, the Group made use of the exemption granted by IFRS paragraph 16:5(a) in regard to short-term leases for the following asset classes:

- motor vehicles;
- plants and equipment .

Likewise, the Group used the exemption granted by IFRS 16:5(b) in regard to the lease contracts for which the underlying assets can be qualified as low-value assets (that is, the value as new of the assets underlying the lease agreement are worth less than Euro 5,000). The contracts for which the exemption was applied mainly fall into 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 continue to be recognised in the income statement under Costs for services, 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 contracts for which the provisions of IFRS 16 were applied 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

In order to provide an aid to understanding the impacts deriving from the first application of the standard, the following table shows a reconciliation between the future commitments relating to the lease contracts referred to above, and the impact deriving from the adoption of IFRS 16 as at 1 January 2019:

Reconciliation of commitments for leases (values in millions of Euros)	**1 Jan 19**
Operating lease commitments as at 31 December 2018	48,592
Minimum lease payments on finance lease liabilities as at 31 December 2018	-
Non-discounted finance lease liabilities as at 1 January 2019	**48,592**
Effect of discounting under IFRS 16	(14,443)
Finance lease liabilities as at 1 January 2019	**34,149**
Present value of finance lease liabilities as at 31 December 2018	34,149
Additional finance lease liabilities due to initial application of IFRS 16 as at 1 January 2019	-

- On 12 December 2017, the IASB published the document "**Annual Improvements to IFRS 2015-2017 Cycle**", implementing the changes to certain principles as part of the annual process for their improvement. The main amendments concern:
    - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendments clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. However, this process is not envisaged in the event of obtainment of joint control.
    - IAS 12 Income Taxes: the amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified under shareholders' equity) must be recorded consistently with the transaction that generated said profits (income statement, OCI or shareholders' equity).
    - IAS 23 Borrowing Costs: the amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, that borrowing becomes part of the funds used when calculating financing costs.

  The adoption of these amendments did not impact the consolidated financial statements of the Group.

- On 7 February 2018, the IASB published the document "**Plant Amendment, Curtailment or Settlement" (Amendments to IAS 19).** The document clarifies how an entity must recognise an amendment, curtailment or settlement of a defined benefits plan. The amendments require an entity to update its assumptions and remeasure the net liability or asset deriving from the plan. The amendments clarify that, after the verification of said event, an entity uses updated assumptions to measure the current service cost and interest for the rest of the reference period after the event.
  The adoption of this amendment did not impact the consolidated financial statements of the Group.

- On 12 October 2017, the IASB published the document "**Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**". The amendment clarifies the necessity to apply IFRS 9, including the requirements linked to impairment, to long-term interests in an associate or joint venture for which the equity method is not applied.
  The adoption of this amendment did not impact the consolidated financial statements of the Group.

- On 7 June 2017, the IASB published the interpretative document "**Uncertainty over Income Tax Treatments (IFRIC Interpretation 23**). The interpretation addresses the uncertainties over income tax treatments. In particular, the interpretation calls for an entity to analyse uncertain tax treatments (individually or together, depending on the characteristics) by always assuming that the taxation authority will examine the subject tax position, having full knowledge of all relevant information when doing so. If the entity considers it unlikely that the taxation authority accept the tax treatment applied, the entity must reflect the effect of uncertainty in the measurement of its current and deferred income taxes. In addition, the interpretation does not contain any new disclosure requirements but underlines that the entity must assess whether it

will be necessary to provide information on all the assumptions made by the management and on the uncertainty inherent in the accounting for income tax, in accordance with IAS 1. This interpretation was applied as from 1 January 2019.
The adoption of this amendment did not impact the consolidated financial statements of the Group.

- On 12 October 2017, the IASB published an amendment to **IFRS 9** "**Prepayment Features with Negative Compensation"**. This document specifies that the instruments that require an early repayment could respect the Solely Payments of Principal and Interest ("SPPI") test, also if the "reasonable additional compensation" to be paid in case of early repayment is a "negative compensation" for the lender.
The adoption of this amendment did not impact the consolidated financial statements of the Group.

IFRS accounting standards, amendments and interpretations approved by the European Union, not yet applicable on a mandatory basis and not adopted early by the Company as at 31 December 2019

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

- On 31 October 2018, the IASB published the document **"Definition of Material (Amendments to IAS 1 and IAS 8)"**. The document has introduced a revised definition of "material" which is quoted in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The purpose of the amendment is to give a more specific definition of "material", and it introduces the "obscured information" concept alongside the concepts of omitted or misstated information already found in the two amended standards. The amendment clarifies that information is "obscured" if it is described in a way to produce for the primary readers of financial statements an effect similar to that which would have been produced if this information had been omitted or misstated.
The changes were approved on 29 November 2019 and apply to all transactions subsequent to 1 January 2020.

  Directors do not expect any significant effect on the consolidated financial statements of the Group when this amendment is adopted.

- On 29 March 2018, the IASB published an amendment to the "**References to the Conceptual Framework in IFRS Standards**". The amendment is effective for periods beginning 1 January 2020 or thereafter, but early adoption is permitted.
The Conceptual Framework defines the fundamental concepts for financial disclosure and guides the Board in developing the IFRS standards. The document helps ensure that the standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, lenders and other creditors.

The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.
Directors do not expect any effects on the consolidated financial statements of the Group from adoption of this amendment.

- On 26 September 2019, the IASB published the "**Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform***". This amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendments modify specific hedge accounting requirements, providing for temporary derogations in order to mitigate the impact of uncertainty with regard to the IBOR reform (still underway) on future cash flows during the period prior to its completion. The amendments also require additional disclosures related to hedges directly impacted by the uncertainties generated by the reform and to which such derogations apply.
  The amendments are effective from 1 January 2020, with early adoption permitted. Directors do not expect any effects on the consolidated financial statements of the Group from adoption of this amendment.

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

At the reference date of this document report, the European Union had not yet concluded the approval process needed for the adoption of the amendments and standards described below.

- On 22 October 2018, the IASB published the document "**Definition of a Business (Amendments to IFRS 3)"**. The document provides some clarifications in regard to the definition of business for the purposes of correct application of IFRS 3. In particular, the amendment clarifies that, while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to satisfy the definition of business, an acquired set of activities and assets must at least include an input and a substantive process that together significantly contribute to the ability to create output. To this end, the IASB replaced the term "ability to create output" with "ability to contribute to the creation of an output", to underline that a business can exist even though all inputs and processes to create output are not present.

  The amendment also introduced an optional "concentration test", which rules out the presence of a business if the price paid essentially refers to a single activity or group of activities. The changes must be applied to all business combinations and asset acquisitions carried out after 1 January 2020, but early adoption is allowed.

  As this amendment applied to new acquisitions completed from 1 January 2020, any effects will be recognised in the financial statements subsequent to said date.

1 Core business

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

- 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, (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 rooms (linens for operating rooms and scrubs) packed in kits for the operating areas, in cotton or in re-usable technical fabric, as well as personal protection equipment;

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

2 The Company as part of a group

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

3 Consolidation principles and accounting standards

3.1 Consolidation principles

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

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

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

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

The financial statements consolidated line-by-line were prepared as at 31 December 2019 and have been adjusted as required to bring them into line with the accounting standards of Servizi Italia S.p.A.:

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

- Put options on minority shares lead to the recognition of a financial liability at the current value of the disbursement to be executed during the period. This liability reduces the non-controlling interests or the reserves of the Group in relation to the fact that the risks and benefits of said interests have been transferred or otherwise to the purchaser. Any changes in the estimate of the disbursement are recognised in the income statement;
- The financial statements of each company belonging to the Group are prepared in the currency of the primary economic sphere in which it operates (reporting currency). For the purposes of the consolidated financial statements, the financial statements of each foreign entity are expressed in Euros, which is the reporting currency of the Group and the presentation currency for the consolidated financial statements. All the assets and liabilities of foreign companies in currency other than Euros, which fall within the scope of consolidation, are converted using the exchange rates existing as of the financial statement reference date (current exchange rate method). Income, costs and cash flows are converted at the average exchange rate for the period. The exchange differences deriving from the comparison between the opening shareholders' equity converted using the current rates and the same converted using the historical rates, as well as the difference between the profit/loss expressed using the average rates and that expressed using the current rates, are booked to other comprehensive income and recorded in a specific reserve;
- Foreign currency transactions are recorded using the exchange rate in force as of the date of the transaction. Monetary assets and liabilities denominated in foreign currency are converted at the exchange rates existing as of the financial statement reference date. Non-monetary items valued at historical cost in foreign currency are converted using the exchange rate in force as of the date of initial recognition of the transaction. Non-monetary items recorded at fair value are converted using the exchange rate as of the date of determining this value;
- the exchange rates used for the conversion into Euros of the financial statements of the companies included in the scope of consolidation are illustrated below.

Currency	Exchange rate as at 31 December 2019	Average exchange rate for 2019	Exchange rate as at 31 December 2018	Average exchange rate for 2018
Brazilian Real (BRL)	4.5157	4.4134	4.444	4.3085
Turkish Lira (TRY)	6.6843	6.3578	6.0588	5.7077
Albanian Lek (LEK)	122.0500	123.0180	123.53	127.62
Indian Rupee (INR)	80.1870	78.8361	79.7298	80.7332
Moroccan Dhiram (MAD)	10.7810	10.7658	10.939	11.082
Singapore Dollar (SGD)	1.5111	1.5273	1.5591	1.5800[a]

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

3.2 Scope of Consolidation

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

(thousands)	Registered office	Currency	Share capital as at 31 December 2019	Percent interest as at 31 December 2019	Percent interest as at 31 December 2018
San Martino 2000 S.c.r.l.	Genoa	EUR	10	60.0%	60.0%
Steritek S.p.A.	Malagnino (CR)	EUR	134	70.0%	70.0%
Ankateks Turizm İnşaat Tekstil Temizleme Sanay ve Ticaret Ltd Şirketi	Ankara, Turkey	TRY	20,000	55.0%	55.0%

Ergülteks Temizlik Tekstil Ltd. Sti.(**)	Smyrna - Turkey	TRY	1,700	57.5%	57.5%
SRI Empreendimentos e Participacoes LTDA	São Paulo (Brazil)	BRL	172,857	100.0%	100.0%
Lavsim Higienização Têxtil S.A.(*)	São Roque, State of São Paulo (Brazil)	BRL	14,930	100.0%	100.0%
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 São Paulo (Brazil)	BRL	15,400	100.0%	100.0%
SIA Lavanderia S.A.(*)	Manaus, State of Amazonas (Brazil)	BRL	9,766	100.0%	100.0%
Wash Service Srl	Castellina di Soragna (Parma) - Italy	EUR	10,000	90%	-
Ekolav S.r.l.	Lastra a Signa (FI) - Italy	EUR	100,000	100%	50%

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

On 29 July 2019, Junta Comercial di San Paolo approved the process for termination of the company Steriliza Serviços de Esterilização S.A. in liquidation, initially resolved by the company's shareholders' meeting. Therefore, starting from the above date, the company is terminated and consequently removed from the Group's scope of consolidation. Notary deed of 8 August 2019 declared termination of the activities of the company S.c.r.l. in liquidation. The company was cancelled, with filing of the deed by the Genoa Chamber of Commerce on 3 September 2019. On the same date, the company is therefore considered terminated and consequently removed from the scope of consolidation.

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

(thousands)	Registered office	Currency	Share capital as at 31 December 2019	Percent interest as at 31 December 2019	Percent interest as at 31 December 2018
Arezzo Servizi S.c.r.l.	Arezzo - Italy	EUR	10	50%	50%
PSIS S.r.l.	Padua - Italy	EUR	10,000	50%	50%
Steril Piemonte S.c.r.l.	Turin - Italy	EUR	4,000	50%	50%
AMG S.r.l.	Busca (CN) - Italy	EUR	100	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%(*)
CO.SE.S S.c.r.l. in liquidation	Perugia - Italy	EUR	10	25%	25%
SAS Sterilizasyon Servisleri A. Ş.	Istanbul - Turkey	TRY	13,517	51%	51%
Shubhram Hospital Solutions Private Ltd.	New Delhi - India	INR	305,172	51%	51%
Finanza & Progetti S.p.A.	Vicenza - Italy	EUR	550	50%	50%
Brixia S.r.l.	Milan - Italy	EUR	10	23%	23%
Saniservice Sh.p.k.	Tirana – Albania	LEK	2,746	30%	30%
Sanitary cleaning Sh.p.k.	Tirana – Albania	LEK	2,799	40%	40%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MAD	122	51%	51%
StirApp S.r.l	. Modena – Italy	EUR	208	25%	3.3%
Idsmed Servizi Pte. Limited	Singapore - Singapore	SGD	2,000	30%	30%

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

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 Wash Service S.r.l., company 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. The purchase price of the stake was Euro 5,002 thousand, partly already paid and partly to be paid in tranches up to 2022.

The acquisition involved the recognition of a liability for the part of the deferred price and an estimate of the future cash outlays connected with the mutual put/call options held by shareholders, governing the transfer of the residual 10% of Wash Service S.r.l., exercisable in 2024. As at the exercise date, the options will be measured based on a formula linked to the company's economic performance in 2023 and to its net financial position as at the option exercise date, subject to minimum and maximum limits with respect to the acquisition price. Taking into account the specific characteristics of the options, a liability was recorded for Euro 860 thousand as at the acquisition date and a corresponding reduction in the Group's shareholders' equity.

The book values and current values of the assets and liabilities of Wash Service S.r.l. as at the acquisition date are provided 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 and other receivables	3,025	3,073
Employee benefits	(338)	(338)
Deferred tax liabilities	(328)	-
Non-current financial payables	(1,634)	(752)
Current financial payables	(1,046)	(898)
Trade payables	(1,793)	(1,810)
Current tax payables	(85)	(189)
Other current payables	(310)	(256)
Value of acquired assets/liabilities	**1,437**	**580**
Cash and cash equivalents as at the acquisition date	**379**	**379**
Consideration paid by the acquisition date	1,755	
Deferred consideration (within 12 months from closing)	2,265	
Deferred consideration (beyond 12 months from closing)	982	
Total consideration to acquire 90% of the share capital of Wash Service	**5,002**	
Of which Goodwill upon acquisition	**3,368**	

The comparison between pro-quota value acquired with respect to the fair value of the assets, liabilities and shareholders' equity of Wash Service S.r.l. as at 27 February 2019 and the total consideration of Euro 5,002 thousand resulted in the calculation of goodwill for Euro 3,368 thousand. The fair value measurement of the acquired assets at fair value of the investee company showed higher current values than the corresponding book values, mainly due to allocation of the value of a customer portfolio for Euro 902 thousand and to the effects of application of IFRS 16 on leases existing as at the acquisition date, corresponding to assets for rights of use for Euro 1,303 thousand and financial liabilities for Euro 1,030. Overall, the adjustments resulted in an increase of Euro 857 thousand, net of the tax effect, to shareholders' equity as at the acquisition date.

