

Separate and Consolidated Financial Statements

as at 31 December 2020



**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 S.P.A.

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

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

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 (Parma), on a first call on **20 April 2021 at 10:30 a.m.** and, if necessary, upon a second call, on 21 April 2021, at the same time and place, to discuss and resolve on the following:

AGENDA

1. Separate financial statements as at 31 December 2020; Board of Directors' management 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 2020.
 - 1.1. approval of the separate financial statements as at 31 December 2020 and of the Director's Report on Operations of the Board of Directors.
 - 1.2. allocation of the profit (loss) for the year.
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.
 - 2.1. approval of the remuneration policy illustrated in the first section of the Report on the remuneration policy and remuneration paid;
 - 2.2. advisory vote on the second section of the Report on the remuneration policy and remuneration paid.
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. Renewal of the Board of Directors; inherent and consequent resolutions:
 - 4.1. establishment of the number of members of the Board of Directors;
 - 4.2. establishment of the duration of the appointment of the members of the Board of Directors;
 - 4.3. appointment of the Board of Directors and of the Chairman;
 - 4.4. establishment of the fee in overall terms for the members of the Board of Directors.

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 4 March 2021, the Company held 1,657,760 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>2021).

ENTITLED TO ATTEND THE SHAREHOLDERS' MEETING

Taking into account the containment measures imposed in the face of the exceptional epidemiological emergency situation due to Covid-19, pursuant to art. 106, paragraph 4 of Law Decree no. 18 (the "**Cura Italia Decree**", converted by Law no. 27 of 24 April 2020, as last amended by Law Decree no. 183 of 31 December 2020), participation in the Shareholders' Meeting by those with voting rights is allowed **only through the representative appointed** by the Company pursuant to art. 135-undecies of Italian Legislative Decree 58/98 as amended ("TUF"), which must be delegated or sub-delegated, in accordance with the methods and conditions indicated below.

Pursuant to Article 83-sexies of the Consolidated Finance Act and Article 13 of the Articles of Association, shareholders are entitled to vote, exclusively via the representative appointed by the Company, 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 **9 April 2021 (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 must 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 15 April 2021); however, the right to participate and vote will remain in place

if the communications made by the intermediary is received by the Company after said term, provided that it is before the beginning of the single call of the meeting.

METHOD OF PARTICIPATION IN THE SHAREHOLDERS' MEETING AND ASSIGNMENT OF PROXIES TO THE DESIGNATED REPRESENTATIVE

Pursuant to art. 106, paragraph 4 of the Cura Italia Decree, participation and voting in the Shareholders' Meeting by those who have the right to vote is allowed **only through the representative appointed** by the Company pursuant to art. 135-undecies of the Consolidated Law on Finance, which must be delegated or sub-delegated, with the methods and conditions indicated below.

Consequently, the Company appointed Computershare S.p.A. - with registered office in Milan, via Mascheroni no. 19, 20145 - to represent the Shareholders pursuant to art. 135-undecies of the Consolidated Law on Finance and the aforementioned Cura Italia Decree (the "**Designated Representative**").

Moreover, given the current epidemiological emergency situation from Covid-19 and in compliance with the fundamental principles of health protection, the Directors, the Statutory Auditors, the Designated Representative, as well as the other entitled parties other than those who have the right to vote (who must delegate the Designated Representative), may participate in the Shareholders' Meeting by means of telecommunications that also guarantee identification, in compliance with the provisions of art. 106, paragraph 2 of the Cura Italia Decree. The instructions for participation in the Shareholders' Meeting by means of telecommunication will be made known by the Company to the parties concerned.

The parties with voting rights who intend to participate in the Shareholders' Meeting must therefore assign to the Designated Representative either:

(i) a proxy - with voting instructions - on all or some of the proposed resolutions on the items on the agenda, in compliance with the provisions of art. 135-undecies of the Consolidated Law on Finance, using the specific proxy form, including electronic, prepared by the Designated Representative in accordance with the Company, available on the Company's website www.servizitaliagroup.com (Corporate Governance > Shareholders' Meeting > 2021) where the link to the procedure for the electronic submission of the proxy is reported. This proxy form with the voting instructions, together with the copy of a valid document, must be sent to the Designated Representative to the certified e-mail address ufficiomilano@pecserviziotitoli.it or following the *instructions* on the form and on the Company's website, by the end of the second trading day prior to the General Meeting (i.e. by 16 April 2021 in relation to the first call, i.e. by 19 April 2021 in relation to the second call). The proxy may be revoked in the same terms. The proxy granted in this way is effective only for proposals in relation to which voting instructions have been given;

(ii) proxy or sub-proxy pursuant to art. 135-novies of the Consolidated Law on Finance and notwithstanding art. 135-undecies, paragraph 4 of the Consolidated Law on Finance. To this end, a form can be found on the Company's website at www.servizitaliagroup.com (Corporate Governance > Shareholders' Meeting > 2021) to be used for granting the proxy / sub-proxy for participation and voting in the Shareholders' Meeting. This proxy or sub-proxy form, together with the copy of a valid document and voting instructions, must be sent to the Designated Representative to the certified e-mail address officesomilano@pecserviziotitoli.it or following the instructions on the form and on the Company's website by 19 April 2021 (or by 20 April 2021 in relation to the second call).

It should be noted that the shares for which the proxy, even partial, has been granted are calculated for the purposes of the regular constitution of the Shareholders' Meeting. In relation to proposals for which no voting instructions have been given, the shares are not included in the calculation of the majority and the share capital required for the approval of the resolutions. The granting of the proxy to the Designated Representative does not involve expenses for the delegating party (with the exception of any delivery costs).

The Designated Representative will be available for clarification or information at the number 02-46776819 or at the e-mail address officesomi@computershare.it.

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 9 April 2021, corresponding to the seventh market day before the date set for the Shareholders' Meeting in first call (record date), by registered letter sent to the Company's registered offices, or via certified e-mail to the e-mail address si-servizitalia@postacert.cedacri.it. In order to exercise this right, the Company must receive a specific communication issued by the intermediaries authorised in accordance with their records. Questions regularly received by April 9, 2021 will be answered by 13:00 hours of April 16, 2021 through publication on the Company's website www.servizitaliagroup.com (Corporate Governance > Shareholders' Meeting > 2021), in order to enable those entitled to vote to express their opinion on the items on the agenda. The Company may provide a single answer to questions with the same content.

SUPPLEMENTING OF THE AGENDA AND PRESENTATION OF NEW RESOLUTION PROPOSALS

Pursuant to Article 126-bis of the Consolidated Law on Finance, 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 15 March 2021), 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 acknowledgement 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.emarkestorage.com, accompanied by their own assessments.

SUBMISSION OF INDIVIDUAL RESOLUTION PROPOSALS

Since participation in the Shareholders' Meeting and the exercise of voting rights may take place exclusively through the Designated Representative, in order to make it possible for the parties concerned to exercise the right pursuant to art. 126-bis, paragraph 1, third sentence, of the Consolidated Law on Finance, those with voting rights are allowed to submit individual resolution proposals on the items on the agenda of the Shareholders' Meeting, by sending them to the Company by **9 April 2021** through their certified e-mail address to the following certified e-mail address si-servizitalia@postacert.cedacri.it; the aforementioned proposals must be formulated in a clear and complete manner, and accompanied by the information that allows the identification of the subject submitting them, including - where possible - a telephone number.

The legitimacy to formulate proposals must be attested by the communication made by an authorized intermediary pursuant to the regulations in force, issued pursuant to art. 83-sexies of the Consolidated Law on Finance in accordance with the methods specified in the previous paragraph "Entitlement to attend the Shareholders' Meeting".

For the purposes of the above, the Company reserves the right to verify the relevance of the proposals with respect to the items on the agenda, their completeness and their compliance with applicable regulations, as well as the legitimacy of the proposers. The resolution proposals duly received (and any accompanying explanatory reports) will be published on the Company's website at www.servizitaliagroup.com (Corporate Governance > Shareholders' Meeting > 2021) by 13 April 2021, in order to allow those entitled to vote to express their opinion knowingly, also taking into account these new proposals, and to the Designated Representative to collect any voting instructions also on the same.

APPOINTMENT OF THE BOARD OF DIRECTORS

With reference to the fourth item on the agenda, please note that, pursuant to current legislative provisions and art. 15 of the Articles of Association, the appointment of the Board of Directors takes place on the basis of lists submitted by the Shareholders in which the candidates are listed by means of a progressive number, which must be filed at the registered office of the Company no later than the twenty-fifth day prior to the date of the Shareholders' Meeting, i.e. by **26 March 2021**.

The lists may also be filed via a certified e-mail address at si-servizitalia@postacert.cedacri.it.

Pursuant to art. 15.3 of the Articles of Association and in compliance with current legislation, the lists of candidates for the appointment of Director may be filed by Shareholders who, alone or together with other Shareholders, are overall the holders of shares with the right to vote representing at least 2.5% of the share capital with the right to vote during Ordinary Shareholders' Meetings (in consideration of what has been determined by Consob with Managerial Resolution no. 44 published on 29 January 2021).

The ownership of the minimum investment holding required for the presentation of the lists, is determined with regard to the shares, which are registered in favour of the Shareholder on the day the lists were filed with the Company.

Along with each list, by the last date for their filing, the documentation required by the regulations - including statutory - in effect and by Art. 20 of the Articles of Association must be also be submitted, comprising the following: (i) declarations with which each of the candidates accept their candidature and states, under their own responsibility, the non existence of causes of non-eligibility and incompatibility, as well as the presence of the requirements demanded by the current legislation and by

the Articles of Association for the appointment as Director of the Company; (ii) the specific declaration issued by an intermediary authorised by the law proving the ownership of the number of shares necessary for the submission of lists; (iii) information on the identity of the Shareholders presenting the list, indicating the total percent stake held; (iv) 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 and with the possible indication of their suitability to qualify as independent pursuant to articles 147-ter, paragraph 4, and 148, paragraph 3, of the Consolidated Law on finance and/or art. 2 of the Corporate Governance Code.

The appropriate documentation of the intermediary proving the ownership of the number of shares necessary for the presentation of the list can also be produced after the filing, provided that it is within twenty-one days before the date of the Shareholders' Meeting, i.e. by 30 March 2021.

Pursuant to art. 15.3 of the Articles of Association, each list must expressly indicate the candidacy of at least one person in possession of the requirements of independence prescribed by current legal provisions; the lists containing more than seven candidates must include at least three candidates in possession of the independence requirements prescribed by law.