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

On 19 July 2019, the Group purchased the remaining 50% of share capital of Ekolav S.r.l., company based in the Tuscany region and operating mainly in the offer of wash-hire services of flat linen, guest linen and staff clothing, particularly for nursing homes, retirement facilities, hospital facilities and industrial clients. The purchase price of the stake was Euro 600 thousand, paid fully as at the date of this report.

Since this involves a business combination carried out in stages, in accordance with IFRS 3, steps were taken to recalculate the interest previously held in Ekolav S.r.l., equal to 50% of its share capital, compared to the pro-quota fair value determined to be Euro 600 thousand as at the acquisition date, recognising a gain of Euro 468 thousand in the consolidated financial statements.

After comparing the fair value of the assets and liabilities acquired with respect to the total consideration paid, equal to Euro 600 thousand, the Group has recognised goodwill for Euro 936 thousand. The following is a comparison between the current value (fair value) and the book value of the assets and liabilities acquired and the determination of the goodwill generated by the acquisition:

(thousands of Euros)	as at 19 July 2019	
	Current value	Book value
Property, plant and equipment	3,959	2,512
Intangible assets	52	141
Equity investments in other companies	-	
Deferred tax assets	19	1
Other non-current assets	7	7
Inventories	22	39
Trade and other receivables	1,764	1,813
Employee severance indemnity and risk fund	(329)	(329)
Deferred tax liabilities	(13)	-
Non-current financial payables	(2,513)	(1,253)
Current financial payables	(1,335)	(1,179)
Trade payables	(851)	(871)
Current tax payables	(325)	(325)
Other current payables	(230)	(230)
FV assets and liabilities	**227**	**328**
Cash and cash equivalents as at the acquisition date	**37**	**37**
Consideration paid at the time of acquisition	600	
Fair value of the equity investment already held (50%)	600	
Payable for price definition	-	
Fair value of 100% of the share capital of Ekolav	**1,200**	
Goodwill upon acquisition	**936**	

Summary of the accounting standards and basis of preparation

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

A. Property, plant and equipment

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

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

The useful life of the company's linen used in the production process has been estimated and revised annually, taking into consideration numerous factors that may affect it, such as the wear and tear deriving from use and from the washing cycles. These factors are subject to variations over time, due to their very nature.

The analyses conducted during the year, also based on a retrospective analysis supported by data acquired from the information systems, resulted in a revision to the estimated useful life of the following asset categories, referring solely to companies Servizi Italia S.p.A. and San Martino 2000:

Category	Old useful life (years)	Revised useful life (years)
Packed linen for hospital wards and operating rooms	3	4
Uniforms for "118" emergency services operators	3	4
Hotel linen	3	4
Mattresses	3	8

In accordance with the provisions of paragraph 51 of IAS 16, the change in estimated useful life was reflected prospectively and resulted in lower depreciation for the year ended 31 December 2019 for Euro 5,219 thousand, broken down as follows:

Category	Old depreciation	Revised depreciation	Impact of useful life revision
Packed linen for hospital wards and operating rooms	7,119	3,796	(3,323)
Uniforms for "118" emergency services operators	125	78	(47)
Hotel linen	1,307	798	(509)
Mattresses	1,763	423	(1,340)
Total	**10,314**	**5,095**	**(5,219)**

The impact on the results for 2019 are partly offset by a lower tax deduction for IRES and IRAP purposes of the lower portions of depreciation recognised in the income statement.

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

Category	Years
Industrial buildings	33
Plant and machinery	12
General plant	7
Industrial and commercial equipment	4
Specific equipment	8
Flat linen	3
Packed linen for "118" emergency services operators and hotel	4
Mattresses	8
Furniture and fixtures	8
Electronic machinery	5
Cars	4
Other vehicles	5

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

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

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

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

B. Finance leases

Assets and/or services acquired via finance and/or operating lease contracts, if inherent to their definition under IFRS 16, are recognised under property, plant and equipment, with recognition under liabilities of a financial payable for the same amount. The payable is progressively reduced on the basis of the repayment plan for the principal amounts included in the fees contractually envisaged, while the value of the assets recorded among property, plant and equipment is systematically depreciated in relation to the economic-technical life of said asset in the event of a finance lease, or based on the duration of the contractually defined non-cancellable period in the event of an operating lease.

C. Intangible assets

Only identifiable assets, controlled by the enterprise, which are able to produce future economic benefits, can be defined as intangible assets.

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

The intangible assets with a defined useful life are amortised systematically as from the moment the asset is available for use over the envisaged period of utility. They are mainly represented by software licences acquired for a consideration capitalised on the basis of the cost incurred. These costs are amortised on a straight-line basis according to their estimated useful life (3-5 years).

The value attributed, upon an acquisition, to the contract portfolio is amortised based on the residual duration of the related contracts and proportional to the time of the distribution of the benefit flow resulting therefrom.

D. Goodwill

Goodwill represents the additional costs incurred with respect to the fair value of the net assets identified at the time of acquisition of a subsidiary, associate or business. In the consolidated financial statements, goodwill related to the acquisition of associates and joint ventures is included in the cost recognised in the item "Equity investments recognised at shareholders’ equity" measured as described in “Equity investments” below.

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

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

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

E. Impairment test

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

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

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

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

F. Equity investments

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

In applying this valuation method, the investment is initially recognised at cost and the book value is increased or decreased to recognize the investor's share of the subsidiary's profits or losses. The attributable share of the profit (loss) for the year of the associate is recognised in the Income Statement. The dividends received reduce the book value of the equity investment. Adjustments to the book value may also be necessary as a result of changes in the equity investment or changes in the items of the statement of comprehensive income of the associate (e.g. changes deriving from foreign currency translation differences). The portion of these changes pertaining to the participant is recognised in other comprehensive income.

If the quota of losses of a subsidiary company is equal to or exceeds the value of the equity investment, after having eliminated the value of the interest, the additional losses are set aside and recognised as liabilities, only to the extent that there are legal or implicit obligations or payments have been made on behalf of the subsidiary company. If the subsidiary subsequently realizes profits, the investing firm will book the portion of profits pertaining to it only after it has equalled its share of unrealised losses.

Profits and losses deriving from transactions between an entity and associated firm or joint venture are booked in the entity's financial statements only for the portion of minority interests in the associate or joint venture. If a company valued with the equity method retains subsidiaries, associates or joint-ventures, the profit (loss) for the year, the other items of the statement of comprehensive income statement and the net assets considered during the application of the equity method are those recorded in the consolidated financial statements of the subsidiary company.

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

Equity investments in other companies include minority interests of less than 20% related to strategic and productive investments held since related to the management of orders or concessions. These equity investments usually cannot be freely transferred to third parties, since they are subject to rules and agreements that in practice prevent their free circulation. The equity investments in other companies are recognised at the fair value if there is an active market for the securities representative of these equity investments. The profits or the losses deriving from changes in the fair value are recognised directly in the Income Statement. If an active market is not available, which is the case for all equity investments held by the Group as at 31 December 2019, equity investments in other companies are recognised at the cost of purchase or setup, reduced for any impairment or capital refund, as best estimate of the fair value.

G. Financial instruments

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

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

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

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

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

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

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

For trade receivables that do not contain a significant financing component, the expected loss is calculated using a method that is simplified with respect to the general approach described above. The simplified approach envisages the estimate of expected loss throughout the life of the credit and without needing to assess the 12-month Expected Credit Loss and the existence of significant increases in credit risk. In an additional derogation from the general method, for financial assets that have a low credit risk, when there is a low risk of default in the short term and in the presence of unfavourable changes in economic conditions, the 12-month expected loss is used.

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

H. Other non-current assets held for sale

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

I. Inventories

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

J. Employee benefits

Post-employment plans

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

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

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

Remuneration plans under the form of participation in the capital

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

Other long-term benefits

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

K. Provisions for risks and charges

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

For onerous contracts, whose non-discretionary costs necessary for fulfilment of the obligations adopted exceed the economic benefits expected to be achieved, a provision is set aside which corresponds to the lesser of the cost necessary for fulfilment and any compensation or sanction deriving from breach of contract.

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

L. Revenue and cost recognition

<u>Provision of services</u>
The Group offers the following services:

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

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

Some contracts also include installation/restructuring activities to be provided at customers' washing and sterilisation facilities. These contracts generally envisage the existence of a single performance obligation, and revenues are recognised throughout the duration of the contract, based on the contractual variables governing the provision of the service. When these services are identified as separate performance obligations with respect to the washing and sterilisation services, the corresponding considerations - allocated to the contractual obligations based on the relative standalone prices - are recognised according to the progress of completion of the work, calculated according to the costs incurred with respect to the estimate, regularly updated, of the total cost or, alternatively, based on the units delivered. For these contracts, as well as for all those that include multiple performance obligations, the price corresponding to each service is based on the standalone sale prices. If these prices cannot be directly observed, they are estimated based on the expected cost plus margin.

Sales of goods

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

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

Other costs and revenues

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

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

M. Income taxes

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

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

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

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

N. Earnings per share

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

O. Use of estimated values

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

Particularly significant accounting standards

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

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

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

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

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

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

- Financial liabilities for put options on minority interests: these are valued at the current value of the disbursement on the date of their exercise. This estimate is based on the income statement and statement of financial position values taken from long-term plans whose underlying conditions and hypotheses may undergo changes over time with consequent significant impacts on the estimate of the liabilities.

4 Risk management policy

The management of 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 transactions that have strict relevance in the composition of the financial and/or trade assets and liabilities.

The Servizi Italia Group's activities are exposed to various risk types, including interest rate fluctuations and credit, liquidity, cash flow risks and currency-type risks.

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

4.1 Type of risks hedged

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

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

Price risk

This is the risk associated with the volatility of the prices of the raw materials and the energy commodity, with particular reference to electricity and gas used in the primary production processes and cotton to which the purchase cost of the linen is linked. Within the sphere of the tenders, the Group avails itself of clauses, which permit it to adjust the price of the services provided in the event of significant cost changes. Price risk is also controlled by stipulating purchase agreements with price blocks and annual average timescales, in addition to constant monitoring of the performance of prices so as to identify any savings opportunities.

Interest rate risk

The Group's net financial debt primarily comprises short-term payables which, as at 31 December 2019, represent approximately 66% of its debt, at an average annual rate of around 0.43%. In relation to the global financial crisis, the Company is monitoring the market and assessing the appropriateness of taking out hedging transactions on the rates in order to limit the negative impacts of changes in interest rates on the company's income statement. The table below demonstrates the effect that would be generated by a 0.5% increase or decrease in rates (in thousands of Euros).

(thousands of Euros)	0.5% rate increase		0.5% rate decrease	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial receivables	+65	+68	(65)	(68)
Financial payables	+619	+536	(619)	(536)
Factoring of receivables	+423	+447	(423)	(447)

Credit risk

As receivables are essentially due from public bodies, they are deemed certain in terms of collectability and, due to their nature, are subject to a low risk of loss. Collection times depend on the loans received, the Local Health Authorities, the Hospitals and the Regional Authorities and at present average collection days are 99.

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

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

The expected loss rates are based on the sale payment profiles in a period of 7 years before 1 January 2019 and the corresponding historical losses on receivables that occurred in this period. The historical loss rates are adjusted to reflect current and expected future information on macroeconomic factors that affect the customers' ability to settle the amounts due.

A summary of trade receivables, net and gross of bad debt provisions, and the stratification by maturity of receivables as at 31 December 2019 is presented below:

(thousands of Euros)	Not yet due	Past due by less than 2 months	Past due by less than 4 months	Past due by less than 12 months	Past due by more than 12 months	Receivables with indications of impairment	Total
Expected loss rate	4.4%	0.4%	1.6%	0.2%	2.5%	81.2%	8.0%
Gross trade receivables	48,158	3,736	2,441	6,298	13,144	4,638	78,415
Loss expected as at 31 December 2019	**2,131**	**16**	**39**	**11**	**327**	**3,765**	**6,289**

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

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

Liquidity risk

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

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

Concentrating its business on orders contracted with the Public Administration Authorities, the Group is exposed to risks associated with delays in payments for receivables. In order to balance this risk, factoring agreements have been entered into with the without recourse formula, renewed also for 2019.

To correctly manage the liquidity risk, an adequate level of cash and cash equivalents must be maintained. In light of the predominantly public nature of the group's customers and the average collection times, cash and cash equivalents are mainly obtained from accounts receivable financing and medium-term loans. The loan agreements with Banca Intesa S.p.A., Banca Nazionale del Lavoro S.p.A., Banca Crédit Agricole Cariparma S.p.A., Banco BPM S.p.A. and Unicredit Banca S.p.A. include clauses for the early repayment with respect to the corresponding amortisation plan if certain financial indicators ("covenants") have not been met. As at 31 December 2019, all covenants included in the loan agreements had been met.

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

(thousands of Euros)	Financial payables		Trade and other payables		Total	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Less than or equal to 3 months	51,849	38,784	59,740	68,710	111,589	107,494
3 to 12 months	32,516	26,585	32,110	24,349	64,626	50,934
1 to 2 years	23,927	21,205	-	-	23,927	21,205
More than 2 years	48,886	21,921	-	-	48,886	21,921
Total	**157,178**	**108,495**	**91,850**	**93,059**	**249,028**	**201,554**

Exchange rate risk

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

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

It should be noted that the scope of consolidation includes subsidiary and associated companies that prepare their financial statements in a currency other than the Euro, the latter being used for the consolidated financial statements. This exposes the Group to translation risks, due to the conversion into Euro of the assets and liabilities of the subsidiaries and associated companies that operate with currencies other than the Euro. The main exposures to foreign exchange translation risk are constantly monitored and, at present, it is not believed necessary to adopt specific hedging policies covering these exposures. The following is a sensitivity analysis of the impacts on consolidated shareholders' equity of the two main currencies other than the Euro used within the scope of consolidation of the Servizi Italia group.

(thousands of Euros)	10% appreciation		10% depreciation	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Brazilian Real	+4,041	+3,740	(3,306)	(3,060)
Turkish Lira	+473	+233	(307)	(191)
Total consolidated shareholders' equity	**+ 4,513**	**+3,973**	**(3,693)**	**(3,251)**

4.2 Fair value hierarchy and information

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

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

The types of financial instruments present in the financial statement items are shown in the following table, with indication of the accounting treatment applied. Note that no financial instrument has been valued at fair value, except for equity investments in other companies for which, lacking an active market in which such securities are traded, the cost sustained is considered to be the best approximation of the fair value. With regard to the financial instruments valued at amortised cost, it is believed that the book value also represents a reasonable approximation of their valuation at fair value.

(thousands of Euros)	Fair value through profit or loss	Fair value through OCI	Amortised cost
Non-current assets			
Equity investments in other companies	3,677		
Financial receivables			6,577
Other assets			5,821
Current assets			
Trade receivables			72,126
Financial receivables			8,310
Other assets			9,604
Non-current liabilities			
Due to banks and other lenders			68,558
Other financial liabilities	2,688		1,189
Current liabilities			
Due to banks and other lenders			74,301
Trade payables			72,364
Other financial liabilities	4,409		4,860
Other payables			19,628

4.3 Supplementary information on the capital

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

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

(thousands of Euros)	31/12/2019	01/01/2019[b]	31/12/2018	Change	% change
Shareholders' equity (B)	138,257	138,238	138,238	19	0.0%
Net financial debt[a] (A)	127,408	116,344	82,195	11,344	9.8%
Net invested capital (C)	**265,665**	**254,582**	**220,433**	**11,363**	**4.5%**
Gearing (A/C)	**47.96%**	**45.70%**	**37.29%**		

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

[b] *Including the effects of first-time adoption of IFRS 16 on Net Financial Debt.*

With regard to the main dynamics, which have affected the debt, see section 6.25.

5 Segment reporting

The Servizi Italia Group's segment reporting is organised as follows:

- Wash hire: this includes (i) planning and provision of integrated hire, reconditioning (disinfection, washing, finishing and packaging) and logistics (pick-up and distribution to usage centres) services for textile items, mattresses and accessories (pillowcases, curtains), (ii) rental and washing of high visibility "118" emergency service items and (iii) logistics, transport and management of hospital linen storage facilities;

- Linen sterilisation (Steril B): this includes the planning and rental of sterile medical devices for operating theatres (linens for operating theatres and scrubs) packed in kits for the operating theatre, in cotton or in re-usable technical fabric, as well as personal protection equipment (gloves, masks);

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

The Servizi Italia Group considers the breakdown by business area to be more significant. The core business areas are identified based on how the Group is managed, how management responsibilities are attributed and how business reporting is analysed by the management.

(thousands of Euros)	**Year ended as at 31 December 2019**			
	Wash-hire	**Steril B**	**Steril C**	**Total**
Revenues from sales and services	194,839	20,049	47,515	262,403
Other income	2,725	309	2,106	5,140
Raw materials and materials	(16,140)	(6,800)	(4,197)	(27,137)
Costs for services	(62,997)	(4,366)	(13,276)	(80,639)
Personnel expense	(66,456)	(5,580)	(17,503)	(89,539)
Other costs	(1,474)	(66)	(301)	(1,841)
EBITDA[(a)]	**50,497**	**3,546**	**14,344**	**68,387**
Depreciation, amortisation and impairment	(46,355)	(2,204)	(5,979)	(54,538)
Operating profit (EBIT)	**4,142**	**1,342**	**8,365**	**13,849**
Financial income and expense and income and expense from equity investments in other companies				(3,873)
Profit before tax				**9,976**
Taxes				(462)
Profit (loss) for the year				**9,514**
Of which portion attributable to shareholders of the parent				8,990
Of which portion attributable to non-controlling interests				524

[(a)] *EBITDA is not an accounting measurement under the IFRSs endorsed by the European Union. Group management has defined EBITDA as the difference between the value of sales and services and operating costs before depreciation, amortisation, write-downs, impairment and provisions.*

(thousands of Euros)	**Year ended as at 31 December 2018**			
	Wash-hire	**Steril B**	**Steril C**	**Total**
Revenues from sales and services	182,771	21,578	46,559	250,908
Other income	3,482	300	1,825	5,607
Raw materials and materials	(14,768)	(7,908)	(3,957)	(26,633)
Costs for services	(61,069)	(4,252)	(12,871)	(78,192)
Personnel expense	(62,749)	(5,383)	(17,226)	(85,358)
Other costs	(1,513)	(69)	(327)	(1,909)
EBITDA[(a)]	**46,154**	**4,266**	**14,003**	**64,423**
Depreciation, amortisation and impairment	(41,133)	(2,033)	(6,903)	(50,069)
Operating profit (EBIT)	**5,021**	**2,233**	**7,100**	**14,354**
Financial income and expense and income and expense from equity investments in other companies				(1,676)
Profit before tax				**12,678**
Taxes				(558)
Profit (loss) for the year				**12,120**
Of which portion attributable to shareholders of the parent				11,600
Of which portion attributable to non-controlling interests				520

[(a)]*EBITDA is not an accounting measurement under the IFRSs endorsed by the European Union. 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 account for 74.3% of Group revenues in absolute terms) increased from Euro 182,771 thousand as at 31 December 2018 to Euro 194,839 thousand, up 6.6% mainly due to positive growth of foreign turnover (+9.3% in Brazil and +19.4% in Turkey), as well as following the acquisitions of Wash Service S.r.l., Ekolav S.r.l. and the business unit relative to Lavanderia Bolognini M&S S.r.l. With regard to the increase in foreign revenues, this growth was sustained in particular by excellent organic growth in local currency (+12.0% in Brazil and +33.0% in Turkey), partly negatively impacted, however, by a negative exchange rate translation effect with regard to both the Brazilian Real (negative exchange rate impact of 2.7% on revenues of Brazil) and the Turkish Lira (negative exchange rate impact of 13.6% on revenues of Turkey).

Revenues from linen sterilisation services (which account for 7.6% of the revenues of the group in absolute terms) went from Euro 21,578 thousand for the year ended as at 31 December 2018 to Euro 20,049 thousand for the year ended as at 31 December 2019, down 7.1% due to the termination of several contracts in the Friuli and Emilia Romagna regions, in addition to the decrease in certain supplies to foreign countries.

Revenues from surgical instrument sterilisation services (which account for 18.1% of the revenues of the group in absolute terms) went from Euro 46,559 thousand for the year ended as at 31 December 2018 to Euro 47,515 thousand, for an increase of 2.1%. Also impacting growth is the new sector of "turnkey" supplies, global service and project financing of healthcare facilities.

In terms of margins, the wash-hire EBITDA was 25.9% (24.4% net of IFRS 16 adoption and on a like-for-like basis), compared to 25.3% in the previous year, and EBIT decreased from 2.7% to 2.1%. The decline in margin was impacted by the effects of start-up costs incurred to launch wash-hire activities in the hotel sector (in which a diversification process began at the end of 2018), partly offset by excellent operating performance of the Brazilian and Turkish companies, by the increase in service costs, in particular those related to third-party services and energy consumption, and by the new hotel sector, which required initial start-up costs against a turnover not yet at fully operational levels.

In terms of margins, the linen sterilisation business recorded a decline in the EBITDA margin from 19.8% to 17.7%, as well as in the EBIT margin, at 6.7% compared to 10.3% as at 31 December 2018. The decline is partly due to the termination of several contracts in the Friuli and Emilia Romagna regions, in addition to the decrease in supplies to Albania and the drop in turnover as a result of the decrease in supplies of disposable products and consumables.

The surgical instrument sterilisation segment is the segment with the highest margins in terms both of EBITDA (30.2%) and of EBIT (17.6%). The EBIT margin for the year ended 31 December 2019 is up 17.8% in absolute terms compared to the value of the prior year (equal to growth of 2.4% in terms of impact on turnover), due to an increase in turnover, as well as to diversification in the segment of construction of healthcare facilities.

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

(thousands of Euros)	**31 December 2019**			
	Wash-hire	**Steril B**	**Steril C**	**Total**
Total revenues from sales and services	**194,839**	**20,049**	**47,515**	**262,403**
Investments in property, plant and equipment and intangible assets	51,523	2,026	3,539	57,088
Depreciation of property, plant and equipment and amortisation of intangible assets	43,131	2,215	6,003	51,349
Net book value of property, plant and equipment and intangible assets	153,251	3,425	24,800	181,476

(thousands of Euros)	**31 December 2018**			
	Wash-hire	**Steril B**	**Steril C**	**Total**
Total revenues from sales and services	**182,771**	**21,578**	**46,559**	**250,908**

Investments in property, plant and equipment and intangible assets	54,278	1,750	4,042	60,070
Depreciation of property, plant and equipment and amortisation of intangible assets	40,514	2,039	6,906	49,459
Net book value of property, plant and equipment and intangible assets	107,541	2,987	23,890	134,418

As things stand, the disclosure regarding the book value of the segment assets and liabilities is deemed insignificant.

6 Statement of financial position

6.1 Property, plant and equipment

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

(thousands of Euros)	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Fixed assets under constr.	Total
Historical cost	7,088	131,312	32,137	62,106	136,051	2,298	370,992
Accumulated amortisation	(2,148)	(85,906)	(20,111)	(46,009)	(92,646)	-	(246,820)
Balance as at 1 January 2018	**4,940**	**45,406**	**12,026**	**16,097**	**43,405**	**2,298**	**124,172**
Translation differences	(163)	(1,434)	(162)	(47)	(732)	(25)	(2,563)
Increases	131	7,576	1,033	2,971	38,667	8,266	58,644
Decreases	(1)	(211)	-	(105)	(1,828)	(229)	(2,374)
Amortisation	(202)	(7,509)	(2,273)	(5,012)	(33,274)	-	(48,270)
Impairments (reinstatements)	-	-	-	-	-	-	-
Reclassifications	30	988	24	38	94	(1,174)	-
Balance as at 31 December 2018	**4,735**	**44,816**	**10,648**	**13,942**	**46,332**	**9,136**	**129,609**
Historical cost	7,061	135,653	32,235	63,471	138,900	9,136	386,456
Accumulated amortisation	(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**
Impact of first-time adoption of IFRS 16	33,070	-	-	264	815	-	**34,149**
Balance as at 1 January 2019	**37,805**	**44,816**	**10,648**	**14,206**	**47,147**	**9,136**	**163,758**
Translation differences	(89)	(282)	(18)	(6)	(44)	(322)	(761)
Change in the consolidation area	1,763	3,261	356	398	1,183	-	6,961
Increases	1,662	11,719	1,478	4,376	35,668	4,124	59,027
Decreases	(80)	(184)	(20)	(68)	(127)	(2,745)	(3,224)
Amortisation	(3,411)	(8,220)	(2,219)	(4,785)	(31,346)	-	(49,981)
Impairments (reinstatements)	(281)	(121)	(16)	233	(20)	-	(205)
Reclassifications	92	3,846	169	127	246	(4,480)	-
Balance as at 31 December 2019	**37,461**	**54,835**	**10,378**	**14,481**	**52,707**	**5,713**	**175,575**

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

The item Translation difference refers to the variations in exchange rates for Brazilian companies Lavsim Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A. and SRI Empreendimentos e Participações Ltda., Aqualav Serviços De Higienização Ltda and SIA Lavanderia S.A.) and Turkish ones (Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi and Ergülteks Temizlik Tekstil Ltd. Sti.).

Notes on the main changes:

Land and buildings

The item Land and buildings shows an investment increase of Euro 1,916 thousand, of which Euro 1,161 thousand from adjustment of the rights of use due to indexation of rents and to the stipulation of new agreements. The residual increase is mainly attributable to the investments made by Servizi Italia S.p.A. to redevelop the Barbariga plant for Euro 477 thousand, in addition to the investment for anti-seismic adaptation of the owned building in Pavia di Udine for Euro 190 thousand.

Plant and machinery

Increases under the item Plant and machinery in 2019 amount to Euro 11,719 thousand and mainly regard investments in plants located throughout Italy for Euro 7,075 thousand, in the plants in Brazil for Euro 3,503 thousand and in the plants in Turkey for Euro 1,109 thousand.

The item also includes reclassifications for plants that began operating during the year, for Euro 3,846 thousand, of which 2,839 thousand relating to Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi.

Returnable assets

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

The increases mainly relate to redevelopment of the properties where the leased production sites are located and improvements to upgrade the existing plants used for the performance of activities, of which Euro 995 thousand in Italy and Euro 483 thousand in Brazil.

Industrial and commercial equipment

Investments recognised under Industrial and commercial equipment in 2019, equal to Euro 4,376 thousand, regard the purchase of surgical instruments for Euro 2,427 thousand, carried out by Servizi Italia S.p.A., the purchase of equipment for use by the Italian (Euro 1,566 thousand) and Brazilian (Euro 373 thousand) production sites, and adaptation of the rights of use due to the change in rents (Euro 11 thousand).

Other assets

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Linens and mattresses	46,645	43,617
Furniture and fixtures	480	341
Electronic machinery	1,861	1,469
Cars	43	45
Motor vehicles	694	645

Telephone switchboards	56	65
Other	216	150
Rights of use for cars and motor vehicles	2,712	-
Total	**52,707**	**46,332**

As at 31 December 2019, the balance of the item Other assets was equal to Euro 52,707 thousand.

The investments made during the year mainly derive from purchases of linen and mattresses, which totalled Euro 31,662 thousand, of which Euro 4,876 thousand in Brazil and Euro 26,786 thousand in Italy. These investments allow for increasingly efficient management of the warehouse supplied, so as to deal with both a partial renewal of contracts and a first supply for contracts acquired during the year in question.

Assets under construction

These are primarily investments underway at the end of 2019. During the year, there were increases for Euro 4,124 thousand and completed investments for Euro 4,480 thousand.

The item is broken down as follows as at 31 December 2019:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Sterilisation centre investments	1,239	2,653
Laundering facility investments	890	1,322
Investments on contracts	2,117	199
Investments at production sites in Brazil	728	1,824
Investments at production sites in Turkey	739	3,138
Total	**5,713**	**9,136**

Investments for laundries by Servizi Italia S.p.A. and by the Brazilian and Turkish companies mainly regarded the acquisition and/or upgrading of plants and machinery for the washing line.

Investments for sterilisation plants made by Servizi Italia S.p.A. during 2019 regard the construction or refurbishment of sterilisation centres for surgical instruments (Euro 159 thousand) and their fit-out (Euro 101 thousand).

Investments for contracts reported an increase of Euro 1,918 thousand during the year and mainly regard the acquisition of plants and machinery for the washing lines and chip readers designated for various storage facilities throughout Italy.