Pursuant to art. 15.3 of the Articles of Association, the lists with a number of candidates equal to or greater than three must contain a number of candidates belonging to the gender represented the least of no less than a third - or the higher percentage required by the law, also statutory, applicable from time to time - of the number of members to be appointed for the Board of Directors. In this regard, please note that, pursuant to art. 147-ter, paragraph 1-ter, of the Consolidated Law on Finance and Law no. 160, for six consecutive terms starting from the first renewal of the Board of Directors after 1 January 2020, within the Board of Directors the less represented gender must obtain a share of at least two fifths of the Directors elected.

Since this is the first renewal of the Board of Directors after 1 January 2020, each list containing a number of candidates equal to or greater than three must therefore be composed in such a way that the least represented gender obtains a share equal to at least two fifths of the Directors elected. If the application of the gender allocation criterion does not result in a whole number of members of the Board of Directors belonging to the less represented gender, this number is rounded up to the next higher number.

Please note that, pursuant to art. 15.3 of the Articles of Association, each Shareholder and the Shareholders adhering to the same shareholders' agreement pursuant to Article 122 of the Consolidated Law on Finance may submit, or participate in submitting, and vote for only one list. The acceptances and votes expressed in violation of this prohibition will not be attributable to any list. Each candidate may stand as a candidate on one list only, under penalty of ineligibility.

Pursuant to Art. 15.3 of the Articles of Association, the lists that do not comply with the above provisions will be considered not to have been submitted.

Reference is also made to 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, also indirect, pursuant to Art. 147-ter, paragraph 3, of the Consolidated Law on Finance, and art. 144-*quinquies* of the Regulations adopted with Consob resolution no. 11971/99 (**Issuers' Regulations**), with the Shareholders who hold, even jointly, a controlling or relative majority interest, identifiable on the basis of the communication of relevant shareholdings pursuant to art. 120 of the Consolidated Law on Finance or the publication of shareholders' agreements pursuant to art. 122 of the Consolidated Law on Finance, as well as the absence of significant relationships indicated in the above mentioned communication, or that specifies, where they are present, the significant relationships indicated in the above mentioned Communication and the reasons these were not considered to determine the existence of a relationship.

The lists, accompanied by the documentation and information on the characteristics of the candidates, will be made available to the public, by the Company, by the twenty-first day prior to the date of the Shareholders' Meeting at the registered office (i.e. by 30 March 2021), on the www.servizitaliagroup.com website (Corporate Governance > Shareholders' Meeting > 2021) and the authorized storage mechanism eMarket storage at www.emarkestorage.com.

Additional information on the appointment of the Board of Directors is contained in the Report by the Board of Directors, drawn up pursuant to Art. 125-ter of the Consolidated Law on Finance, to which reference is made, made available to the public as of today at the registered offices, on the website www.servizitaliagroup.com (Corporate Governance > Shareholders' Meeting > 2021), 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 a list are asked to prepare and file, together with the list, a proposal for a resolution on the fourth item of the agenda, also in regard to the compensation payable to the Board of Directors.

DOCUMENTATION

The illustrative report of the Board of Directors, drawn up pursuant to Art. 125-ter of the Consolidated Law on Finance (including the resolution proposals on the items 2, 3, 4.1 and 4.2 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>2021), as well as on the authorised storage mechanism eMarket Storage at www.emarkestorage.com.

By 30 March 2021, the Annual Financial Report as at 31 December 2020 (including, among other things, the separate financial statements as at 31 December 2020, the Director's Report and the proposal for resolution on the first item of the agenda), the Reports of the Board of Directors and of the resolution proposals in the first point of the agenda), the Report 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, the Report on the remuneration policy and amounts paid pursuant to Article 123-ter of the Consolidated Law on Finance, as well as the lists submitted for the renewal of the Board of Directors will be made available to the public using the same means.

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.

Please also note that, pursuant to Art. 125-quater of the Consolidated Law on Finance, the following documents or information are made available on the Company's website www.servizitaliagroup.com (Corporate Governance>Shareholders' Meeting>2021): (i) documents which will be submitted to the meeting; (ii) the proxy/sub-proxy forms prepared by the Designated Representative in agreement with the Company; (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>2021) 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>2021) and is available on the authorised storage mechanism eMarket Storage at www.emarkestorage.com and, in extract form, in the newspaper Italia Oggi of 5 March 2021.

The Company reserves the right to communicate any changes to the information covered by this notice in consideration of the measures that may become necessary or appropriate in relation to the current epidemiological emergency situation due to Covid-19 and its currently unforeseeable developments.

Castellina di Soragna, Parma, Italy 5 March 2021.

*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
Ilaria Eugeniani (*)	Deputy Chairman
Michele Magagna (*)	Director
Umberto Zuliani	Director
Antonio Paglialonga	Director
Lino Zanichelli	Director
Simona Campanini (*)	Director
Giovanni Manti	Director
Antonio Aristide Mastrangelo ⁽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

(*) Members of the Executive Committee

(^) Director co-opted on 13 May 2020 following the resignation of the director Paola Schwizer on 30 April 2020.

Board of Statutory Auditors (in office until approval of the Separate Financial Statements as at 31 December 2022)

Name and Surname	Position
Roberto Cassader	Chairman
Gianfranco Milanese	Statutory auditor
Benedetta Pinna	Statutory auditor
Elena Iotti	Alternate auditor
Davide Barbieri	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 (Parma) - Italy

Tel.+390524598511, Fax+390524598232, website: www.servizitaliagroup.com;

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

Tax code and Parma Company's Register no. 08531760158; Certified email: si-servizitalia@postacert.cedacri.it

Founded: 1986

Quoted sector: Mercato Telematico Azionario (MTA, electronic stock market), STAR segment

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

LEI Code: 815600C8F6D5ACBA9F86

Investor Relations

Giovanni Manti (IR) - Pietro Giliotti

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, textile sterilisation centres, surgical instrument sterilisation centres and numerous wardrobes, 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 2020, 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 210,827,982	100%
Steritek S.p.A.	Malagnino (Cremona) - 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 22,930,000	100% ^(*)
Maxlav Lavanderia Especializada S.A.	Jaguariúna, State of São Paulo - Brazil	BRL 2,825,060	100% ^(*)
Vida Lavanderias Especializada S.A.	Santana de Parnaíba, State of São Paulo - Brazil	BRL 3,600,000	100% ^(*)
Aqualav Serviços De Higienização Ltda	Vila Idalina, Poá, State of São Paulo - Brazil	BRL 15,400,000	100% ^(*)
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	Ankara - Turkey	TRY 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 (Florence) - 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 (Cuneo) - Italy	EUR 100,000	50%
Iniziativa 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% ^(*)
SAS Sterilizasyon Servisleri A.Ş.	Istanbul - Turkey	TRY 13,517,000	51%
Shubhram Hospital Solutions Private Ltd.	New Delhi - India	INR 350,000,000	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%
StirApp S.r.l.	Modena - Italy	EUR 208,124	25%

^(*) The 15.05% indirect shareholding held through Iniziativa 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 2020, prepared in compliance with the IAS/IFRS international accounting standards. The Group's main financial highlights as at 31 December 2020 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) and Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi (parent company of: 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 provided by the IFRS International Accounting Standards. The footnotes of said tables indicate the calculation method used and the composition of these ratios, in line with the guidelines of the European Securities and Market Authority (ESMA).

SERVIZI ITALIA S.p.A.

The separate financial statements of Servizi Italia S.p.A. disclose a shareholders' equity of Euro 121,102 thousand. The profit for the year was equal to Euro 2,586 thousand, recognised after current and deferred taxes for Euro 2,253 thousand and Euro 43,554 thousand for amortisation, depreciation, impairments and provisions.

1 Main income statement figures

The table below shows a comparison of the main 2020 income statement figures with the results for 2019 (in thousands of Euros):

(thousands of Euros)	31 December 2020	31 December 2019	Change	Change % on turnover
Revenues	195,574	212,811	(17,237)	-8.1%
Ebitda ^(a)	43,198	52,596	(9,398)	-4.4%
EBITDA %	22.1%	24.7%		
Operating profit (EBIT)	(356)	8,655	(9,011)	-4.2%
Operating profit (EBIT)%	-0.2%	4.1%		
Profit before tax	333	7,583	(7,250)	-3.4%
Profit before tax %	0.2%	3.6%		
Net profit	2,586	8,020	(5,434)	-2.6%
Net profit %	1.3%	3.8%		

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

2 Main statement of financial position figures

The table below presents a comparison of the main consolidated statement of financial position figures as at 31 December 2020 with the figures as at 31 December 2019 (in thousands of Euros):

(thousands of Euros)	31 December 2020	31 December 2019	Change	Change %
Net operating working capital ^(a)	(15,181)	(1,722)	(13,459)	781.6%
Other current assets/liabilities ^(b)	(10,669)	(14,439)	3,770	-26.1%
Net working capital	(25,850)	(16,161)	(9,689)	60.0%
Non-current assets - medium/long-term provisions	263,987	268,500	(4,513)	-1.7%
of which Rights of use under IFRS 16	27,475	29,236	(1,761)	-6.0%
Net invested capital	238,137	252,339	(14,202)	-5.6%
Shareholders' equity (B)	121,102	139,026	(17,924)	-12.9%
Net financial debt ^(d) (A)	117,035	113,312	3,723	3.3%

of which Rights of use under IFRS 16	28,743	29,872	(1,129)	-3.8%
Net invested capital(c)	238,137	252,339	(14,202)	-5.6%
Gearing [A/(A+B)]	49.1%	44.9%		
Debt/Equity (A/B)	96.6%	81.5%		

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

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

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

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

3 Main cash flow figures

The table below presents a comparison between the main separate cash flow figures as at 31 December 2020 and as at 31 December 2019 (in thousands of Euros):

(thousands of Euros)	31 December 2020	31 December 2019	Change
Cash flow generated (absorbed) by operations	47,392	53,758	(6,366)
Net cash flow generated (absorbed) by investment activities	(46,869)	(49,724)	2,855
Net cash flow generated (absorbed) by financing activities	(1,688)	(3,542)	1,854
Increase/(decrease) in cash and cash equivalents	(1,166)	492	(1,658)
Opening cash and cash equivalents	2,162	1,671	491
Closing cash and cash equivalents	996	2,162	(1,166)

SERVIZI ITALIA GROUP

The consolidated financial statements as at 31 December 2020 present Group shareholders' equity of Euro 116,351 thousand and shareholders' equity attributable to non-controlling interests of Euro 2,235 thousand. The result for the year was a profit of Euro 2,954 thousand. This result was achieved after current and deferred tax for Euro 1,756 thousand and Euro 54,065 thousand for amortisation, depreciation, impairments and provision.