Decreases during the year primarily regarded the disposal of works at the sterilisation centre of Busto Arsizio for Euro 1,325 thousand.

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

The changes in the rights of use included in each category of property, plant and equipment from the date of first-time adoption of IFRS 16 are indicated below:

(thousands of Euros)	*Land and buildings*	*Plant and machinery*	*Equipment*	*Other assets*	*Total*
Balance as at 1 January 2019	**33,070**	**-**	**264**	**815**	**34,149**
Translation differences	(46)			8	(38)
Change in the consolidation area	1,743	807		282	2,832
Increases	907	32	11	2,499	3,449
Decreases	(67)	-	-	(34)	(101)

Amortisation	(3,187)	(82)	(106)	(858)	(4,233)
Impairments (reinstatements)	(281)	6	-	-	(275)
Reclassifications	-	-	-	-	-
Balance as at 31 December 2019	**32,139**	**763**	**169**	**2,712**	**35,783**
Historical cost	35,366	884	275	3,609	40,134
Accumulated amortisation	(3,227)	(121)	(106)	(897)	(4,351)
Balance as at 31 December 2019	**32,139**	**763**	**169**	**2,712**	**35,783**

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	Intangible assets in progress and payments on account	Total
Historical cost	4,662	7,435	1,016	48	13,161
Accumulated amortisation	(3,986)	(3,521)	(1,016)	-	(8,523)
Balance as at 1 January 2018	**676**	**3,914**	**-**	**48**	**4,638**
Translation differences	(33)	-	-		(33)
Increases	573	-	634	219	1,426
Decreases	(1)	-	-	(32)	(33)
Amortisation	(505)	(684)	-	-	(1,189)
Impairments (reinstatements)	-	-	-	-	-
Reclassifications	2		-	(2)	-
Balance as at 31 December 2018	**712**	**3,230**	**634**	**233**	**4,809**
Historical cost	5,133	7,466	634	233	13,466
Accumulated amortisation	(4,421)	(4,236)	-	-	(8,657)
Balance as at 31 December 2018	**712**	**3,230**	**634**	**233**	**4,809**
Translation differences	(2)	-	(7)	-	(9)
Change in the consolidation area	54	902	-	-	956
Increases	1,287	-	-	223	1,510
Decreases	-	-	-	(15)	(15)
Amortisation	(687)	(552)	(128)	-	(1,367)
Impairments (reinstatements)	17	-	-	-	17
Reclassifications	175	-	-	(175)	-
Balance as at 31 December 2019	**1,556**	**3,580**	**499**	**266**	**5,901**
Historical cost	6,817	8,368	624	266	16,075
Accumulated amortisation	(5,261)	(4,788)	(125)	-	(10,174)
Balance as at 31 December 2019	**1,556**	**3,580**	**499**	**266**	**5,901**

The item Change in the consolidation area mainly regards the customer portfolio recognised following acquisition of the company Wash Service S.r.l., equal to Euro 902 thousand.

The item Trademarks, Software, Patents and Intellectual Property Rights represents software purchases for Euro 1,287 thousand (of which Euro 1,129 thousand for Servizi Italia S.p.A., Euro 68 thousand for Steritek and Euro 54 thousand for the Brazilian companies).

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 31 December 2019
CGU Italy	47,364	4,304	-	51,668

CGU Turkey	11,306	-	(1,058)	10,248
CGU Brazil	9,256	-	(147)	9,109
Total	**67,926**	**4,304**	**(1,205)**	**71,025**

The change recorded during the period is attributable to recognition of the goodwill included in the purchase price of 90% of the share capital of Wash Service S.r.l., equal to Euro 3,368 thousand, to recognition of the goodwill included in the purchase price of the residual 50% of capital of Ekolav S.r.l., equal to Euro 936 thousand, and to the exchange rate differences from conversion into Euro of the goodwill from the acquisitions in Brazil and Turkey.

With the exception of the portion of goodwill relating to CGU Steritek (surgical instrument sterilisation operating segment), all other goodwill is included in the wash hire operating segment, as defined for the purposes of the sector reporting required by IFRS 8.

The impairment test is carried out by comparing the overall book value of each goodwill and total net assets, that are autonomously able to produce cash flows (CGU) and to which said value can be reasonably allocable, with the greater value between the one used for the CGU and the value that is recoverable through sale. In detail, the value in use is determined by applying the "discounted cash flow" method, discounting back the operating flows emerging from economic-financial projections relating to a period of five years. The long-term plans, which have been used for the impairment tests, were approved in advance by the Boards of Directors of the subsidiaries and/or by the parent company Servizi Italia S.p.A. The underlying hypotheses of the plans used reflect past experience, and the information gathered at the time of purchase for the Brazilian/Turkish market and are consistent the external sources of information available. The Group has taken into consideration, with reference to the period in question, the expected performance resulting from the business plan set up for the 2020-2024 period.

The terminal value is calculated by applying to the operating cash flow pertaining to the last year of the plan appropriately normalised, a percentage growth factor of 1.50% for the Italy CGU, 3.50% for the Brazil CGU and 11.00% for the Turkey CGU, substantially representative, on the one hand, of the inflation rate expected in Italy, Brazil and Turkey, based on which the service prices of the offer have been index-linked, and, on the other hand, of the uncertainties that characterise the various reference markets, particularly the Brazilian and Turkish markets which have macroeconomic risks. The discounting rates used to discount the cash flows of the CGUs located in Italy are 5.51% (7.74% in the previous year), 9.45% for the Brazil CGU (13.53% in the previous year) and 18.22% for the Turkey CGU (20.53% in the previous year). These rates reflect the current valuations of the market with reference to the current value of money and the specific risks associated with the activities. The discount rates have been estimated, after taxes, on a consistent basis with the cash flows considered, by means of the determination of the weighted average cost of the capital (WACC).

A sensitivity analysis was carried out on the recoverability of the book value of goodwill amounts based on changes in the main assumptions that were used to calculate the value in use, also in consideration of the prudent approach used to select the above financial parameters. The analysis carried out showed that, to make the book value equal to the recoverable value, the following would be necessary:

- for the Servizi Italia CGU: (i) a growth rate for the terminal values of 0.47 percentage points or (ii) an increase of 6.35% in the WACC adopted or (iii) an annual reduction in the reference EBIT of 18.96%, all the while maintaining the other assumptions of plan unchanged.

- For the Steritek CGU: (i) a growth rate for the terminal values of 21.81 percentage points or (ii) an increase of 16.74% in the WACC or (iii) an annual reduction in the reference EBIT of 53.58%, all the while maintaining the other assumptions of plan unchanged.

- For the Wash Service CGU: (i) a growth rate for the terminal values of 16.18 percentage points or (ii) an increase of 14.43% in the WACC or (iii) an annual reduction in the reference EBIT of 72.18%, all the while maintaining the other assumptions of plan unchanged.

- For the Ekolav CGU: (i) a growth rate for the terminal values of 4.56 percentage points or (ii) an increase of 9.51% in the WACC or (iii) an annual reduction in the reference EBIT of 54.40%, all the while maintaining the other assumptions of plan unchanged.

- For the Brazil CGU, in order to make the book value equal to the recoverable value, the following would be necessary: (i) a growth rate for the terminal values of 9.97 percentage points or (ii) a 16.69% increase in the WACC or (iii) a 58.69% annual reduction of the reference EBIT, keeping the other assumptions of the plan unchanged.

- For the Turkey CGU, in order to make the book value equal to the recoverable value, the following would be necessary: (i) a growth rate for the terminal values of 8.54 percentage points or (ii) a 20.02% increase in the WACC or (iii) a 20.66% annual reduction of the reference EBIT, keeping the other assumptions of the plan unchanged.

With reference to 31 December 2019 and the previous years, the impairment tests carried out did not reveal any impairments to be booked to the recorded goodwill.

6.4 Equity-accounted investments

The value of equity-accounted investments changed as follows:

(thousands of Euros)	1 January 2019	Impairment/Decreases	OCI changes	Reinstatement/Impairment	Translation differences	31 December 2019
Saniservice Sh.p.k.	603	-	-	(185)	5	423
Finanza & Progetti S.p.A.	8,877	-	(882)	1,333	-	9,328
Brixia S.r.l.	2,860	-	-	(123)	-	2,737
Arezzo Servizi S.c.r.l.	5	-	-	-	-	5
Consorzio Se.Sa.Tre. S.c.r.l. in liquidation	4	-	-	-	-	4
PSIS S.r.l.	3,985	-	-	(5)	-	3,980
Ekolav S.r.l.	153	(132)	-	(21)	-	-
Steril Piemonte S.c.r.l.	1,973	-	-	-	-	1,973
AMG S.r.l.	2,431	(148)	-	56	-	2,339
Iniziative Produttive Piemontesi S.r.l.	1,115	-	-	(30)	-	1,085
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	-	-	3
Servizi Sanitari Integrati Marocco S.a.r.l.	81	-	-	38	1	120
SAS Sterilizasyon Servisleri A.Ş.	899	257	-	252	(115)	1,293
Shubhram Hospital Solutions Private Limited	(540)	-	-	(674)	13	(1,201)
Sanitary cleaning Sh.p.k.	1,347	-	-	27	17	1,391
Idsmed Servizi Pte. Limited	127	199	-	(157)	2	171
StirApp S.r.l.	-	551	-	(31)	-	520
Total	**23,923**	**727**	**(882)**	**480**	**(77)**	**24,171**
of which recognised among provisions for risk and charges	(540)	-	-	(674)	13	(1,201)
of which recognised among equity-accounted investments	24,463	727	(882)	1,154	(90)	25,372

The revaluations and write-downs include the portions of profits and losses recorded by the investees in the period.

The main changes in the item Equity-accounted investments include the decrease of Euro 132 thousand following acquisition of control of the company Ekolav S.r.l. on 19 July 2019 and its line-by-line consolidation, the decrease of Euro 148 thousand relative to the dividends distributed by the company A.M.G. S.r.l. and the consolidation through equity method of StirApp S.r.l. for Euro 520 thousand, for which an interest of 17.55% was formerly held, following the increase in capital which resulted in the acquisition by Servizi Italia on 27 September 2019 of 25% of the company's share capital.

The item OCI changes, equal to negative Euro 882 thousand, corresponds the portion attributable to the Servizi Italia Group, within the scope of application of the equity method, of the change in fair value of hedging derivatives subscribed by the company Ospedal Grando S.p.A. (subsidiary of associate company Finanza e Progetti S.p.A.).

With reference to the equity investment in Shubhram Hospital Solutions Private Limited, in consideration of the commitments assumed with the local Indian partner, the portion of the losses exceeding the value of the equity investment was booked to the item Provisions for risks and charges.

The total values of the current and non-current assets, current and non-current liabilities, revenues, costs and profit/loss of the equity investments carried at equity are shown below:

(thousands)	Currency	Shareholders' equity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Costs	Profit/(Loss)
SAS Sterilizasyon Servisleri A.Ş.	TRY	16,948	14,103	8,630	-	5,785	21,140	18,489	2,651
Saniservice Sh.p.k.	LEK	172,439	1,822,162	1,110,957	1,285,443	1,475,237	1,431,294	1,503,150	242,971
Shubhram Hospital Solutions Private Limited	INR	(191,224)	814,589	286,602	588,117	704,298	422,882	518,197	(95,315)
Finanza & Progetti S.p.A.	EUR	12,196	22,544	30,633	40	40,941	40.	39,040	1,632
Arezzo Servizi S.c.r.l.	EUR	10	420	1,153	158	1,405	2,264	2,264	-
CO.SE.S S.c.r.l. in liquidation	EUR	14	-	151	-	137	8	8	-
PSIS S.r.l.	EUR	7,960	18,859	3,291	698	9,668	8,727	8,737	(10)
Steril Piemonte S.c.r.l.	EUR	3,945	3,422	1,881	-	1,358	2,835	2,835	-
AMG S.r.l.	EUR	2,585	1,846	2,237	600	898	4,078	3,934	114
Iniziative Produttive Piemontesi S.r.l.	EUR	1,631	513	3,109	284	1,707	3,357	3,438	(81)
Brixia S.r.l.	EUR	39	-	6,425	-	6,386	19,420	19,405	15
Servizi Sanitari Integrati Marocco S.a.r.l.	MAD	1,580	500	1,158	-	78	820	25	795
Piemonte Servizi Sanitari s.c.r.l.	EUR	10	285	926	-	1,201	1,154	1,154	-
Sanitary Cleaning Sh.p.k.	LEK	51,430	22,259	73,561	13,948	30,442	160,556	152,323	8,233
StirApp S.r.l	EUR	475	447	245	95	121	292	(632)	(340)
IDSMED Servizi Pte. Limited	SGD	864	2	1,115	14	239	-	797	(797)

The overall values of cash and cash equivalents, current and non-current financial liabilities, impairments and amortisation/depreciation, interest income, interest expense and income taxes of the joint ventures as at 31 December 2019 are presented below:

(thousands)	Currency	Cash and cash equivalents	Current fin. liabilities	Non-current fin. liabilities	Impairments and amortisation/depreciation	Interest income	Interest expense	Income taxes

SAS Sterilizasyon Servisleri A.Ş.	TRY	3,237	3,579	-	2,360	36	-	577
Shubhram Hospital Solutions Private Limited	INR	406	590,293	588,217	188,333	795	34,409	(4,812)
Saniservice Sh.p.k.	LEK	186,209	324,370	1,285,443	241,198	20,210	156,082	15,605
Servizi Sanitari Integrati Marocco S.a.r.l.	MAD	910	-	-	-	-	-	4
Finanza & Progetti S.p.A.	EUR	6,160	14,873	-	1,827	20	1,287	1,092
Arezzo Servizi S.c.r.l.	EUR	1	-	-	358	-	8	10
PSIS S.r.l.	EUR	818	8,842	578	1,708	3	127	(44)
Sanitary Cleaning Sh.p.k.	LEK	2,873	9,584	13,948	5,260	1,184	1,476	1,510
Steril Piemonte S.c.r.l.	EUR	61	-	-	596	-	-	-
IDSMED Servizi Pte. Limited	SGD	1,090	-	-	1	-	-	-
AMG S.r.l.	EUR	537	-	-	625	1	1	31

6.5 Equity investments in other companies

The item changed as follows in 2019:

(thousands of Euros)	31-Dec-18	Increases	Impairment/Decreases	31-Dec-19
Asolo Hospital Service S.p.A.	464	-	-	464
Prosa S.p.A.	462	-	-	462
PROG.ESTE S.p.A.	1,212	-	-	1,212
Progeni S.p.A.	380	-	-	380
Sesamo S.p.A.	353	-	-	353
Synchron Nuovo San Gerardo S.p.A.	344	-	-	344
Spv Arena Sanità	278	-	-	278
Futura S.r.l.	89	-	-	89
CNS – Consorzio Nazionale Servizi Soc. Coop. a r.l	63	-	-	63
StirApp S.r.l.	49	-	(49)	-
Other	31	1	-	32
Total	**3,725**	**1**	**(49)**	**3,677**

For this item, mention goes to the decrease of Euro 49 thousand in the equity investment in StirApp S.r.l., classified under associates and joint ventures.

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

The total values of the assets, liabilities, revenues and profit/loss, on the basis of the last set of available financial statements, of the main equity investments in other companies held by the Company are presented below, along with related shareholding held as at 31 December 2019:

(thousands of Euros)	Registered office	Assets	Liabilities	Revenues	Profit/(Loss)	Interest of equity investment
Asolo Hospital Service S.p.A.	Asolo (TV)	109,505	101,225	38,520	918	7.03%
Prosa S.p.A.	Carpi (MO)	7,678	2,385	1,587	712	13.20%
Progeni S.p.A.	Milan	272,323	273,788	46,769	(114)	3.80%
Sesamo S.p.A.	Carpi (MO)	34,724	25,798	18,003	1,276	12.17%
Prog.este. S.p.A.	Carpi (MO)	220,113	217,780	36,817	621	10.14%

6.6 Non-current financial receivables

The item in question changed as follows in 2019:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Prosa S.p.A.	-	119
Sesamo S.p.A.	353	353
Progeni S.p.A.	982	982
Prog.Este S.p.A.	531	531
Saniservice Sh.p.K.	4,000	4,000
Summano Sanità S.p.A.	2	2
Futura S.r.l.	46	46
Arena Sanità S.p.A.	317	491
Syncron S.p.A.	346	320
Total	**6,577**	**6,844**

The financial receivables refer to the interest-bearing loans granted to the companies Prosa S.p.A. (3.50% rate plus 3-month Euribor), Sesamo S.p.A. (3% rate plus 20-year IRS rate), Progeni S.p.A. (rate equal to 7.81%), Prog.Este. S.p.A. (rate equal to 7.46%), Summano Sanità S.p.A. (rate equal to 6.25%), Arena Sanità S.p.A. (rate of 3.4% plus 6-month Euribor) and Synchron S.p.A. (rate 8%) and with a duration equal to the global service contracts for which the companies were established (expiring on 21 February 2031, 31 December 2037, 31 December 2033, 31 December 2031, 31 December 2035, 20 August 2032 and 14 June 2042, respectively), as well as the loans granted to the company Futura S.r.l. (expiration 30 June 2040) and to the Albanian subsidiary company Saniservice Sh.p.K. The loan to Arena Sanità S.p.A. was partly repaid, while the loan to Prosa S.p.A. was fully repaid in 2019.

6.7 Deferred tax assets

This item changed as follows:

(thousands of Euros)	Share capital increase costs	Lease contracts	Property, plant and equipment	Employee benefits	Previous tax losses/"ACE" carried forward	Other costs with deferred deductibility	Total
Deferred taxes as at 1 January 2018	**3**		**790**	**182**	**802**	**371**	**2,148**
Changes recognised in the income statement	(3)		109	(80)	1,042	(59)	1009
Changes recognised in other comprehensive income	-		(10)	(32)	(92)	-	(134)
Deferred taxes as at 31 December 2018	**-**		**889**	**70**	**1,752**	**312**	**3,023**
Changes recognised in the income statement	(2)	197	25	49	1,046	560	1,875
Change in the consolidation area	17	4					21
Changes recognised in other comprehensive income	-	-	-	63	-	(22)	41
Deferred taxes as at 31 December 2019	**15**	**201**	**914**	**182**	**2,798**	**850**	**4,960**

Deferred tax assets referring to property, plant and equipment represent the deferred taxation related to the ordinary process of depreciation of the linen. The prepaid tax assets on the tax losses increased mainly for the effects, on the tax base of the Parent Company and of the Italian subsidiaries, of the deductions on the investments in capital goods (known as "hyper and super-amortisation") and the corporate income tax deduction "ACE". The prepaid tax assets on the tax losses are recoverable with the taxable income forecasts in the business plans prepared for the different CGUs for the 2020-2024 period and already used for impairment testing purposes.

6.8 Other non-current assets

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Substitute tax Italian Decree Law 185/2008 subsequent years	3,354	4,106
Receivables for IRES reimbursement request pursuant to Art. 2 par.1-quater Italian Decree Law no. 201	175	175
Aqualav receivable, in escrow account	1,776	1,805
Other non-current assets	516	358
Total	**5,821**	**6,444**

The decrease in the item regards releases to the income statement for goodwill released pursuant to Art. 15 of Italian Decree Law 185/2008, following the mergers by incorporation in prior years. Releases of substitute taxes paid, recognised in the income statement item current taxes, take place during the period of time in which the Company benefits from the tax deduction for the portion of goodwill recognised.

The reduction of the receivable in escrow account towards the shareholders selling Aqualav Serviços De Higienização Ltda is due to the devaluation of the Real Brazilian.

6.9 Inventories

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

6.10 Trade receivables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Due from third parties	68,033	71,113
Due from associates and joint ventures	3,926	4,526
Due from parent company	122	240
Receivables from companies under the control of the parent companies	45	21
Total	**72,126**	**75,900**

Trade receivables due from third parties

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Due from customers	74,322	77,380
Bad debt provision	(6,289)	(6,267)
Total	68,033	71,113

During the year, the Servizi Italia Group carried out some transactions involving the disposal of the receivables described below:

- trade receivables were factored without recourse to Credemfactor S.p.A. for Euro 49,812 thousand, for a consideration of Euro 49,702 thousand;
- trade receivables were factored without recourse to Unicredit Factoring S.p.A. for Euro 34,718 thousand, for a consideration of Euro 34,653 thousand.

The bad debt provision changed as follows in 2018 and 2019:

(thousands of Euros)	
Balance as at 1 January 2018	**6,044**
Utilisations	(136)
Adjustments	(149)
Provisions	508
Balance as at 31 December 2018	**6,267**
Change in the scope of consolidation	25
Balance as at 1 January 2019	**6,292**
Utilisations	(122)
Adjustments	(176)
Provisions	295
Balance as at 31 December 2019	**6,289**

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

The balance as at 31 December 2019 of trade receivables due from associates and jointly controlled companies, equal to Euro 3,926 thousand, mainly consists of trade receivables from the companies Brixia S.r.l. for Euro 846 thousand and Saniservice Sh.p.k. for Euro 2,146 thousand.

Furthermore, there is a credit balance due from the parent company Coopservice Soc.Coop. p.A. for Euro 122 thousand and a balance of Euro 45 thousand from companies under the control of parent companies.

6.11 Current tax receivables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Tax receivables	2,221	2,977
Tax payables	(136)	(1,016)
Total	**2,085**	**1,961**

This item mainly includes the amount exceeding the receivables for advances on the current taxes of 2019, net of related tax payables.

6.12 Current financial receivables

The item in question changed as follows in 2019:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Asolo Hospital Service S.p.A.	1,748	1,783
P.S.I.S. S.r.l.	3,843	3,845
Ekolav S.r.l.	-	470
Arezzo Servizi S.c.r.l.	403	403
Steril Piemonte S.c.r.l.	-	150
Iniziative Produttive Piemontesi S.r.l.	90	91
Gesteam S.r.l.	312	312
Saniservice Sh.p.k.	983	703
Ankor	495	-
Other	436	273
Total	**8,310**	**8,030**

Financial receivables are for loans granted to the companies indicated above, which are due within the year or repayable on demand. The increase with respect to 31 December 2018 is due to the portion of interest accrued on the loan to company Saniservice Sh.p.k., equal to Euro 280 thousand, net of the Euro 150 thousand reduction of the loan to Steril Piemonte S.c.r.l. as a result of offsetting against trade payables, and to the portion of capital increase by minority shareholders of Ankateks Turizm İnşaat Tekstil Temizleme Sanayive Ticaret Ltd Şirketi, still to be paid for Euro 495 thousand..

6.13 Other current assets

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Due from others	7,921	7,466
Deferred income	1,398	1,157
Guarantee deposits receivable	227	205
Accrued income	58	40
Total	**9,604**	**8,868**

The item Receivables from others is composed of the receivables of the subsidiary San Martino 2000 from the consortium company Servizi Ospedalieri S.p.A. in the amount of Euro 1,554 thousand, the VAT receivable for Euro 4,275 thousand (Euro 4,322 thousand 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 recognised at the beginning of the year. The item Guarantee deposits refers to energy utilities and rentals.

6.14 Cash and cash equivalents

The item is broken down as follows:

(thousands of Euros)	**as at 31 December 2019**	**as at 31 December 2018**
Bank and postal deposits	7,097	6,949
Cheques	4	10
Cash in hand	40	44
Total	**7,141**	**7,003**

6.15 Shareholders' equity

Share capital and reserves

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

In 2019, the Parent Company purchased 494,335 treasury shares for Euro 1,555 thousand. These were equal to 1.55% of the share capital with an average purchase price of Euro 3.15 per share. Following these transactions, the Company held 874,211 treasury shares equal to 2.75% of the share capital as at 31 December 2019. Their value as at 31 December 2019 of Euro 2,964 thousand was classified as a decrease to share capital for their nominal amount of Euro 874 thousand, and the value exceeding the nominal amount, totalling Euro 2,090 thousand, was recognised as a reduction in the share premium reserve.

The legal reserve and other reserves 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 on Group shareholders' equity equal to Euro 1,909 thousand as a result of the change in the translation reserves in the equity of the companies that prepare their financial statements in foreign currency, mainly as a result of the devaluation of the Brazilian Real and the Turkish Lira, as well as the translation change relative to the foreign companies valued according to the equity method.

6.16 Due to banks and other lenders

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019			as at 31 December 2018		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowing	69,994	35,593	**105,587**	60,927	35,223	**96,150**
Payables due to other lenders	4,307	32,965	**37,272**	257	821	**1,078**
Total	**74,301**	**68,558**	**142,859**	**61,184**	**36,044**	**97,228**

Bank borrowing

The portion of the payable falling due within 12 months as at 31 December 2019 increased with respect to 31 December 2018 by Euro 9,067 thousand, due to instalments due within 12 months of the new loans stipulated, net of the repayment of the loan instalments expired during the year, to greater recourse to self-liquidating credit lines and to consolidation of the debt of company Ekolav S.r.l., acquired on 19 July 2019, and of the company Wash Service S.r.l., acquired on 27 February 2019.

The portion of the payable falling due beyond 12 months relating to the item Due to banks as at 31 December 2019 presents an increase with respect to 31 December 2018 of Euro 370 thousand. This increase is related to the reclassification to short-term of the loan instalments due within the subsequent 12 months, to repayment of the loan amounts due during the year, and to the stipulation of two new unsecured loans with Banca Monte dei Paschi di Siena S.p.A. for Euro 15,000 thousand (residual borrowing due after 12 months equal to Euro 8,437 thousand) and BPER Banca S.p.A. for Euro 10,000 thousand (residual borrowing due after 12 months equal to Euro 7,264 thousand), aimed at maintaining a proper balance between short and medium-term debt, and to consolidation of the debt of company Wash Service S.r.l.

Financial covenants

Some loans envisage respect of certain financial indicators (covenants) to maintain the benefit of the term, summarised below by bank counterpart:

	NFP/Shareholders' equity	NFP/EBITDA
Banca Nazionale del Lavoro	< 1.5	< 2.0
Unicredit	< 1.5	< 2.5
Cassa di Risparmio di Parma e Piacenza	< 1.5	< 2.5
Banco BPM	< 2.0	< 2.0
Banca Crédit Agricole Cariparma	< 1.8	< 2.8
BPER Banca	< 1.5	< 2.75
Banca Monte dei Paschi di Siena	< 2.0	< 3.0

Note that the Net Financial Position (NFP) and EBITDA envisaged by the loan agreements represent alternative performance indicators not defined by the reference accounting standards and may therefore differ from the similar figures defined by management of Servizi Italia and reported in the financial disclosures. As at 31 December 2019, all covenants had been met.

The portion of debt with a maturity of over 12 months also includes the medium-term debt of the Brazilian subsidiaries for Euro 39 thousand and of the Turkish subsidiaries for Euro 178 thousand.

Amounts due to banks are shown below by maturity:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Maturity less than or equal to 6 months	54,573	43,300
Maturity between 6 and 12 months	15,422	17,627
Maturity between 1 and 5 years	35,568	35,223
More than 5 years	24	-
Total	**105,587**	**96,150**

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

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
1 to 2 years	18,625	16,006
Maturity between 2 and 5 years	16,943	19,217
More than 5 years	25	-
Total	**35,593**	**35,223**

The average effective interest rates as at 31 December 2019 were as follows:

	as at 31 December 2019	as at 31 December 2018
Advances on invoices	0.43%	0.54%
Bank loan	2.90%	2.26%

Payables due to other lenders

Payables to other lenders as at 31 December 2019, for the current portion, include the amount due to Unicredit Factor S.p.A. for Euro 158 thousand related to a payment made in favour of the Parent Company but attributable to the bank, consolidation of the debt of Wash Service S.r.l., acquired on 27 February 2019, for a total of Euro 19 thousand, payables related to foreign operations for a total of Euro 422 thousand and the effects of adoption of the new IFRS 16 for Euro 3,708 thousand.

The non-current portion of the balance as at 31 December 2019 is attributable to the debt incurred by the Turkish subsidiary Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi for a total of Euro 412 thousand and to the effects linked to adoption of the new IFRS 16 for Euro 32,552 thousand.

Payables to other lenders are broken down by maturity below:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Maturity less than or equal to 6 months	2,713	103
Maturity between 6 and 12 months	1,594	154
Maturity between 1 and 5 years	12,356	821
More than 5 years	20,609	-
Total	**37,272**	**1,078**

The increase compared to the prior year is mainly due to the recognition of financial liabilities from application of IFRS 16.