The companies, consolidated line-by-line in the financial statements for the period ended 31 December 2020, 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 (Cremona), the leading Italian supplier of system validation and control services for sterilisation processes and surgical instrument washing systems. The consolidation of Steritek S.p.A. generated sales revenues for Euro 3,115 thousand, an EBITDA of Euro 756 thousand, an EBIT of Euro 632 thousand and a profit pertaining to the Group of Euro 314 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 Jaguariuna, State of São Paulo (Brazil), now equal to 100% due to the exercise, on 9 October 2018 and 15 April 2020, of pre-emption rights on a 15% and 34.9% non-controlling interest respectively;
- 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 Parnaíba, State of São Paulo (Brazil), now equal to 100% due to the exercise, on 9 October 2018 and 15 April 2020, of pre-emption rights on a 15% and 34.9% non-controlling interest respectively;

- 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).

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 of the Brazilian perimeter generated sales revenues for Euro 25,761 thousand, EBITDA for Euro 8,570 thousand and EBIT for Euro 2,035 thousand and a profit pertaining to the Group for Euro 916 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 7,058 thousand, EBITDA for Euro 2,136 thousand and EBIT for Euro 1,498 thousand and a profit pertaining to the Group for Euro 56 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 7,773 thousand, an EBITDA of Euro 893 thousand, a negative EBIT of Euro 158 thousand and a loss pertaining to the Group of Euro 128 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 4,206 thousand, an EBITDA of Euro 997 thousand, an EBIT of Euro 267 thousand and a loss pertaining to the Group of Euro 119 thousand.

4 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:

<i>(thousands of Euros)</i>	2020 Profit (Loss)	2020 Shareholders' Equity	2019 Profit (Loss)	2019 Shareholders' Equity
Profit (loss) and shareholders’ equity of the parent company	2,586	121,102	8,020	139,026
Profit (loss) and shareholders’ equity of the subsidiaries	1,980	50,689	2,684	61,885
Elimination of equity investments in consolidated subsidiaries	(1,806)	(68,205)	(467)	(78,975)
Consolidation differences due to goodwill	-	20,396	-	25,782
Other surplus value emerging at the time of acquisition	-	134	23	134
Registration of options on non-controlling interests	465	(2,209)	(1,837)	(7,098)
Valuation of associated companies and joint ventures with the equity method	(271)	(3,320)	1,091	(2,497)
Consolidated profit (loss) and shareholders’ equity	2,954	118,586	9,514	138,257
Allocation of non-controlling interests profit (loss) and shareholders’ equity	193	2,235	(524)	(3,604)
Group profit (loss) and shareholders’ equity	2,761	116,351	8,990	134,653

5 Main consolidated income statement figures

The table below shows a comparison of the main figures of the 2020 consolidated Income Statement with those of the 2019 consolidated Income Statement (in thousands of Euros):

(thousands of Euros)	31 December 2020	31 December 2019	Change	Change % on turnover
Revenues	240,160	262,403	(22,243)	-8.5%
Ebitda ^(a)	57,938	68,387	(10,449)	-4.0%
EBITDA %	24.1%	26.1%		
Operating profit (EBIT)	3,873	13,849	(9,976)	-3.8%
Operating profit (EBIT)%	1.6%	5.3%		
Profit before tax	1,198	9,976	(8,778)	-3.3%
Profit before tax %	0.5%	3.8%		
Net profit	2,954	9,514	(6,560)	-2.5%
Net profit %	1.2%	3.6%		

^(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.

6 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 2020 with the figures as at 31 December 2019 (in thousands of Euros):

(thousands of Euros)	31 December 2020	31 December 2019	Change	Change %
Net operating working capital ^(a)	(5,964)	6,644	(12,608)	-189.8%
Other current assets/liabilities ^(b)	(11,446)	(18,852)	7,406	-39.3%
Net working capital	(17,410)	(12,208)	(5,202)	42.6%
Non-current assets - medium/long-term provisions	265,603	277,873	(12,270)	-4.4%
of which Rights of use under IFRS 16	31,717	35,783	(4,066)	-11.4%
Invested capital	248,193	265,665	(17,472)	-6.6%
Shareholders' equity (B)	118,586	138,257	(19,671)	-14.2%
Net financial debt ^(d) (A)	129,607	127,408	2,199	1.7%
of which Financial liabilities under IFRS 16	32,943	36,258	(3,315)	-9.1%
Invested capital(c)	248,193	265,665	(17,472)	-6.6%
Gearing [A/(A+B)]	52.2%	48.0%		
Debt/Equity (A/B)	109.3%	92.2%		

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

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

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

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

7 Main consolidated cash flow figures

The table below presents a comparison between the main consolidated cash flow figures as at 31 December 2020 and as at 31 December 2019 (in thousands of Euros):

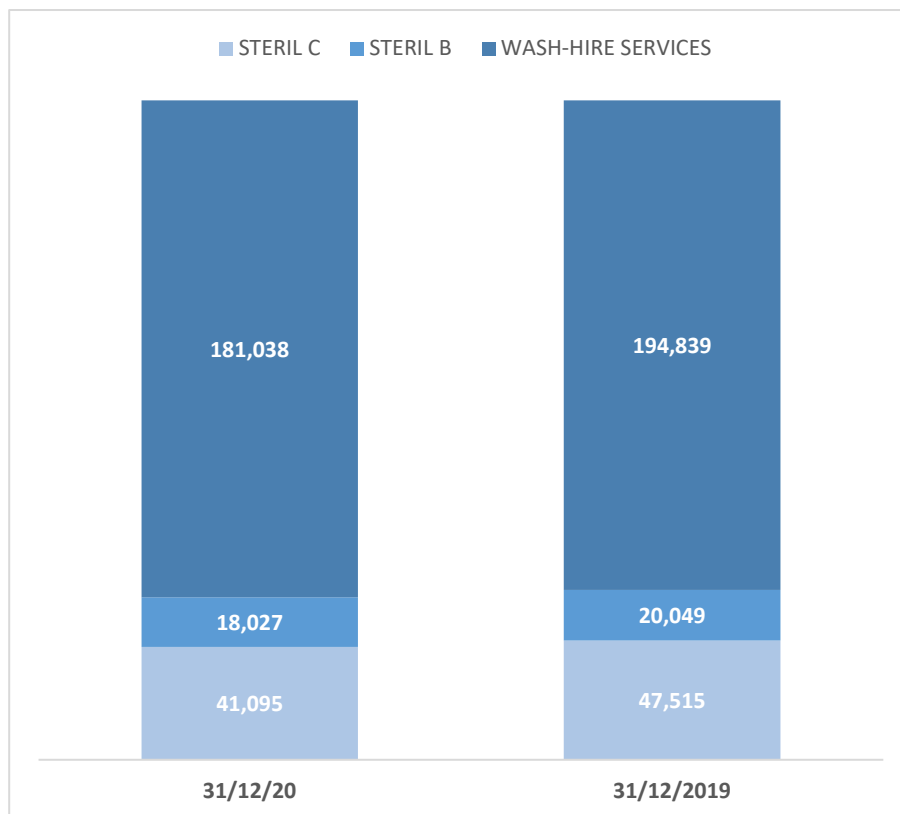
(thousands of Euros)	31 December 2020	31 December 2019	Change
Cash flow generated (absorbed) by operations	53,686	60,449	(6,763)
Net cash flow generated (absorbed) by investment activities	(52,718)	(57,514)	4,796
Net cash flow generated (absorbed) by financing activities	(1,881)	(2,690)	809
Increase/(decrease) in cash and cash equivalents	(913)	245	(1,158)
Opening cash and cash equivalents	7,141	7,003	138
Effect of exchange rate fluctuations	1,787	107	1,680
Closing cash and cash equivalents	4,441	7,141	(2,700)

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

Servizi Italia S.p.A.'s business performance recorded revenues from sales and services in 2020 of Euro 195,574 thousand in total, a decrease of 8.1% compared to 2019.

The consolidated turnover of the Servizi Italia Group was equal to Euro 240,160 thousand, with a 8.5% decrease or 4.5% at constant exchange rates with respect to 2019, with the following performance by sector and region:

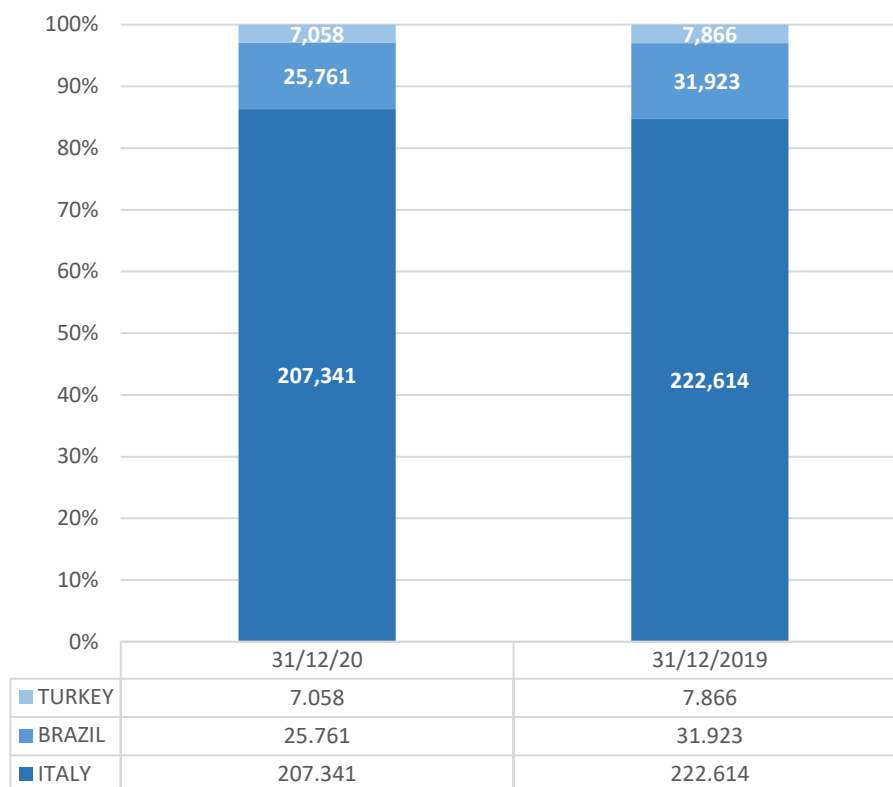
- Revenues from wash-hire services (which in absolute terms represent 75.4% of the Group's revenues) rose from Euro 194,839 thousand in 2019 to Euro 181,038 thousand in 2020, supported by the excellent organic growth of the Brazil and Turkey areas, however, offset by a negative change (-5.4%) in addition to the acquisitions made in 2019, which contributed for the entire twelve months of 2020 (+1.6%). In the Italy area, there was a decline in revenues due to lower volumes recorded by the Parent Company in Lazio, the launch of new contracts in the Lombardy and Emilia-Romagna areas with prices on average lower than in the past, as well as a drop in turnover recorded in the year in the hotel and catering sector as from March 2020, due to the epidemiological emergency situation currently underway, however, marking a recovery to pre-Covid regimes in the months from July to September 2020, without substantial changes to the customer retention rate. Revenues in the Brazil area were characterized by organic growth in local currency of 7.8%, offset by a negative exchange rate effect of 27.1% (depreciation of the Brazilian Real against the Euro) which led to a negative change 19.3% for the period. Revenues in the Turkish area also recorded excellent organic growth of 13.7%, offset by a negative exchange rate effect of 23.9% (depreciation of the Turkish Lira against the Euro) which led to a negative change of turnover by 10.3%.
- Revenues from linen sterilisation services (steril B) (which account for 7.5% of the revenues of the Group in absolute terms) went from Euro 20,049 thousand in 2019 to Euro 18,027 thousand, with a decrease of 10.1% due to the termination of several contracts in the Friuli and Lombardia regions and the decrease in certain supplies to foreign countries in addition to the decrease in volumes following the Covid-19 pandemic. The positive effect of the growth in disposable supplies should be noted on the line.
- Revenues from surgical instrument sterilisation services (steril C) (which in absolute terms represent 17.1% of the Group's revenues) fell from Euro 47,515 thousand in 2019 to Euro 41,095 thousand in 2020, with a decrease of 13.5% mainly due to the decrease in surgical interventions related to the coronavirus emergency, positively offset by a gradual recovery in the third quarter of 2020 (+18.1%) and in the fourth quarter (+10.5%) compared to the loss recorded in the first quarter (-11.4%) and in the second quarter of 2020 (-19.2%).



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 2020 and 2019:

(thousands of Euros)	31-Dec 2020	%	31-Dec 2019	%	Change %	% Organic change	% Change
Revenues - Italy	207,341	86.33%	222,614	84.84%	-6.9%	-8.3%	0.0%
Revenues - Turkey	7,058	2.94%	7,866	3.00%	-10.3%	13.7%	-23.9%
Revenues - Brazil	25,761	10.73%	31,923	12.17%	-19.3%	7.8%	-27.1%
Sales revenues	240,160	100.00%	262,403	100.00%	-8.5%	-5.7%	-4.0%

As previously indicated, the 2020 revenues from the Brazil region showed particularly positive organic growth in local currency (+7.8% compared to 2019), strongly impacted by a negative translation effect (-27.1%, for a net decrease in revenues during the year of -19.3%), due to depreciation of the Brazilian Real against the Euro. Revenues from Turkey also showed a particularly positive organic growth in local currency (+13.7%), in turn impacted by a negative translation effect (-23.9%, for a net decrease in revenues during the year of -10.3%).



Business performance

Servizi Italia S.p.A.

EBITDA decreased from € 52,596 thousand in 2019 to € 43,198 as at 31 December 2020. Despite the sharp drop in revenues in the period (-8.1%), the reduction in the EBITDA margin was limited (-2.6%), from 24.7% to 22.1%. This figure reflects the adoption of measures to contain operating and structural costs. There was a higher incidence of raw material costs compared to turnover (+ 1.4%), mainly for the purchase of disposable devices and personal protective equipment (PPE) linked to the Covid-19 emergency, and an increase in the incidence costs for services (+ 1.7%), albeit down by 3.5% in absolute value, in particular due to greater use of the outsourcing of core services such as external laundries and cloakroom services to support the Covid-19 emergency. Personnel costs were down slightly in terms of incidence on turnover (-0.1%) and down, in absolute value, by -8.3% compared to the previous year, against a lower recourse to temporary work and a greater use, following the epidemiological emergency, of holidays, leave and wages guarantee funds. The costs for the period were also impacted by one-off elements of Euro 759 thousand, including early retirement incentives and estimates of dismantling costs relating to the closure of the Podenzano plant. Note also the partial release of the provision relating to onerous contracts of Euro 1,611 thousand allocated in 2019.

The operating result (**EBIT**) went from Euro 8,655 thousand in 2019 (EBIT margin 4.1%) to Euro -355 thousand in 2020 (EBIT margin -0.2%), mainly due to the dynamics already described above in comments on the change in turnover and EBITDA. The operating result also includes provisions of Euro 143 thousand relating to the write-down of assets relating to the Podenzano plant against the planned

cessation of activities at the production site as well as provisions of Euro 458 thousand in relation to the adjustment of the risk provision for onerous contracts in line with the provisions of IAS 37.

Financial management benefited from capital gains of Euro 930 thousand realized on the partial sale of the shares relating to Asolo Hospital Service S.p.A. and equal to Euro 325 thousand realized on the partial sale of the shares relating to Pro.ge.ni. S.p.A., as well as dividends received from associates and other companies for a total of Euro 903 thousand. It should also be noted that the 2020 results were positively affected by the valuation according to the equity method of the subsidiaries for a total of Euro 989 thousand, offset by the write-down of the investment recognized in relation to the Indian company Shubhram Hospital Solution Private Ltd. of Euro 1,060 thousand.

Taxes for the period are positive for Euro 2,253 thousand, deriving mainly from the recognition in the income statement of deferred tax assets on the tax loss for the period due to the cumulative effect of the tax benefits deriving, in the Italian area, from the deduction from the business income of the so-called super and hyper-depreciation on investments made in previous years, as envisaged by the 2017 Budget Law (Law 232/2016).

The separate financial statements of Servizi Italia S.p.A. as at 31 December 2020 therefore closed with a net profit of Euro 2,586 thousand compared to a net profit of Euro 8,020 thousand in the previous year.

Servizi Italia Group

Consolidated **EBITDA** decreased from Euro 68,387 thousand in 2019 to Euro 57,938 thousand as at 31 December 2020. Despite the sharp reduction in revenues compared to the previous year (-8.5%), the reduction in the EBITDA margin was limited (-2.0%), from 26.1% to 24.1% (24.5% at constant exchange rates). This figure reflects the positive performance coming in particular from the Brazil and Turkey areas and the measures to contain operating and structural costs. There was a higher incidence of raw material costs compared to turnover (+1.2%), mainly linked to the purchase of disposable devices and personal protective equipment (PPE) linked to the Covid-19 emergency and an increase in the incidence costs for services (+ 0.9%), albeit down by 5.8% in absolute value, in particular due to greater use of the outsourcing of core services such as external laundries and cloakroom services to support the Covid-19 emergency. Personnel costs were down slightly in terms of incidence on turnover (-0.1%), but down, in absolute value, by -8.8% compared to the previous year, due to a lower recourse to temporary work and a greater use, following the epidemiological emergency, of holidays, leave and wages guarantee funds. The costs for the period were also impacted by one-off elements of Euro 759 thousand, including early retirement incentives and estimates of dismantling costs relating to the closure of the Podenzano plant. Note also the partial release of the provision relating to onerous contracts of Euro 1,611 thousand allocated in 2019. The excellent results of operating margins at international level were also confirmed in 2020 both in the Brazil area (EBITDA margin 33.3%), up compared to 31 December 2019 (32.7%) and in the Turkey area (EBITDA margin 30.3%).

The consolidated operating result (**EBIT**) went from Euro 13,850 thousand in 2019 (EBIT margin 5.3%) to Euro 3,873 thousand in 2020 (EBIT margin 1.6%, or 2.0% at constant exchange rates), mainly due to the dynamics already described above in comments on the change in turnover and EBITDA. The operating result also includes provisions of Euro 143 thousand relating to the write-down of assets relating to the Podenzano plant against the planned cessation of activities at the production site as well

as provisions of Euro 458 thousand in relation to the adjustment of the risk provision for onerous contracts in line with the provisions of IAS 37.

Financial management benefited from capital gains of Euro 930 thousand realized on the partial sale of the shares relating to Asolo Hospital Service S.p.A. and equal to Euro 325 thousand realized on the partial sale of the shares relating to Pro.ge.ni. S.p.A., as well as dividends received from other companies for a total of Euro 849 thousand. Exchange losses of Euro 645 thousand were recorded, mainly relating to the depreciation of the Brazilian Real and the Turkish Lira against the Euro. The negative impact on the results for 2020 of the valuation according to the equity method of some jointly controlled companies, whose results were affected by the crisis linked to the Covid-19 emergency and the high exchange losses due to the depreciation of the reference currencies (in particular the Albanian Lek and the Indian Rupee) against the Euro, should also be noted.

Taxes for the period are positive for Euro 1,756 thousand, due mainly to the recognition in the income statement of deferred tax assets on the tax loss for the period generated by Servizi Italia S.p.A. due to the cumulative effect of the tax benefits deriving, in the Italian area, from the deduction from the business income of the so-called super and hyper-depreciation on investments made in previous years, as envisaged by the 2017 Budget Law (Law 232/2016).

The consolidated financial statements as at 31 December 2020 therefore closed with a **net profit** of Euro 2,954 thousand compared to a net profit of Euro 9,514 thousand in the previous year.

Servizi Italia Group investments

Group investments in 2020 amounted to around Euro 55 million, down compared to around Euro 57 million in 2019, mainly due to the translation effect on foreign investments. At constant exchange rates, investments in 2020 would have increased by approximately Euro 0.7 million.

During the year 2020, particular mention goes to an increase in investments in the Italy area of approximately Euro 7.0 million in purchases of linen and technical fabrics, increasing from Euro 26.8 million in 2019 to about Euro 33.8 million in 2020 (61% of the total investments made). This increase is attributable to the large volumes requested of both flat and packaged linen during the Covid-19 emergency and to the initial supplies of textiles envisaged for new contracts awarded. On the other hand, investments in property, plant and equipment other than linen were limited compared to 2019, from Euro 16.8 million in 2019 to Euro 11.6 million in 2020, recording a decrease of Euro 5.2 million mainly attributable to the investments made last year by the Parent Company in the Barbariga (BS) plant, aimed at allowing the start-up of the workwear segment and other investments underlying the start-up phases of new contracts awarded. In the Brazilian area, in organic terms, investments in linen increased by Euro 1.6 million, against a negative translation effect of Euro 1.6 million. In the Turkish area, on the other hand, there was a significant decrease in investments of Euro 1.7 million, of which Euro 0.1 million due to the translation effect. The decrease is attributable to investments in plant and machinery for the start-up of new contracts carried out in 2019.