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

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
1 to 2 years	3,858	315
Maturity between 2 and 5 years	8,498	506
More than 5 years	20,609	-
Total	**32,965**	**821**

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

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Floating rate	19	1,057
Fixed rate	826	21
Incremental Borrowing Rate	36,258	-
Total	**37,103**	**1,078**

6.17 Deferred tax liabilities

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

(thousands of Euros)	Leasin g	Property, plant and equipment and intangible assets	Goodwill	Other	Total
Deferred tax liabilities as at 1 January 2018	**25**	**1,233**	**1,378**	**9**	**2,645**
Changes recognised in the income statement	(17)	(787)	116	14	(674)
Changes recognised in other comprehensive income	-	43	-	-	43
Deferred tax liabilities as at 31 December 2018	8	489	1,494	23	2,014
Deferred tax liabilities as at 1 January 2019	**8**	**829**	**1,494**	**23**	**2,354**
Changes recognised in the income statement	(8)	(26)	100	2	68
Change in the scope of consolidation		340			340
Changes recognised in other comprehensive income	-	(14)	-		-
Deferred tax liabilities as at 31 December 2019	**-**	**789**	**1,594**	**25**	**2,408**

The change in deferred tax liabilities attributable to the change in scope of consolidation refers mainly to deferred taxes allocated on the contracts portfolio of the new consolidated companies.

6.18 Employee benefits

This item changed as follows:

(thousands of Euros)	2019	2018
Initial balance as at 1 January	**10,179**	**10,322**
Change in the consolidation area	-	14
Provision	591	396
Financial expenses	98	82
Actuarial (gains)/losses	199	(131)
Transfers (to)/from other provisions	-	-
(Benefits paid)	(746)	(504)
(Reclassifications)	-	-
Final balance as at 31 December	**10,321**	**10,179**

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

The cash bonus envisaged by the 2018-2020 Long-Term Investment Plan payable at the end of the vesting period was estimated as equal to zero, as it is deemed that the objectives for vesting of the bonus cannot be reasonably achieved. Therefore, the prior allocation of Euro 366 thousand under the item Employee benefits as Long-Term Investment Plan was released to the income statement, in accordance with the provisions of paragraph 156 of IAS 19.

The item also includes the indemnity for termination of office accrued by the CEO for Euro 500 thousand as at 31 December 2019; following the resignation on 7 January 2020, this amount will be released to the income statement in 2020.

Financial hypotheses adopted

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

	2019	2018
Technical annual discounting back rate	0.37%	1.13%
Annual inflation rate	1.00%	1.50%
Annual growth rate of the severance indemnity	2.25%	2.63%

With regard to the discount rate, the iBoxx Eurozone Corporates AA 7 - 10 index as of the valuation date was taken as reference for the valuation of this parameter. The duration of the liability is 8 years.

Demographic hypotheses adopted

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

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

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

Sensitivity analysis

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

(thousands of Euros)	Discount rate		Inflation rate		Duration	
	+0.50%	**-0.50%**	**+0.25%**	**-0.25%**	**+1 year**	**-1 year**
Change in liabilities	-297	+315	+88	-86	+135	-112

6.19 Provisions for risks and charges

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Opening balance	**2,651**	**2,447**
Provisions	3,286	576
Payments/resolutions	(8)	(125)
Translation differences	(47)	(247)
Closing balance	**5,882**	**2,651**

Allocations to the provisions for risks of Euro 3,286 thousand mainly include the allocation made as at 31 December 2019 for Euro 2,568 thousand by Servizi Italia S.p.A., which represents the outcome of estimates made in relation to the provisions of IAS 37 with regard to onerous contracts. During the course of 2019, the Parent Company was awarded new contracts and renewed others, in the Emilia Romagna and Lombardy areas, with prices generally lower than the past in the wash-hire segment; it also learned of the non-confirmation of the contract for wash-hire services for the hospitals of the Lazio Region, awarded at significantly lower prices than the previous contract. These situations demonstrate, as also highlighted by the Assosistema trade association, how the Italian market of industrial laundry facilities is undergoing a structural decline linked to a number of specific critical factors in the health services sector, such as the awarding of contracts with increasingly low bids. This scenario impacts at the revenues level but also in terms of absorption of the costs of the production facility, as reflected in the sales and margin forecasts of the Company's contracts portfolio, summarised in the 2020 budget and in the 2020-2024 multi-annual plan approved by the Board of Directors of Servizi Italia on 23 January 2020. As commented with regard to the impairment test on goodwill, the multi-annual plan and the future expected trend indicate large cash flows compared to the net assets recognised in the financial statements and, in accordance with such forecasts, no write-downs of goodwill or other fixed assets were made. Nevertheless, while considering the forecasts of a largely positive overall operating margin in the foreseeable future, the analysis highlighted that in the current market scenario, the cumulative margins up to the date of expiry of certain wash-hire contracts is negative, and such contracts are therefore classified as “onerous contracts” pursuant to IAS 37. Therefore, after having assessed the effects of positive sales and cost recovery measures that could mitigate such losses, and in some cases fully absorb them, an allocation was made for the best estimate of present value of inevitable future liabilities connected to said contracts. This provision will be released to the income statement in the future years in which the expected negative margins occur, thereby offsetting the impact on the Company's profitability. Based on the projections made to estimate the provision, and according to the average terms of the contracts examined, use of Euro 1,453 thousand is envisaged in 2020, consequently reclassified to current liabilities, with full use of the provisions expected within 2025.

The item also includes the provision for coverage of losses on equity investments for Euro 1,201 thousand, which refers to the valuation through equity method of the 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.

6.20 Other non-current financial liabilities

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Payables to Area S.r.l.	200	500
Payables to Steritek S.p.A. shareholders	-	225
Payables to Lavanderia Bolognini M&S S.r.l.	-	1,000
Deferred price Aqualav Serviços De Higienizaçao Ltda	-	116
Payable for put options Malav Lavanderia Especializada S.A. Vida Lavanderias Especializada S.A.	-	2,685
Payables to Wash Service S.r.l. shareholders	989	-
Payable for Steritek S.p.A. put option	1,814	1,800
Payable for Wash Service S.r.l. put option	874	-
Other payables	-	95
Total	**3,877**	**6,421**

The change in the item is related in particular to the payable to minority shareholders of Wash Service S.r.l. for the price instalments of 90% of the stake purchased in 2019 for Euro 989 thousand, to be paid over three years, and for recognition of the debt in relation to the put/call option on the residual 10% of capital of the company for Euro 874 thousand, to be exercised in 2024. Moreover, note the reclassification of debt with respect to the minority shareholders of Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A., which hold a put option giving them the right to sell to the Servizi Italia Group the residual portions of both companies, which may be exercised within third quarter 2020.

6.21 Trade payables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Advances	15	-
Due to suppliers	65,375	65,373
Due to associates and joint ventures	2,212	2,945
Due to parent company	4,625	5,355
Payables to companies under the control of the parent companies	137	467
Total	**72,364**	**74,140**

Due to suppliers

The balance as at 31 December 2019 refers entirely to trade payables due within 12 months.

Due to associates and joint ventures

The balance as at 31 December 2019 is composed mainly of trade payables due to the companies Steril Piemonte S.c.r.l. for Euro 834 thousand, AMG S.r.l. for Euro 567 thousand, Arezzo Servizi S.c.r.l. for Euro 515 thousand and Piemonte Servizi Sanitari S.c.r.l. for Euro 222 thousand.

Due to parent company

These are amounts due to the parent company Coopservice S.Coop.p.A. for the services provided by it.

Payables to Companies under the control of the parent companies

The main trade payables to companies under the control of the parent company Coopservice S.Coop.p.A. refer for Euro 116 thousand to Archimede S.p.A. and Euro 16 thousand to Gesta S.r.l.

6.22 Current tax payables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Tax receivables	(756)	(700)
Tax payables	947	761
Total	**191**	**61**

The amount refers to current tax payables of the subsidiaries included in the consolidation area.

6.23 Other current financial liabilities

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Payable to Area S.r.l.	300	500
Payable to Steritek S.p.A. shareholders	-	-
Payable to Finanza e Progetti S.p.A.	2,460	2,460
Deferred price Aqualav Serviços De Higienização Ltda	191	142
Payable for put options on Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	4,409	-
Payables to Lavanderia Bolognini M&S S.r.l.	1,000	500
Payables to Wash Service S.r.l. shareholders	909	-
Total	**9,269**	**3,602**

The change in the item is related in particular to the payable to minority shareholders of Wash Service S.r.l. for the price instalments of 90% of the stake purchased in 2019 for Euro 909 thousand. Moreover, the debt with respect to the minority shareholders of Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A., which hold a put option giving them the right to sell to the Servizi Italia Group the residual portions of both companies equal, respectively, to 34.9% was adjusted. The higher financial expense following remeasurement of the expected financial liability is equal to Euro 1,385 thousand. What remains is the debt arising from the acquisition from Lavanderia Bolognini M&S S.r.l. of the business unit that operates in the sector of industrial washing and wash-hire for private facilities.

6.24 Other current payables

The table below provides a breakdown of other current liabilities:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Accrued liabilities	135	122
Deferred income	55	240
Payables due to social security and welfare institutions	5,647	5,865
Other payables	13,791	14,041
Total	**19,628**	**20,268**

Payables due to social security and welfare institutions

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

Other payables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Due to employees	10,247	9,902
Employee/professional IRPEF (personal income tax) payable	2,546	2,398
Other payables	998	1,741
Total	**13,791**	**14,041**

6.25 Net financial debt

The Group's net financial debt as at 31 December 2019, 1 January 2019 and 31 December 2019 is shown below:

(thousands of Euros)	as at 31 December 2019	as at 1 January 2019	as at 31 December 2018
Cash and cash equivalents in hand	44	54	54
Cash at bank	7,097	6,949	6,949
Cash and cash equivalents	**7,141**	**7,003**	**7,003**
Current financial receivables	8,310	8,030	8,030
Current liabilities to banks and other lenders	(74,301)	(64,865)	(61,184)
of which Financial liabilities under IFRS 16	(3,707)	(3,681)	-
Current net financial debt	**(65,991)**	**(56,835)**	**(53,154)**
Non-current liabilities to banks and other lenders	(68,558)	(66,512)	(36,044)
of which Financial liabilities under IFRS 16	(32,552)	(30,468)	-
Non-current net financial debt	**(68,558)**	**(66,512)**	**(36,044)**
Net financial debt	**(127,408)**	**(116,344)**	**(82,195)**

The increase in Net financial debt was mainly due to the loan for the investments carried out during the year and to the effects of adoption of the new IFRS 16.

Financial receivables as at 31 December 2019 are up by Euro 280 thousand compared to 31 December 2018, mainly due to the receivable with respect to minority shareholders by Turkish subsidiary Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi.

Current liabilities to banks and other lenders increased by Euro 13,117 thousand due to greater use of the self-liquidating credit lines and to the effects of adoption of the new IFRS 16 for Euro 3,708 thousand. Non-current liabilities to banks and other lenders increased by Euro 32,514 thousand, due to repayment of the loan amounts maturing during the year, net of the reclassification to short-term of the loan instalments due within the subsequent 12 months, to the stipulation of two new unsecured loans with Banca Monte dei Paschi di Siena S.p.A. for Euro 15,000 thousand and BPER Banca S.p.A. for Euro 10,000 thousand, to consolidation of the debt of companies Wash Service S.r.l. and Ekolav S.r.l., to the debt of foreign subsidiaries for Euro 630 thousand and to the effects linked to adoption of the new IFRS 16 for Euro 32,552 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 31 December 2019	*of which with related parties*	as at 1 January 2019	*of which with related parties*	as at 31 December 2018	*of which with related parties*
A. Cash	43	-	54	-	54	-
B. Other cash equivalents	7,097	-	6,949	-	6,949	-
C. Securities held for trading		-	-	-	-	-
D. Cash and cash equivalents (A)+(B)+(C)	**7,140**	-	**7,003**		**7,003**	
E. Current financial receivables	8,310	*5,936*	8,030	*5,867*	8,030	*5,867*
F. Current bank borrowings	(41,291)	-	(30,750)	-	(30,750)	-
G. Current portion of non-current borrowings	(33,010)	-	(34,115)	-	(30,434)	-
of which Financial liabilities under IFRS 16	(3,707)	-	(3,681)		-	
H. Other current financial payables	(9,269)	*(2,460)*	(3,602)	*(2,460)*	(3,602)	*(2,460)*
I. Current financial debt (F)+(G)+(H)	**(83,570)**	-	**(68,467)**		**(64,786)**	
J. Current net financial debt (I)-(E)-(D)	**(68,120)**	-	**(53,434)**		**(49,753)**	
K. Non-current bank borrowings	(68,558)	-	(66,512)	-	(36,044)	-
of which Financial liabilities under IFRS 16	(32,552)	-	(30,468)		-	
L. Bonds issued		-	-	-	-	-
M. Other non-current payables	(3,876)	-	(6,421)	-	(6,421)	-
N. Non-current financial debt (K)+(L)+(M)	**(72,434)**	-	**(72,933)**		**(42,465)**	
O. Net financial debt (J)+(N)	**(140,554)**	-	**(126,367)**		**(92,218)**	

6.26 Financial guarantee contracts

The table below provides the details of the guarantees given by the Group as at 31 December 2019 and 31 December 2018:

(thousands of Euros)	as at 31 December 2019	as at 31 December 2018
Guarantees issued by banks and insurance companies for tenders	73,353	62,007
Guarantees issued by banks and insurance companies for lease agreements and utilities	704	637
Guarantees issued by banks and insurance companies in favour of third parties	41,529	47,629
Owned assets held by third parties	76	79
Third party assets held at our facilities	-	11
Pledge on Asolo Hospital Service S.p.A. shares given as loan guarantee	464	464
Pledge on Sesamo S.p.A. shares given as loan guarantee	237	237
Pledge on Prog.Este S.p.A. shares given as loan guarantee	1,212	1,212
Pledge on Progeni S.p.A. shares given as loan guarantee	380	380
Pledge on Futura S.r.l. stake given as loan guarantee	89	89
Total	**118,044**	**112,745**

The guarantees issued and the other commitments refer to:

- Guarantees issued by banks and insurance companies for tenders: these were issued on behalf of the Group in favour of customers or potential customers for participation in tenders, to guarantee the correct execution of the service.

- Guarantees issued by banks and insurance companies for lease agreements and utilities: these were issued on behalf of the company to guarantee the payment of lease instalments and invoices for the supply of electricity and gas.

- Guarantees issued by banks and insurance companies in favour of third parties: these are guarantees issued to back the payment of the company's portion of the project financing and guarantees issued in favour of PSIS S.r.l., Steril Piemonte S.c.r.l., I.P.P. S.r.l., Ekolav S.r.l., Saniservice Sh.p.k. and Shubhram Hospital Solutions Private Limited to back loan agreements.