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) and of credit investments in instrumental goods pursuant to Law 160/2019.

Significant events and transactions

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.

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.

On 15 April 2020, the minority shareholders of the Brazilian companies Maxlav Lavanderia Especializada SA and Vida Lavanderia Especializada SA, already indirectly controlled by Servizi Italia through a 65.1% interest, exercised the put option aimed at the sale of the shares they held of 34.9% of the share capital of the two companies for a total consideration of Real 19,994 thousand (Euro 3,501 thousand at the exchange rate of 15 April 2020). Therefore, Servizi Italia, following the acquisition of an additional 34.9%, holds 100% of the capital of both companies through the company SRI Empreendimentos and Participacoes LTDA.

On 28 April 2020, the ordinary session of the Shareholders' Meeting:

- (i) approved the financial statements of the Parent Company ended 31 December 2019 and the distribution of a gross single dividend of Euro 0.14, 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;
- renewed the authorization to purchase and dispose of treasury shares, as proposed 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 that date, while the duration of the authorisation for disposal of the treasury shares has no time limits.
- approved the remuneration policy of Servizi Italia S.p.A.;
- appointed the members of the Board of Statutory Auditors, who will remain in office until the Shareholders' Meeting called to approve the financial statements as at 31 December 2022, also determining their remuneration;
- resolved to integrate the Board of Directors by appointing the candidate proposed by the majority shareholder Aurum S.p.A., Mr Giovanni Manti - Company Manager with strategic responsibilities - who will remain in office until the expiry of the current Board of Directors and, therefore, until the Shareholders' Meeting called to approve the financial statements as at 31 December 2020.

On 28 April 2020, the Board of Directors appointed Angelo Minotta as Manager in charge of financial reporting, in consideration of the additional positions of Deputy Chairman of the Board of Directors and member of the Executive Committee attributed to Ilaria Eugeniani, who retains the role of CFO of the Company.

On 30 April 2020, Servizi Italia received the resignation with immediate effect of director Paola Schwizer, who resigned from the position of Company director due to the accumulation of professional

commitments. It is specified that the resigning director is not entitled to indemnities or other benefits resulting from the termination of the office and that at the date of her resignation she did not hold any shares of Servizi Italia S.p.A..

On 13 May 2020, the Board of Directors of the Company, following the resignation of the director Paola Schwizer, resolved, pursuant to art. 2386 of the Italian Civil Code and art. 15.5 of the Articles of Association, with the favourable opinion of the Board of Statutory Auditors, to appoint by co-optation as new director Simona Campanini, a Company's manager with strategic responsibilities, who will remain in office until the next Shareholders' Meeting. On the same date, the Board appointed Antonio Mastrangelo, a non-executive and independent director, as a member of the Control and Risk Committee and of the Appointments and Remuneration Committee, who was also appointed Company's Lead Independent Director. Lastly, the Board of Directors acknowledged that on 5 May 2020 the Board of Statutory Auditors ascertained the existence of the independence requirements set forth by current legislation and by the Corporate Governance Code of Listed Companies for its members.

In the first ten days of July, in relation to the procedure announced by the Veneto Region for the assignment of the linen, mattresses and clothing wash-hire services for the healthcare companies of the Veneto Region, the contract was concluded positively for Servizi Italia S.p.A., awarded the contract tender, the proceedings pending before the Council of State. With regard to the above-mentioned tender, Servizi Italia S.p.A. was awarded 5 lots pertaining to public healthcare facilities located in the Veneto Region, relating to both re-awards of customers already in the portfolio and new contracts. The contract, with a duration of 5 years, has a total value of approximately Euro 90.4 million for the entire period and includes the revision of the service' prices according to the ISTAT index.

On 30 July 2020, the Company's Board of Directors appointed Andrea Gozzi, former Operating Director and Executive with strategic responsibilities, as General Manager, in order to enhance and strengthen the constant and fruitful collaboration with the Executive Committee and the top corporate functions.

In October 2020, the Group started a process of reorganization of the production sites in the North-West of Italy. The actions undertaken aim to mitigate the negative structural effects deriving from a market context influenced by the phenomenon of the awarding of tenders with lower economic offers, to which are added the additional critical issues that the Covid-19 pandemic has entailed on the healthcare industrial laundry sector. These actions concern the termination of the laundry activity of the plant located in Podenzano with the relative redistribution of volumes in order to obtain a greater saturation of the production capacity of the sites in the above-mentioned area. To this end, the Human Resources Department has started a dialogue with the national and territorial trade unions, the company trade union representatives and the workers concerned, with the aim of reaching shared organizational solutions that allow, also with recourse to the regulatory instruments currently in force, to mitigate the social impacts of the transactions described above.

In December 2020, following a hydrogeological instability, the leased plant in which Vida operated was no longer viable. It should be noted that the closure of the Vida plant led to the reorganization of the volumes treated therein (transferred as from 28 December 2020) in the remaining production plants located in the São Paulo area.

Servizi Italia S.p.A., following the completion of the tender activities relating to the procedure for the assignment of the linen, mattresses and clothing wash-hire services for the healthcare companies of the Friuli-Venezia-Giulia region, and as the Mandatory Parent Company, came first in the ranking relating to the 3 lots relating to public healthcare facilities located in the Region itself. The re-awarded contract

has a duration of 5 years and a total value of approximately Euro 25 million for the entire period, in addition to a possible renewal for a period of 36 months for a value of approximately Euro 15 million and includes the revision of the services' prices according to the ISTAT index.

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)
ULSS 8 Berica*	Integrated management service for radiation personal protective equipment	15 months	53
Rete Ferroviaria Italiana (Ferrovie dello Stato Group)**	Laundry service of personal protection equipment (PPE)	2	111
A4 Autostrada S.p.A.**	Wash-hire and laundry service for high-visibility uniforms	3	68
ARPAE Emilia Romagna*	Personal clothing wash-hire service	3	130
A.O. Spedali Civili di Brescia (awarded as part of a temporary joint consortium)	Extension of the sterilisation service: assignment of the Gardone Val Trompia sub-plant and assignment of new specialities	4	654
Sardegna Region - Lot 1: ATS Sardegna** (awarded as part of a temporary joint consortium)	Wash-hire service	5	278
Sardinia Region - Lot 2: AO Brotzu and AOU Cagliari ** (awarded as part of a temporary joint consortium)	Wash-hire service	5	91
Sardinia Region - Lot 3 AOU Sassari** (awarded as part of a temporary joint consortium)	Wash-hire service	5	80
Milano Nord ASST**	Wash-hire service	2.5	609
ASM Impianti e Serviziambiente S.p.A.**	Rental, washing, maintenance, logistics and management of high visibility work clothing and personal protective equipment (PPE)	3	58
"Burlo Garofalo" IRCCS*	Surgical instruments sterilisation service	1	210
INAIL for the Prothesis Centre in Vigorzo di Budrio (BO) and the Prothesis Centre in Roma*	Wash-hire service	4	120
National Cancer Institute IRCCS Foundation * (awarded as part of a temporary joint consortium)	Wash-hire service	5	451
"Pugliese - Ciaccio" Hospital in Catanzaro** (awarded as part of a temporary joint consortium)	Surgical instruments sterilisation service	9.5	663
ULSS 8 Berica * (awarded as part of a temporary joint consortium)	Integrated service for the management of electro-medical equipment	1	876
ULSS 6 Euganea**	Linen, mattresses and garment wash-hire service - Lot 3 Veneto tender	5	2,131
ULSS 9 Scaligera**	Linen, mattresses and garment service wash-hire service - Lot 4 Veneto Tender	5	2,426
ULSS 1 Dolomiti*	Linen, mattresses and garment wash-hire service - Lot 1 Veneto Tender	5	2,051
ORAS - Motta di Livenza Hospital*	Linen, mattresses and garment wash-hire service - Lot 1 Veneto Tender	5	266
ASP Seneca *	Cloakroom service	3	220
ARCS - Friuli Venezia Giulia Region - Lot 3* (awarded as part of a temporary joint consortium)	Wash-hire service	5	975
ARCS - Friuli Venezia Giulia Region - Lot 4* (awarded as part of a temporary joint consortium)	Wash-hire service	5	177
ARCS - Friuli Venezia Giulia Region - Lot 5* (awarded as part of a temporary joint consortium)	Wash-hire service	5	2,130

ESTAR* (awarded as part of a temporary joint consortium)	Procurement of procedural sets and sterile non-woven material for operating theatres at Tuscany Region AA.SS.	4	2,428
ULSS 4 Veneto Orientale*	Linen, mattresses and garment wash-hire service - Lot 2 Veneto Tender	5	1,190
University Hospital of Padua*	Linen, mattresses and garment wash-hire service - Lot 3 Veneto Tender	5	3,233
Ordine Mauriziano Hospital of Turin**	Takeover of the contract concerning the "integrated service for the management of the sterilisation process, maintenance and rental of surgical instruments"	2	487
Experimental Zooprophyllactic Institute of Triveneto**	Linen, mattresses and garment wash-hire service - Lot 1-2-3-4-5 Veneto Tender	5	
E. Muner de Giudici ASP Foundation -Casa di Riposo Giuseppe Sirch ASP*	Flat and packed linen and staff uniforms wash-hire and guest linen wash service	3	217

* renewed

** new customer

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

Customer	Service provided	Contract value per year (thousands of Euros)
ASST SS. Paolo e Carlo	Wash-hire services	2,321
Maugeri Foundation	Wash-hire services	720
Suzzara Hospital (KOS)	Wash-hire services	58
Sette Laghi ASST - Varese	Wash-hire services	2,361
San Filippo Neri Hospital - Rome	Sterilisation service	540
CCM (Centro Cardiologico Monzino)	Wash-hire services	Private customer
IEO (European Institute of Oncology) Milan	Wash-hire services	Private customer
ASL AL Alessandria (Tortona, Casale, Ovada)	Sterilisation service	1,990
Trenitalia S.p.A.	Wash-hire services- <i>workwear</i>	89

Covid-19 disclosure

The Covid-19 viral epidemic, 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. All the activities of the Group, which operates in strict compliance with the relevant regulations, were impacted by the evolution of the contingent epidemiological situation.