- Pledge on shares/units of Asolo Hospital Service, Sesamo, Progeni, Prog.Este and Futura to back the loans granted to project companies: this pledge was granted to the banks providing the project financing on the shares representing the Group's interest in the special purpose entity.

7 Income Statement

7.1 Revenues from sales

The item is broken down as follows by business:

(thousands of Euros)	**Year ended as at 31 December**	
	2019	**2018**
Wash-hire	194,839	182,771
Steril B (Linen Sterilisation)	20,049	21,578
Steril C (Surgical Instruments Sterilisation)	47,515	46,559
Sales revenues	**262,403**	**250,908**

Revenue and services by geographical area are broken down as follows:

(thousands of Euros)	**Year ended as at 31 December**	
	2019	**2018**
Italy	222,614	215,125
Brazil	31,923	29,195
Turkey	7,866	6,588
Sales revenues	**262,403**	**250,908**

Revenues from wash-hire services (which account for 74.3% of Group revenues in absolute terms) increased from Euro 182,771 thousand as at 31 December 2018 to Euro 194,839 thousand, up 6.6% mainly due to positive growth of foreign turnover (+9.3% in Brazil and +19.4% in Turkey), as well as following the acquisitions of Wash Service S.r.l., Ekolav S.r.l. and the business unit relative to Lavanderia Bolognini M&S S.r.l. With regard to the increase in foreign revenues, this growth was sustained in particular by excellent organic growth in local currency (+12% in Brazil and +33% in Turkey), partly negatively impacted, however, by a negative exchange rate translation effect with regard to both the Brazilian Real (negative exchange rate impact of 2.7% on revenues of Brazil) and the Turkish Lira (negative exchange rate impact of 13.6% on revenues of Turkey).

Revenues from linen sterilisation services (which account for 7.6% of the revenues of the group in absolute terms) went from Euro 21,578 thousand for the year ended as at 31 December 2018 to Euro 20,049 thousand for the year ended as at 31 December 2019, down 7.1% due to the termination of several contracts in the Friuli and Emilia Romagna regions, in addition to the decrease in certain supplies to foreign countries.

Revenues from surgical instrument sterilisation services (which account for 18.1% of the revenues of the Group in absolute terms) went from Euro 46,559 thousand for the year ended as at 31 December 2018 to Euro 47,515 thousand, for an increase of 2.1%. Also impacting growth is the new sector of "turnkey" supplies, global service and project financing of healthcare facilities.

7.2 Other income

Other income went from Euro 5,607 thousand as at 31 December 2018 to Euro 5,140 thousand as at 31 December 2019. The main decrease in the balance of the subject item regards revenues from the sale of white certificates in 2018 by the Parent Company.

Pursuant to Art. 1, paragraphs 125 to 129, of Law no. 124 of 4 August 2017, relating to the obligations of publication of grants, contributions, paid positions and in any case economic advantages of any nature received from public administrations, note that the disbursing Bodies are required to publish contributions on the National Register of government aid, accessible at: www.rna.gov.it/sites/PortaleRNA/it_IT/trasparenza on government aid and *aiuti de minimis*.

Contributions received by the Company in 2019 are contained in the aforementioned Register.

7.3 Raw materials and consumables

Consumption of raw materials, equal to Euro 27,137 thousand, increased with respect to the previous year (Euro 26,633 thousand in 2018). On a like-for-like basis, the item's impact on turnover is essentially unvaried.

7.4 Costs for services

The item is broken down as follows:

(thousands of Euros)	**Year ended as at 31 December**	
	2019	**2018**
External laundering and other industrial services	25,391	23,347
Travel and transport	14,562	13,159
Utilities	13,613	11,731
Administrative costs	2,594	2,663
Consortium and sales costs	8,012	7,705
Personnel expense	3,348	2,940
Maintenance	8,146	7,640
Use of third-party assets	2,941	7,333
Other services	2,032	1,674

Total	**80,639**	**78,192**

The item Costs for services increased by Euro 2,447 thousand compared with the same period of the previous year, while the relative incidence on revenues fell by -0.4%. On a like-for-like basis, therefore isolating the impact of IFRS 16, and at the same exchange rate and scope, there is a higher impact on revenues of 0.9 percentage points, while at the same exchange rate, an improvement is observed in terms of impact on revenues, equal to 0.5 percentage points.

Travel and transport increased by Euro 1,403 thousand with respect to 31 December 2018. This increase is essentially due to the entry into the new hotel sector and to the relative logistics in the area of Trentino-Alto Adige.

The costs for utilities increased by Euro 1,882 thousand against 31 December 2018. This was due to an increase in the energy prices and gas and electricity consumption.

Costs for services also include one-off costs relating to restoration of systems and recovery of data following the IT incident at the beginning of 2019 for Euro 210 thousand.

Note that costs for the use of third-party assets recognised as at 31 December 2019, and therefore not subject to application of IFRS 16, predominantly regard rentals of pressure-relieving mattresses, royalties and software licences, electronic machinery and rentals of other assets with duration of less than 12 months, or low value assets.

7.5 Personnel expense

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2019	**2018**
Costs for directors' fees	1,857	2,399
Salaries and wages	61,715	58,333
Temporary work	2,290	2,190
Social security charges	19,866	18,901
Employee severance indemnity	3,503	3,287
Other costs	308	248
Total	**89,539**	**85,358**

The period was impacted by the consolidation of Wash Service S.r.l for Euro 1,777 thousand, by the consolidation of Ekolav for Euro 1,090 thousand, by the increase in personnel linked to the new hotel sector for Euro 2,179 thousand and new administrative personnel for the Italian area. In the Brazilian area, there was instead a drop in personnel expense, equal to Euro 335 thousand, mainly due to the effects of the Real/Euro depreciation compared to the same period of the previous year.

The table below shows the average composition of workforce:

	Average number of employees	
	2019	**2018**
Executives	18	15
Middle managers	43	38
White-collar staff	289	258
Blue-collar staff	3,346	3,260
Total	**3,696**	**3,571**

7.6 Other costs

The item is broken down as follows:

(thousands of Euros)	**Year ended as at 31 December**	
	2019	**2018**
Tax-related expense	344	328
Contingent liabilities	111	64
Membership fees	213	201
Gifts to customers and employees	137	161
Other	1,036	1,155
Total	**1,841**	**1,909**

7.7 Depreciation/amortisation, impairment and provisions

The item is broken down as follows:

(thousands of Euros)	**Year ended as at 31 December**	
	2019	**2018**
Amortisation of intangible assets	1,367	1,189
Depreciation of property, plant and equipment	49,981	48,270
Impairment and provisions	3190	610
Total	**54,538**	**50,069**

The change in depreciation of property, plant and equipment is primarily due to the effects of implementation of the new IFRS 16, leading to amortisation of Rights of use on leased assets for Euro 3,990 thousand, revision of the estimated useful life of some types of linen (particularly packed linen, uniforms for "118" emergency services operators, linen for the hotel sector and mattresses, as described in paragraph 3.A), which resulted in lower depreciation/amortisation for Euro 5,219 thousand, as well as allocation to the provision for onerous contracts described in paragraph 6.19. Depreciation related to the purchase of linen relating to the new hotel sector was also recorded during the period ended 31 December 2019.

7.8 Financial income

The item is broken down as follows:

(thousands of Euros)	**Year ended as at 31 December**	
	2019	**2018**
Bank interest income	335	357
Default interest	845	614
Interest income on loans to third-party companies	670	697
Other financial income	363	413
Total	**2,213**	**2,081**

Default interest accrues as a result of the delays in payment by some private customers. The increase in default interest compared to 2018 is primarily due to the release of provisions in relation to interest collected during the period and previously written down for approximately Euro 134 thousand by the Parent Company. Interest income on loans to third companies was basically in line with the financial receivables against which it accrues. The item Other financial income mainly represents interest income on tax refunds of previous years.

7.9 Financial expenses

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2019	**2018**
Interest expense and bank commission	1,905	1,822
Interest expense for leasing	2,288	-
Interest and expense to other lenders	248	206
Financial expense on employee benefits	98	83
Net exchange rate losses	137	326
Other financial expenses	2,588	760
Total	**7,264**	**3,197**

The increase of the item Interest expense and bank commission is mainly due to the application of IFRS 16 for Euro 2,288 thousand, as well as to the interest rate increase on the Turkish financial market. Exchange rate losses are the result of the devaluation of the Euro/Real and the Euro/Turkish Lira exchange rates. Mention also goes to the impact of financial expense for the period, equal to Euro 1,808 thousand (of which the impact of remeasurement equal to Euro 1,385 thousand) regarding the put option with respect to minority shareholders of the companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A., whose right to sell may be exercised within third quarter 2020.

7.10 Income and expense from equity investments

The item Income and expense from equity investment consists of dividends collected in 2019, in particular for Euro 121 thousand from the associate Sesamo S.p.A., Euro 89 thousand from the associate Prosa S.p.A. and Euro 2 thousand from other companies. Mention also goes to the proceed of Euro 468 thousand relative to the remeasurement at fair value of the investment of 50% in Ekolav S.r.l., held prior to the acquisition of control, as a business combination operation carried out in several phases.

7.11 Income taxes

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2019	**2018**
Current taxes	2,269	2,157
Deferred tax assets/(liabilities)	(1,807)	(1599)
Total	**462**	**558**

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

(thousands of Euros)	Year as at 31 December			
	2019	**Incidence**	**2018**	**Incidence**
IRES (company earnings tax) reconciliation				
Profit before tax from Income statement	9,976		12,678	
Theoretical taxes	**2,394**	**24.00%**	**3,043**	**24.00%**
Tax effects of the permanent differences:				
on increases	651	6.5%	725	5.7%
on decreases	(3,658)	-36.7%	(3,826)	-30.2%
substitute taxes	801	8.0%	504	4.0%
differential on foreign taxes	(1,006)	-10.1%	(527)	-4.2%
Total effective IRES taxes	**(818)**	**-8.2%**	**(81)**	**-0.6%**
IRAP (regional business tax)	471	4.7%	639	5.0%
Total effective taxes	**462**	**4.6%**	**558**	**4.4%**

Current taxes were basically zero in Italy due to the recognition of prepaid tax assets on the tax losses deriving from the effects of the deductions on the investments in capital goods (known as "super-amortisation" and "hyper-amortisation") and the corporate income tax deduction "ACE".

7.12 Earnings per share

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

(thousands of Euros)	Year ended as at 31 December	
	2019	**2018**
Profit/loss attributable to shareholders of the parent company	8,990	11,600
Average number of shares	31,215	31,690
Basic earnings per share	**0.29**	**0.37**

(thousands of Euros)	Year ended as at 31 December	
	2019	**2018**
Profit/loss for the year attributable to the Group:	8,990	11,600
Average number of shares outstanding	31,215	31,690
Number of shares with dilutive effect	-	-
Average number of shares used to calculate diluted EPS	31,215	31,690
Diluted earnings per share	**0.29**	**0.37**

8 Transactions with group companies and related parties

The transactions of the Servizi Italia Group with subsidiaries, associates, joint ventures or parent companies are conducted in compliance with the applicable Regulations governing transactions with related parties and concern primarily:

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

From an economic, equity and financial point of view, the group of main transactions constitute ordinary transactions conducted under conditions equivalent to market or standard conditions and are regulated by the appropriate contracts. With reference to the amount reported in the financial statements of the reference period, this was generated by the renewal of existing contracts or contracts stipulated in the period.

No new loans were stipulated with related parties during the year ended as at 31 December 2019 that had a significant impact on the financial disclosures of the Servizi Italia Group. The financial transactions with the related parties of the Servizi Italia Group are shown below as at 31 December 2019:

(thousands of Euros)	31 December 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 investments**
Coopservice S.Coop.p.A. (parent company)	79	52	10,830	-	-	18	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-	-

(thousands of Euros)	31 December 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 investments**
Arezzo Servizi S.c.r.l. (joint control)	-	8	1,067	-	-	-	3	-
Consorzio Co.Se.S. (associate)	-	-	2	-	-	-	-	-
Psis S.r.l. (joint control)	249	122	-	-	-	-	43	-
Amg S.r.l. (joint control)	-	14	748	-	17	-	-	-
Steril Piemonte S.c.r.l. (joint control)	26	318	1,421	-	-	-	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	94	352	-	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	24	7	126	-	-	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (joint control)	-	-	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (joint control)	-	-	-	-	-	-	-	-
Sanitary cleaning Sh.p.k. (joint control)	-	-	-	-	-	-	-	-
Saniservice Sh.p.k. (joint control)	897	120	-	-	-	-	381	-
Servizi Sanitari Integrati Marocco S.a.r.l. (joint control)	-	-	-	-	-	-	-	-
Finanza & Progetti S.p.A. (joint control)	-	54	-	-	-	-	-	-
Brixia S.r.l. (associate)	3,885	-	37	-	-	1	-	-
IdsMed Serviziplus PTE LTD. (joint control)	-	94	-	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	-	7	-	-	-	-	-
Focus S.p.A. (affiliated)	-	7	2,810	-	-	12	-	-
Archimede S.p.A. (affiliated)	-	-	7	829	-	-	-	-
Gesta S.p.A. (affiliated)	-	7	54	-	-	-	-	-
New Fleur S.r.l. (affiliated)	35	-	1,027	-	-	-	-	-
Ad Personam S.r.l. (affiliated)	-	-	29	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	-	-	-	-	-	-
Everest S.r.l. (related party)	-	-	291	-	-	1	-	-
Ospedal Grando S.p.A. (related party)	8,678	-	7	-	-	-	-	-
Akan & Ankateks JV (associate)	1,008	-	-	104	-	3	-	-
Akan (related party)	269	-	3	6	-	-	-	-
Nimetsu & Ankateks JV (associate)	-	-	-	-	-	-	-	-
Atala (related party)	58	-	-	-	-	-	-	-
Ankor (related party)	-	-	-	-	-	-	-	-
Ozdortler (related party)	-	-	-	-	-	-	-	-
Oguzalp Ergul (related party)	-	-	-	-	-	-	61	-
Feleknaz Demir (related party)	-	-	-	-	-	-	-	-
Volkan Akan (related party)	-	-	-	-	-	-	-	-
Fevzi Cenk Kiliç (related party)	-	-	-	-	-	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	-	186	-	-	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	0	0	87	0	0	0	0	0
Total	**15,208**	**897**	**19,091**	**939**	**17**	**35**	**488**	**0**