In consideration of the fact that the services provided by the Group are to be considered essential, of primary necessity and of public utility and therefore defensive with respect to the ongoing epidemiological situation, the Group has carried out risk & project management and project control activities in order to: (i) avoid the spread of contagion and protect the health and safety of personnel and the environment, (ii) guarantee business continuity, (iii) mitigate the possible negative impact on economic results deriving from a decline in demand for certain types of services; (iv) have an up-to-date mapping of risks, related impacts and mitigation actions in the various areas of the company organization; (v) promptly launched the monitoring of the effects of the epidemic on its results and the related analyses, current and forecast, which are still in progress.

The pandemic event in 2020 had a different impact on the Group's results, based on the reference sector and the related geographical area.

With regard to the Group's activities in Italy, the following should be noted in particular:

- since the start of the Coronavirus emergency, the hospital wash-hire sector recorded an increase in the reconditioning of certain categories of hospital textiles, with particular regard to the reconditioning of healthcare workers' uniforms, as well as a greater demand for equipment compared to what was agreed in the various user centres. In this regard, there was an increase in reconditioned volumes of packaged linen for the Italy area of approximately 22.5% compared to 2019. These higher volumes offset the lower requests for bed linen (down by approximately 10.7% in terms of reconditioned volumes compared to 2019), of which Hospitals and Healthcare Companies, in the strategy of containing the virus have made use, having reduced hospital visits and interrupted outpatient services. As at the date of this document, there has been a gradual recovery in ordinary healthcare and hospitalization services, whose positive growth trend, albeit supported by the vaccination campaigns, may be affected by elements of uncertainty, similar to those recorded in the months of pandemic crisis in a context of lockdown which depends on the health measures adopted and being adopted by the government bodies of the countries in which the Group operates. However, it should be noted that, with regard to the Italy area, the various Regions, in order to ensure the continuity of ordinary hospitalization as much as possible, have envisaged a reorganization of the hospital network in which Covid-19 spaces and hospitals have been identified;
- surgical instrument sterilisation services recorded a decrease in production activities, which is considered temporary. In this emergency situation, hospitals have generally adopted a strategy of reducing the number of surgical operations scheduled in the operating theatres, confirming only urgent services without providing access to intensive care. In fact, in the year 2020 sterilisation units (SU) treated decreased from 910 thousand/SU in 2019 to 805 thousand/SU, down by about 11.6%. As at the date of this document, there has been a gradual recovery in ordinary healthcare and therefore hospitalization services, whose positive growth trend may be affected by elements of uncertainty, similar to those recorded in the months of pandemic crisis in a context of lockdown which depends on the health measures adopted and being adopted by the government bodies of the countries in which the Group operates;
- the wash-hire services of textile products for guests and personnel of residential structures and nursing homes recorded a reduction in production volumes, linked to the number of deaths of elderly guests in residential structures and to a temporary slowdown in access to hospitality in the same residential structures. The effect on the business is deemed to be temporary, as the service is considered defensive, essential and of public utility. Therefore, it is estimated that over the next few months, compatibly with the health measures adopted and being adopted by the Government, there will be a gradual recovery of services supported by the vaccination campaign for partially or totally non-self-sufficient frail adults. The business may be affected by elements of uncertainty, similar to those recorded in the months of pandemic crisis in a context of lockdown which depends on the health measures adopted and being adopted by the government bodies of the countries in which the Group operates;
- wash-hire services for the hotel and catering sector recorded a contraction in sales volumes between March and May 2020, marking a sharp recovery in the summer months and a subsequent

contraction for the winter season, which is still underway. However, to date, also in consideration of the health measures adopted and being adopted by the Government, it is not expected that the activities dedicated to the hotel and catering businesses will return to full capacity in the short term. It should be noted in this regard that the wash-hire services for the hospitality and catering segment represent a minority share of Servizi Italia's business;

- the provisions of the Government for the halt of the production activities of industrial entities led to a temporary reduction in the volumes of laundry services for the community and industry (Workwear brand). The effect on the business was temporary, as the gradual resumption of activities has now been promoted, in compliance with legal provisions. The business' growth trend may be affected by elements of uncertainty, similar to those recorded in the months of pandemic crisis in a context of lockdown which depends on the health measures adopted and being adopted by the Government. It should be noted in this regard that the wash-hire services for the workwear segment represent a minority share of Servizi Italia's business and that on 26 February 2021 the Company signed an agreement for the transfer of the workwear business to a leading specialist sector operator as reported in the paragraph dedicated to "Significant events after the end of the year".

The current health emergency represents an extraordinary and unpredictable event that in fact involves the alteration of the close link at the base of some contracts with essential characteristics of the service. In support of these factual elements, it should be noted that the National Anti-Corruption Authority (ANAC) expressed itself through resolution no. 540 of 1 July 2020, regarding the "problems inherent to contracts concerning the integrated rental, sanitation and sterilisation services of textile and medical devices used in public and private hospital and outpatient facilities, as a result of the health emergency". The resolution acknowledged the "serious economic imbalance of the contractual relationships in progress concerning the provision of hospital wash-hire services determined by the emergency in progress" and establishes the "suitable prerequisite to justify the use of a variant in progress due to unforeseen and unforeseeable circumstances pursuant to Article 106, paragraph 1, letter c) of the Public Contracts Code". In the Italian market, the Parent Company initiated discussions with the customer administrations in order to define the conditions for the recovery of the excess costs incurred during the period of crisis resulting from the pandemic.

In addition to Italy, note that the Group's fully consolidated activities concern laundry services for healthcare in Brazil and Turkey. In these countries, the Coronavirus emergency led to a delay of a few weeks compared to what was recorded in Italy. Based on the analyses conducted, it should be noted that for the Brazil area, despite the high pervasive virological impact throughout the country, volumes did not undergo significant contractions, also thanks to the ability to primarily serve emergency structures prepared to deal with the epidemiological crisis. For the Brazil area, there was an increase in volumes of reconditioned packaged linen of approximately 12.1% compared to 2019 and a reduction of approximately 4.3% in flat linen in terms of reconditioned volumes compared to the financial year 2019. In the Turkey area, the volumes processed by the industrial plants followed a trend indirectly proportional to the cases of Covid-19, recording a negative peak in April. However, gradually recovering starting from June 2020, overall volumes of flat linen processed in 2020 were basically in line with 2019 (-1.9%), and there was a significant increase in packaged linen (+14%), with consequent effects on the area's overall productivity. In addition, the prevailing billing drivers defined in the contract allowed companies to promptly charge back the volumes processed.

The mix of factors highlighted above in relation to the effects of the Coronavirus emergency on the trend in demand for services had a direct impact on production and business support activities. In particular:

- an increase in work in laundries operating for the healthcare sector, with changes in shifts, changes in production activities between the Group's various operating sites with available production capacity, recourse to the assignment of washing services to qualified third parties;
- changes in the provision and delivery of services at hospitals;
- a reduction in work in sterilisation centres and laundries dedicated to activities other than the healthcare market, with the consequent need for targeted personnel management with the activation of social safety nets;
- the use of remote working for employees and management, in order to reduce travel and contacts for work needs. All personnel involved were previously trained on the correct use and security of the hardware and software tools made available. Where possible, the use of paid leave and furlough;
- an increase in the procurement of goods and services to avoid the spread of contagion and protect the health and safety of personnel, the environment and business continuity, with a substantial increase in costs for the purchase and consumption of individual protection equipment and the instrumentation necessary for access control, which will also have an impact in future months. Measures were also initiated to guarantee the supply chain and to revise contracts for the supply of goods and services in order to guarantee urgent services and contain costs and/or investments in the face of the decline in demand for services and production volumes.

In addition, management did not detect a worsening of the liquidity risk for the Group which, in the emergency phase, was able to manage its own financial requirements with the sole recourse to self-liquidating and short-term credit lines without resorting to new medium-long term loans at worsening conditions.

Management takes into due consideration that the economic context is still characterized by profound uncertainty and medium/long-term visibility that is affected by unforeseeable variables such as the evolution of the pandemic and any measures that could have an impact on the economic context. In this scenario, the Group, also following the recommendations issued by the Italian and European regulators, placed particular emphasis on the planning process, taking into account possible impacts on the objectives and business risks deriving from the pandemic. However, the Group's management does not deem it necessary to make substantial changes to its business model in response to the pandemic, even though it envisages targeted actions described in more detail in the "Business outlook" section.

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 3 February 2021, in line with the redistribution of volumes in order to achieve greater saturation of the production capacity of the sites in the north-west area, production activities at the plant located in Podenzano (PC) ceased.

On 26 February 2021, the Company announced that it had signed the closing relating to the sale to AlSCO Italia S.r.l. of the workwear business unit (the "Business Unit"), a preliminary disclosure to the market at the time of signing on 28 January 2021. The agreement took effect on 1 March 2021 and provides for:

- the sale by Servizi Italia to AlSCO Italia S.r.l. of the Business Unit that includes in particular the workwear sector customer portfolio, the Barbariga (BS) plant and related property, the contractual relationships with the workwear sector employees and related payables, plant, machinery, equipment and other operating assets relating to the workwear, workwear linen and textiles sector and the Business Unit's commercial goodwill;
- the start of a four-year non-compete agreement between the parties.

The payment of the price, defined on the basis of the valuation of the Business Unit's components and envisaged as a minimum of Euro 9.0 million, was broken down as follows: (i) Euro 7.978 million already collected; (ii) the remainder within 30 days from the closing date.

As at 5 March 2021, the Company had acquired a total of 1,657,760 treasury shares on the market regulated and managed by Borsa Italiana S.p.A., equal to 5.21% of the share capital.

Business outlook

The activities of the Group are affected by the general conditions of the economy and by the epidemiologic situation in the countries in which it operates. The Group has readjusted its governance strategy on the basis of the new medium-long term guidelines, integrating it with the new post-Covid-19 business strategy, aligning objectives and targets to the new reference context. For the year 2021, a climate of uncertainty remains regarding the possible effects of both the worsening of the pandemic crisis and the government measures to contain the contagion and those to support the economy that in the meantime will be implemented in the countries where the Group is present.

In addition to what already described with regard to the effects of the Covid-19 viral epidemic, it is noted that 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.

In this general context, despite continuing to forecast of an overall positive operating margin in the foreseeable future, management will be interested in the medium-term by a reduction in turnover in the domestic wash-hire sector and a reduction in operating margins which may, in part, be offset by the further growth of higher-margin sectors and objectives relating to:

- the modification of the commercial and operating strategy, based on the market context of the countries in which the Group operates;
- the re-engineering and reorganization of the organizational model, thanks to the support of technologies and digitalisation of processes that allow the efficiency of operating and business support activities;
- the use of legal provisions and instruments for personnel management, in dialogue with the trade unions and workers' representatives at company level, with the aim of seeking shared solutions to respond to the epidemiological and market situation;
- the implementation of suitable measures to ensure business continuity, with the management of epidemiological risk to ensure the health, safety and work activities of employees, in compliance with the regulatory requirements of the Governments in the countries in which the Group operates, with protocols on safety in the workplace and internal operating procedures.

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.

The Group has a solid capital situation, which made it possible to face the crisis period with extensive use of self-liquidating and short-term credit lines without resorting to new medium/long-term loans at worsening conditions in terms of cost that would have entailed a future burden to financial management, and maintaining good creditworthiness with banks.

In light of the above considerations, the Group remains confident of being able to effectively manage the effects of the ongoing epidemiological crisis together with future objectives.

Derivatives

As at 31 December 2020 and 31 December 2019, 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 (Trento)	Via Linfano, 6	Palermo (Palermo)	Piazza Nicola Leotta, 4
Ariccia (Roma)	Via Nettunense Km 8, 100	Pavia di Udine (Udine)	Viale Grado, 51
Ariccia (Roma)	Via Quarto Negroni, 58	Piacenza (Piacenza)	Via Machiavelli, 29
Barbariga (Brescia)	Strada Statale Quinzanese, 2	Podenzano (Piacenza)	Via Primo Maggio, 123
Bergamo (Bergamo)	Piazza Org. Mond. Sanità, 1	Prato (Prato)	Via Ugo Foscolo, 7
Brescia (Brescia)	Piazzale Spedali Civili, 1	San Daniele del Friuli (Udine)	Viale Trento Trieste, 2
Busto Arsizio (VA)	Via Arnaldo da Brescia, 1	San Dorligo della Valle (Trieste)	Via Travnik, 20
Cividale del Friuli (Udine)	Piazzale dell'Ospedale, 2	Sarzana (La Spezia)	Via Cisa SN
Crema (Cremona)	Via Largo Ugo Dossena, 2	Travagliato (Brescia)	Via Sambrioli, 1
Ferrara (Ferrara)	Via Aldo Moro, 8	Treviso (Treviso)	Via Concordia, snc
Florence (Firenze)	Lungo Rio Freddo, 15		

Genoa (Genova)	Largo Rosanna Benzi, 10	Treviso (Treviso)	Piazza Hospital, 1
Genova Bolzaneto (Genova)	Via Albisola, snc	Udine (Udine)	Piazzale Maria della Misericordia, 15
Lastra a Signa (Firenze)	Via Livornese, 68	Varese (Varese)	Via Luigi Borri, 57
Messina (Messina)	Via Consolare Valeria, 1	Varna (Bolzano)	Via Forch, 11
Milan (Milano)	Via Michelangelo Buonarroti, 48	Vimercate (Monza-Brianza)	Via SS Cosma e Damiano, 10
Modena (Modena)	Via Giardini, 1355	Zibido San Giacomo (Milano)	Via Castoldi, 5
Montecchio Precalcino (Vicenza)	Via Palugara, 22	Zibido San Giacomo (Milano)	Via Castoldi, 11

Please note that:

- with reference to what was previously reported regarding the sale of the Workwear business unit, as from 1 March 2021 the Barbariga (BS) office is no longer included within the Company's operating offices.
- with regard to the closure of the production plant located in Podenzano, as from 3 February 2021, the operating headquarters located there will no longer be included within the scope of the Company's operating offices.

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 2020 are reported below, along with share volume and price trends (in Euros):

Share and stock exchange data	31 December 2020
No. of shares making up the share capital	31,809,451
Price at IPO: 4 April 2007	€ 8.50
Price as at 31 December 2020	€ 2.12
Maximum price during the period	€ 3.22
Minimum price during the period	€ 1.95
Average price during the period	€ 2.37
Volumes traded during the period	16,777,288
Average volumes during the period	66,313

Share volumes and prices as at 31 December 2020



In 2020, the Investor Relations team participated in the Virtual STAR Conference in Milan (May 26, 2020), the MidCap Event in Paris (September 9, 2020) and Virtual STAR Conference in London (6 October 2020). During the meetings, which were held remotely, the Group's top management met with various analysts and investors; in addition to this, throughout the period, the Investor Relations Team remained available for individual and group calls with anyone interested in obtaining information and analysing activities and businesses.

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

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 Consolidated Law on Finance and article 9-bis of directive 2007/36/EC, 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: Sustainability Report 2020

The consolidated non-financial disclosure of Servizi Italia S.p.A., drafted pursuant to Italian Legislative Decree 254/16, constitutes an independent report (Sustainability Report) as required by Art. 5 paragraph 3(b), Italian Legislative Decree 254/16, and is available at the website www.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 is reflected in the internal regulations of the Group and of the various companies subject to coordination and control through the documentation of the Servizi Italia compliance program (such as, for example, Model 231/01, Code of Ethics, Integrated

Corporate Policy for Quality, Health and Safety, Social Responsibility, Environment and Energy, Prevention of Corruption, Antitrust Conduct and Tax Strategy, Anti-Corruption Guidelines, Antitrust Code of Conduct, Code of Conduct for relations with the public administration, whistleblowing procedure, etc.).

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 company functions involved in the controls (such as the risk management, legal and compliance functions), articulated in relation to size, sector, complexity and risk profile of the company, which are entrusted with the so-called second level controls aimed at monitoring and managing typical business risks (strategic, operational, financial, market, liquidity, credit, non-compliance, employee fraud and disloyalty, legal, reputation, etc.); these functions are subject to review by the Head of Internal Audit;
3. **third level:** the Head of Internal Audit, who reports directly to the Board of Directors, assesses the suitability of the internal control and risk management 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 management guidelines.

For the performance of its activities, the Internal Auditor 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 Director in charge of the Internal Control and Risk Management System, the Control and Risks Committee, the Board of Directors (also through the Control and Risks Committee) and the Board of Statutory Auditors; 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 promptly 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, so contributing to the sustainable success of the Servizi Italia Company and Group.

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 sustainable 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 the legal aspects related to the management of social, environmental and governance risks (ESG), also updated by the typologies arising in the context of post-Covid-19 for which specific mitigation actions have been developed.

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.

The Servizi Italia Group's activities are exposed to various risk types, including interest rate fluctuations and credit, liquidity and cash flow risks. To minimise such risks, the Group has adopted timescales and control methods which allow the company Management to monitor risks and inform the Board of Directors so that it may approve all transactions involving a commitment by the Group with respect to third-party lenders.

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 pandemics, 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

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. In 2020, the Company

adopted an Antitrust Code of Conduct in accordance with current legislation and appointed the Head of the Antitrust function.

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 settlement 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 2020 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. The Company believes that it has applied the utmost diligence in the implementation of the provisions pursuant to Italian Legislative Decree No. 231/2001; however, no certainty exists with regard to the fact that the model adopted by the Company may be considered suitable by the legal authority possibly called to check the cases contemplated by said legislation. If such cases should occur, and in the event of an unlawful event, the Company's exemption from liability is not recognised on the basis of the provisions contained in said decree, it is envisaged that the Company, in any event and for all the unlawful acts committed, will be fined, as well as, for more serious cases, be subject to disqualification measures, such as disqualification from carrying out activities, suspension or revocation of authorisations, licences or concessions, prohibition from contracting with public administration authorities, exclusion from loans, grants and subsidies and possible revocation of those already granted and, in conclusion, prohibition from publicising goods and services, with consequent significant negative impacts on the Group's economic and financial results. The Group managing risk: (i) in Italy, since 2006, it has adopted the tools of the Code of Ethics and the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 and a whistleblowing procedure; (ii) at the foreign subsidiaries, with the promotion of the adoption of a Code of Ethics and documentation part of the Servizi Italia compliance program, which is based on an analysis of the risks of the processes of the company, has prepared of a set of procedures, regulations and formats to ensure preventive monitoring of processes at risk of unlawful acts and corruption, checks by the Parent Company, auditing activities by third parties and training programmes for the employees, aimed to the knowledge and application of the prevention system.

The consolidated non-financial disclosure and 2020 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, risks linked to the external environment linked

to the continuation of the Covid-19 pandemic, 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 before the Court of Modena 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 subsequently merged by incorporation into Servizi Italia S.p.A.) as principals. It should be noted that at the hearing of 16 February 2021, the Court of Modena ruled in favour of the Chairman Roberto Olivi and of Enea Righi and Luciano Facchini not to proceed with the extinction of the alleged offence due to limitation, consequently, as specified above, in relation to the predicate offences pursuant to Legislative Decree no. 231 of 2001, the proceedings will continue against the entities with the possibility of proceeding to a completed investigation, also in terms of the non-existence of the predicate offence already declared prescribed. It should be noted that to date the contracting authority has not revoked the contract, nor communicated its intention to evaluate the possible revocation of the same.

In January 2019, Servizi Italia was awarded, as principal, the RTI formed by Coopservice Soc. Coop p.a., Servizi Italia S.p.A. and others, in relation to the contract for the assignment of the management of integrated support services to the person at the University Hospital of Bologna for a period of six years and for an annual value, limited to Servizi Italia's share, equal to approximately Euro 4 million. On 20 August 2020, the Council of State unexpectedly overturned the previous rulings of the Regional Administrative Court and of the Council of State which, by cancelling the request for suspension by the plaintiff, had allowed the Temporary Joint Venture of which Servizi Italia is a party to take over during the month of February 2020 in the provision of the service following the award. In view of this last ruling, the parent company, acting in the name and on behalf of the above mentioned Temporary Joint Venture, pursuant to art. 395 of the Code of Civil Procedure and to art. 106 of the Code of Administrative Procedure, proposed an appeal for revocation before the Supreme Court of Cassation for lack of jurisdiction.

The Group, 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 2020, was as follows:

Company	Executives	Middle managers	White-collar staff	Blue-collar staff	Total
Servizi Italia S.p.A.	11	32	170	1,709	1,922
Steritek S.p.A.	-	-	22	-	22
Lavsim Higienização Têxtil S.A.	2	8	50	410	470
Maxlav Lavanderia Especializada S.A.	2	1	12	470	485

Vida Lavanderias Especializada S.A.	-	1	3	131	135
Aqualav Serviços De Higienização Ltda	-	1	5	249	255
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	2	1	3	241	247
Ergülteks Temizlik Tekstil Ltd. Sti.	-	-	3	114	117
Wash Service S.r.l.	-	-	7	45	52
Ekolav S.r.l.	-	-	8	52	60
TOTAL	17	44	283	3,421	3,765

Industrial relations

During 2020, the HR Department was mainly engaged in the implementation of the regulatory and organizational measures suitable to guarantee the continuation of production activities during the epidemiological emergency from Covid-19, in order to mitigate the possible negative effects on the provision of customer services and guaranteeing *business* continuity.