(thousands of Euros)	31 December 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)	121	4,618	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-
Arezzo Servizi S.c.r.l. (joint control)	9	515	403	-	-
Consorzio Co.Se.S. (associate)	-	2	-	-	-
Psis S.r.l. (joint control)	203	1	3,843	-	-
Amg S.r.l. (joint control)	14	567	-	-	-

(thousands of Euros)	31 December 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**
Steril Piemonte S.c.r.l. (joint control)	204	834	-	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	57	222	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	10	62	90	-	-
SAS Sterilizasyon Servisleri A.Ş. (joint control)	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (joint control)	-	-	-	-	-
Sanitary cleaning Sh.p.k. (joint control)	-	-	-	-	-
Saniservice Sh.p.k. (joint control)	2,352	-	4,983	-	-
Servizi Sanitari Integrati Marocco S.a.r.l. (joint control)	-	-	-	-	-
Finanza & Progetti S.p.A. (joint control)	232	-	-	2,460	-
Brixia S.r.l. (associate)	846	10	-	-	-
IdsMed Serviziplus PTE LTD. (joint control)	55	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	6	-	-	-
Focus S.p.A. (affiliated)	61	-	-	-	-
Archimede S.p.A. (affiliated)	-	116	-	-	-
Gesta S.p.A. (affiliated)	8	22	-	-	-
New Fleur S.r.l. (affiliated)	216	969	-	-	-
Ad Personam S.r.l. (affiliated)	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	-	-	-
Everest S.r.l. (related party)	-	239	-	-	-
Ospedal Grando S.p.A. (related party)	3,232	-	-	-	-
Akan & Ankateks JV (associate)	812	-	-	-	-
Akan (related party)	37	-	-	-	-
Nimetsu & Ankateks JV (associate)	-	-	-	-	-
Atala (related party)	35	-	-	-	-
Ankor (related party)	-	-	495	-	-
Ozdortler (related party)	-	-	-	-	-
Oguzalp Ergul (related party)	-	-	122	-	-
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)	-	11	-	-	-
Total	**8,504**	**8,203**	**9,936**	**2,460**	**-**

Aside from the figures shown above, as at 31 December 2019, transactions with related parties included directors' fees for Euro 1,795 thousand and executive personnel expense for Euro 2,530 thousand. As at 31 December 2018, director fees were equal to Euro 2,067 thousand and executive personnel expense for Euro 2,126 thousand.

The most significant relationships are shown below, broken down by company where the transactions related to the individual contracts actually fall within the Parent Company's ordinary business:

Coopservice S.Coop.p.A.

Revenues from sales and the associated trade receivables as at 31 December 2019 refer primarily to linen and textile washing services within the cleaning activities provided to the parent company.

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

Arezzo Servizi S.c.r.l.

The company's purpose is the provision of wash-hire services to “Aziende dell’Area Vasta Sud-Est” and, to a lesser extent, to the hospital of the Arezzo AUSL. As at 31 December 2019, purchase costs and the relative trade payables regard the charge-back of costs incurred by Arezzo Servizi S.c.r.l., which are divided amongst the shareholders on the basis of their shareholdings. The financial receivable is for a Euro 403 thousand loan granted to the associate.

Psis S.r.l.

As at 31 December 2018, revenues from the sale of goods and services to PSIS S.r.l. were related to the charge-back of administrative management services. The financial receivable was related to a loan granted for Euro 3,843 thousand to support current investments.

AMG S.r.l.

At the end of 2019, financial transactions were mainly for external laundering services at the ASL locations in Asti and Casale Monferrato and at the Turin 3 ASL; the revenues derive from linen sterilisation services and supply of disposable medical devices for surgical procedures.

Steril Piemonte S.c.r.l.

As at 31 December 2019, revenues from the sale of goods and services and purchase costs associated with Steril Piemonte S.c.r.l. were related to the charge-back of costs incurred by the Group and Consortium for surgical instrument sterilisation activities at the ASL of the Piedmont Region.

Iniziative Produttive Piemontesi S.r.l.

As at 31 December 2019, revenues from the sale of goods and services to Iniziative Produttive Piemontesi S.r.l. were mainly related to validation services. The financial receivable is for a Euro 90 thousand loan granted to the associate.

Saniservice Sh.p.k.

As at 31 December 2019, the revenues from the sale of goods and services to Saniservice Sh.p.k. were mainly related to the supply of material for the management of the sterilisation facilities, validation services and business management services. The financial receivable is for a Euro 4,983 thousand loan granted to the associate.

Finanza & Progetti S.p.A.

As at 31 December 2019, revenues from the sale of goods and services to Finanza & Progetti S.p.A. were mainly related to the reimbursement of the cost of the surety issued to Ospedal Grando S.p.A. The value in other liabilities was related to the future share capital increase subscribed and not yet paid, equal to Euro 2,460 thousand.

Brixia S.r.l.

As at 31 December 2019, revenues from the sale of goods and services to Brixia S.r.l. were mainly related to the wash-hire service at the ASST Spedali Civili of Brescia.

Ospedal Grando S.p.A.

As at 31 December 2019, the revenues from the sale of goods and services and the corresponding trade receivables towards Ospedal Grando S.p.A. were mainly related to the service carried out by the Parent Company as a result of the awarding of the wash-hire and sterilization service under concession with the Azienda ULSS no. 2 Marca Trevigiana of the Veneto Region.

Focus S.p.A.

Transactions with Focus S.p.A. were related to lease agreements on the Castellina di Soragna (PR), Montecchio Precalcino (VI), Ariccia (RM) and Genova Bolzaneto (GE) properties. In 2018, the total consideration for leased properties amounted to Euro 2,810 thousand.

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

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

Everest S.r.l.

Transactions with Everest S.r.l. concern the lease agreements of the properties of Travagliato and Podenzano, the duration of which is six years, renewable for an additional six years. In 2018, the total consideration for leased properties amounted to Euro 239 thousand. The transactions with Everest S.r.l. in relation to lease agreements were entered into in compliance with the Regulations for related party transactions in force.

Akan & Ankateks JV

Company 49% owned by Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE and set up for participation in a hospital contract in the city of Ankara. Purchases of assets and services and the corresponding trade payables towards Akan & Ankateks JV were mainly related to laundry services.

Oguzalp Ergul

Related party as a non-controlling shareholder of Ergülteks Temizlik Tekstil Ltd. Sti. The financial receivable is for a Euro 122 thousand loan granted to the company.

Limpar Serviços Especializados e Comércio de Produtos Ltda

The purchases of assets and services and the corresponding trade payables towards the Company Limpar Serviços Especializados and Comércio de Produtos Ltda were mainly related to cleaning services at the facilities of Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.

Lilian Promenzio Rodrigues Affonso

Financial and equity relationships with Lilian Promenzio Rodrigues Affonso primarily concern the lease agreement of the properties of Maxlav Lavanderia Especializada S.A., with a 10-year duration.

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

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

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

10 Treasury shares

The Shareholders' Meeting of 30 May 2019, upon revocation of the authorisation to purchase and dispose of treasury shares resolved on 20 April 2018 for the unused portion, renewed the authorisation for the purchase and disposal of treasury shares, in accordance with the proposal by the Board of Directors. The resolution authorised the purchase of a maximum of 6,361,890 ordinary shares with nominal value of Euro 1.00 each, corresponding to one-fifth of the Company's share capital (taking into account the shares already held by the Company) for a period 18 months from 30 May, while the duration of the authorisation for disposal of the treasury shares has no time limits.

The treasury shares purchase plan renewed by the Board of Directors, in implementation of the shareholders' meeting resolution, on 30 May 2019 - in accordance with the resolution of the Company's Shareholders' Meeting on the same date and with market practice no. 2 (establishment of a "stock of securities") permitted by Consob with resolution no. 16839/09 - aims to establish a stock of treasury shares to possibly use as consideration in extraordinary transactions and/or in trades and/or in the disposal of equity investments, and simultaneously represents an efficient investment opportunity for the company's liquidity.

In accordance with authorisation by the shareholders' meeting on 30 May 2019, transactions for the purpose of treasury shares are conducted on the Mercato Telematico Azionario (MTA, electronic stock market) through broker INTERMONTE SIM S.p.A., in accordance with the operating methods and at the price conditions pursuant to the provisions of Articles 3 and 4, par. 2, lett. b) of the Delegated (EU) Regulation 2016/1052, and in compliance with the principle of equal treatment of Shareholders and with market practice. In particular, the purchase price of each share must be, as a minimum, at least 20% and, as a maximum, not greater than 20% of the weighted average of the official prices of the shares recorded by Borsa Italiana on the MTA in the 3 days prior to each individual purchase, without prejudice to the fact that it cannot be greater than the higher of the last independent transaction and the highest current independent asking price on the MTA, in accordance with the shareholders' resolution of 30 May 2019 and any other applicable regulations (even European) and allowed market practice. Furthermore, the shares purchased during each session may not exceed 25% of the average daily volume of Servizi Italia S.p.A. shares traded on the MTA, calculated based on the daily average volume of trades in the 20 trading days prior to the purchase date.

The broker INTERMONTE SIM S.p.A., which coordinates the share purchase programme, shall make trading decisions in relation to the timing of the purchase of Servizi Italia S.p.A. shares, with full independence from the Company but within the limitations decided by the Shareholder's Meeting. As at 31 December 2019, the number of treasury shares in the portfolio amounted in total to 874,211 shares, corresponding to 2.75% of the share capital.

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

As regards:

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

please see the Remuneration Report, drawn up pursuant to article 123-ter of CFA for 2019.

12 Payment plans based on financial instruments

As at 31 December 2019, there were no remuneration plans based on financial instruments.

13 Significant events and transactions

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

14 Significant events after the end of the year

On 7 January 2020, the Company announced the resignation of its CEO Mr. Enea Righi from every office, function and role covered in the Company and in any other company of the Servizi Italia Group. The Board of Directors, upon consultation with the Nomination and Remuneration Committee, activated the succession planning policy and assigned the management powers to an Executive Committee consisting of Roberto Olivi (Chairman of the Board of Directors), Ilaria Eugeniani (Director, appointed Vice-Chairman of the Board of Directors) and Michele Magagna (Director), assisted by the Chief Operating Officer Andrea Gozzi. For additional information, see the press release.

On 23 January 2020, the Company announced that it called the Board of Directors' meeting to approve the draft separate financial statements and consolidated financial statements as at 31 December 2019 for 13 March 2020. It also announced that the Shareholders' Meeting will take place on 28 April 2020 (First Call) and 29 April 2020 (Second Call).

The SARS-Cov-2 viral epidemic (known as Coronavirus), which first occurred in Italy at the end of January 2020, has imposed the need to contain epidemiological development as much as possible, leading to changes in hospital procedures and activities with regard to hygiene guarantees for medical and nursing staff, for wards and in-patients designated for the treatment of infections caused by the Coronavirus.

The activities of the Group and, in particular, of the Parent Company, which operates in strict compliance with the relevant regulations, are impacted by the evolution of the contingent epidemiological situation.

At present, for the Parent Company, which carries out its own production activities of washing, reconditioning and logistic handling of textiles and sterilisation of surgical instruments, the effects of the events in progress are resulting in:

- an increase in the reconditioning of hospital textiles, in particular the uniforms of health workers, as well as an increase in equipment compared to that agreed in the various centres of use;
- a reduction in production activities in the sterilisation plants due to the fact that many hospitals have reduced the number of scheduled surgeries in their strategy to contain the virus;
- possible shifts of production activities between the Group's various operating sites with available production capacity.

The combination of these factors is producing evolving economic effects, the monitoring of which by management is expected to lead to the definition of additional fees to cope with different cost dynamics compared to the ordinary nature of the contracts currently in place.

On 5 March 2020, the Board of Directors appointed Roberto Olivi as Director responsible for the internal control and risk management system ad interim. This role had been previously held by the outgoing CEO.

As at 5 March 2020, the Company had acquired a total of 1,091,528 treasury shares on the market regulated and managed by Borsa Italiana S.p.A., equal to 3.43% of the share capital.

The Chairman of the Board of Directors
(Roberto Olivi)

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

Castellina di Soragna, 13 March 2020

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 Roberto Olivi, in his capacity as Chairman of the Executive Committee, and Ilaria Eugeniani, in her capacity as Financial Reporting Manager of Servizi Italia S.p.A., certify:

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

d) the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2019.

It is also hereby stated that the consolidated financial statements as at 31 December 2019:

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

e) correspond to the books and accounting entries;

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

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

The Chairman of the Executive Committee

Roberto Olivi

The Financial Reporting Manager

Ilaria Eugeniani

Deloitte.

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

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Servizi Italia S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Impairment test on goodwill	
Description of the key audit matter	The consolidated financial statements of the Servizi Italia Group as of 31 December 2019 report goodwill of Euro 71,025 thousand of which Euro 45,243 thousand relating to the Servizi Italia cash-generating unit (CGU) and Euro 2,121 thousand related to CGU Steritek arising in the previous years, as well as Euro 3,368 thousand related to CGU Wash Service and Euro 936 thousand related to CGU Ekolav, both arising in the current year, and finally Euro 9,109 thousand relating to the Brazil CGU, and Euro 10,248 thousand relating to the

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Turkey CGU, also arising in the previous years. No impairment losses were recorded during the year.

The explanatory notes to the consolidated financial statements "3.4 D Goodwill", "3.4 E Impairment test" and "3.4 O Use of estimated values – Particularly Significant accounting standards" report the disclosure to the assessment process adopted by Management that is based on assumptions regarding, in particular, the estimated cash flows of each CGU, the appropriate discount rate (WACC) and the long-term growth rate (g-rate). The assumptions reflected in the long-term plans of the CGUs concerned are influenced, furthermore, by future expectations and market conditions, which are affected by uncertainties especially with regard to the Brazil CGU and Turkey CGU, given the marked economic instability of those geographical areas.

In view of the significance of the goodwill reported in the financial statements and the subjective nature of the estimates made to determine the cash flows of the CGUs and the key variables of the impairment model, as well as the many unpredictable factors that might influence the performance of the markets in which the Group operates, we considered the impairment test on goodwill to be a key audit matter of the consolidated financial statements of the Servizi Italia Group as of 31 December 2019.

Note 6.3 presents information about the goodwill, including a sensitivity analysis that describes the effects of changing the key variables used to carry out the impairment test.

Audit procedures performed

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of Servizi Italia S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Servizi Italia Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Servizi Italia Group as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Servizi Italia Group as at December 31, 2019 and are prepared in accordance with the law.

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

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 54

The Directors of Servizi Italia S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Parma, Italy
March 30, 2020

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