In particular, the activities carried out regarded:

- monitoring the evolution of regulations relating to travel bans, implementing suitable measures to prevent the spread of contagion;
- analysis of the impact of the emergency on resources and on the organization of work in order to assess changes in production levels and activate the tools required by legislation and collective bargaining to deal with them;
- the activation of social safety nets in production sites affected by a decrease in activities due to the epidemiological emergency from Covid-19.

In addition, in order to counteract the negative economic effects linked to both the current market context and the pandemic underway, the Company undertook a financial and reorganization process. In this context, in 2020 the HR Department initiated discussions with the trade unions and the workers' representatives regarding the reorganization of the production sites in the north-west area and the consequent cessation of all activities carried out at the production site of Podenzano (PC).

Finally, in 2020, the HR Director, as member of the negotiating employer's delegation, participated in the negotiations for the renewal of the National Collective Labor Agreement expired in March 2019 and renewed on 5 January 2021, with an agreement valid from 1 April 2019 to 31 December 2022.

Training and development

In 2020, the training activities scheduled by the annual training Plan focused on updating the knowledge of all personnel, supporting the professional growth of junior figures and strengthening the skills of those with roles of responsibility, with the awareness that training represents strategic leverage for company growth and development of new initiatives. 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, also with reference to Covid-19 risks, environment and quality; (iv) antitrust certification systems and regulations in general.

In 2020, the Group provided a total of 11,228 hours of training, equal to 2.98 hours per employee, involving 86% of blue collar staff, 11% of white collars staff, 2% of middle managers, 1% executives. The figure is in line with the target set of over 10,000 hours, maintaining the constant updating of all personnel, to support the professional growth of junior figures and the strengthening of the skills of positions of responsibility, in the awareness that training represents a strategic lever for company

growth. The hours of training are in line with 2019 year, recording a decrease of 4%, due to the limitations imposed by the epidemiological crisis.

For additional information on the issues concerning personnel training and development, refer to the Consolidated Non-financial Disclosure, 2020 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 2,586,270, the Board of Directors asks you to approve the separate financial statements for the year ended 31 December 2020 and to allocate the profit for the year according to the proposal made in the notes to the separate financial statements, that is:

- Euro 1,406,216 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 301,366 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 Chairman of the Board of Directors
(Roberto Olivi)



Separate Financial Statements

as at 31 December 2020



**Servizi
Italia**

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STATEMENT OF FINANCIAL POSITION

(Euros)	Note	31 December 2020	of which with related parties (Note 8)	31 December 2019	of which with related parties (Note 8)
ASSETS					
Non-current assets					
Property, plant and equipment	6.1	134,466,554	22,632,042	131,263,731	24,306,548
Intangible assets	6.2	3,844,465	-	3,974,693	-
Goodwill	6.3	44,575,158	-	44,575,157	-
Equity-accounted investments	6.4	48,709,122	-	57,532,230	-
Equity investments in associates, joint ventures and other companies	6.5	28,817,629	-	30,344,594	-
Financial receivables	6.6	5,663,382	4,157,770	6,726,223	4,149,604
Deferred tax assets	6.7	7,110,159	-	3,919,046	-
Other assets	6.8	2,817,693	-	3,529,413	-
Total non-current assets		276,004,162		281,865,087	
Current assets					
Inventories	6.9	6,358,455	-	5,027,385	-
Trade receivables	6.10	55,300,409	12,636,078	61,159,715	13,330,834
Current tax receivables	6.11	1,902,975	-	1,899,376	-
Financial receivables	6.12	8,015,167	6,769,710	9,190,279	6,827,974
Other assets	6.13	7,389,608	-	6,319,444	-
Cash and cash equivalents	6.14	996,458	-	2,162,045	-
Total current assets		79,963,072		85,758,244	
TOTAL ASSETS		355,967,234		367,623,331	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	6.15	30,258,991	-	30,935,240	-
Other reserves and retained earnings	6.15	88,256,340	-	100,071,225	-
Profit (loss) for the year		2,586,270	-	8,019,702	-
TOTAL SHAREHOLDERS' EQUITY	6.15	121,101,601		139,026,167	
LIABILITIES					
Non-current liabilities					
Due to banks and other lenders	6.16	50,856,910	22,241,728	62,276,691	23,749,273
Deferred tax liabilities	6.17	2,025,881	-	1,892,728	-
Employee benefits	6.18	8,316,752	-	9,167,248	-
Provisions for risks and charges	6.19	978,532	-	1,115,342	-
Other financial liabilities	6.20	696,075	-	1,189,425	-
Total non-current liabilities		62,874,150		75,641,434	
Current liabilities					
Due to banks and other lenders	6.16	75,190,178	1,495,597	62,387,994	1,105,269
Trade payables	6.21	76,839,609	13,408,228	67,909,475	10,105,738
Current tax payables	6.22	-	-	-	-
Employee benefits	6.18	66,602	-	-	-
Other financial liabilities	6.23	3,272,044	1,779,813	4,668,681	2,460,000
Provisions for risks and charges	6.19	1,523,187	-	1,452,816	-
Other payables	6.24	15,099,863	-	16,536,764	-
Total current liabilities		171,991,483		152,955,730	
TOTAL LIABILITIES		234,865,633		228,597,164	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		355,967,234		367,623,331	

INCOME STATEMENT

(Euros)	Note	31 December 2020	of which with related parties (Note 8)	31 December 2019	of which with related parties (Note 8)
Sales revenues	7.1	195,573,894	14,766,238	212,811,478	16,480,207
Other income	7.2	6,129,111	2,142,958	5,514,745	1,819,550
Raw materials and consumables	7.3	(22,727,750)	(175,205)	(21,684,484)	(124,183)
Costs for services	7.4	(68,189,848)	(24,984,521)	(70,665,272)	(24,904,085)
Personnel expense	7.5	(66,159,456)	(520,764)	(72,118,786)	(828,967)
Other costs	7.6	(1,427,609)	(41,494)	(1,261,850)	(32,209)
Depreciation/amortisation, impairment and provisions	7.7	(43,554,043)	-	(43,941,149)	-
Operating profit		(355,701)		8,654,682	
Financial income	7.8	1,688,626	697,358	1,643,206	476,732
Financial expenses	7.9	(3,324,174)	1,412,678	(2,800,484)	1,450,001
Income/(expense) from equity investments	7.10	2,158,765	-	928,144	-
Share of profit/loss of equity-accounted investments	6.4	165,744	54,205	(842,896)	388,144
Profit before tax		333,260		7,582,652	
Current and deferred taxes	7.11	2,253,010		437,050	
Profit (loss) for the year		2,586,270		8,019,702	

STATEMENT OF COMPREHENSIVE INCOME

(Euros)	Note	31 December 2020	31 December 2019
Profit (loss) for the year		2,586,270	8,019,702
<i>Other comprehensive income that will not be reclassified to the Income Statement</i>			
Actuarial gains (losses) on defined benefit plans	6.18	(228,913)	(261,954)
Portion of comprehensive income of the investments measured using the equity method			
Income taxes on other comprehensive income	6.7 6.17	54,939	62,869
<i>Other comprehensive income that may be reclassified to the Income Statement</i>			
Portion of comprehensive income of the investments measured using the equity method	6.4	(15,115,342)	(1,831,248)
Income taxes on other comprehensive income			-
Total other comprehensive income after taxes		(15,289,316)	(2,030,333)
Total comprehensive income for the period		(12,703,046)	5,989,369

STATEMENT OF CASH FLOWS

(Euros)	Note	31 December 2020	of which with related parties (Note 8)	31 December 2019	of which with related parties (Note 8)
<i>Cash flow generated (absorbed) by operations</i>					
Profit (loss) before tax		333,260	-	7,582,652	-
Payment of current taxes		-	-	(535,627)	-
Amortisation	7.7	42,631,926	-	40,761,603	-
Impairment and provisions	7.7	922,117	-	3,179,547	-
Gains/losses on equity investments	6.4 7.10	(2,324,509)	-	(85,248)	-
Gains/losses on disposal	7.2 7.6	(687,766)	-	(235,428)	-
Interest income and expense accrued	7.8 7.9	1,635,549	-	1,157,277	-
Interest income collected	7.8	384,824	-	299,688	-
Interest expense paid	7.9	(895,234)	-	(959,823)	-
Interest paid on liabilities for leasing	7.9	(1,633,897)	(1,412,678)	(1,686,930)	(1,450,001)
Provisions for employee benefits	6.18	(538,505)	-	(255,721)	-
		39,827,765	-	49,221,990	-
(Increase)/decrease in inventories	6.9	(1,331,070)	-	(121,666)	-
(Increase)/decrease in trade receivables	6.10	2,296,955	694,756	4,432,905	1,470,344
Increase/(decrease) in trade payables	6.21	12,131,067	3,302,490	595,020	(1,826,204)
Increase/(decrease) in other assets and liabilities		(5,027,264)	(890,000)	388,069	-
Settlement of employee benefits	6.18	(505,355)	-	(759,735)	-
Cash flow generated (absorbed) by operations		47,392,098	-	53,756,583	-
<i>Net cash flow generated (absorbed) from investment activities in:</i>					
Intangible assets	6.2	(801,901)	-	(1,327,085)	-
Property, plant and equipment	6.1	(44,061,239)	-	(39,650,799)	-
Dividends received	7.10	1,049,462	-	617,241	-
Sale of equity investments		1,959,458	-	-	-
Purchase of equity investments	6.4 6.5	(5,015,066)	-	(9,362,972)	-
Net cash flow generated (absorbed) by investment activities		(46,869,286)	-	(49,723,615)	-
<i>Cash flow generated (absorbed) from financing activities in:</i>					
Financial receivables	6.6 6.12	2,853,802	50,099	(76,354)	(776,717)
Net (purchase)/sales of treasury shares	6.15	(1,645,013)	-	(1,554,745)	-
Dividends paid	6.15	(4,279,591)	-	(5,008,083)	-
Share capital increase	6.15	-	-	-	-
Current due to banks and other lenders	6.16	15,457,618	-	5,645,957	-
Non-current due to banks and other lenders	6.16	(11,419,781)	-	(65,168)	-
Reimbursement of liabilities for leasing		(2,655,434)	(1,408,001)	(2,483,859)	(1,291,808)
Cash flow generated (absorbed) from financing activities		(1,688,399)	-	(3,542,252)	-
(Increase)/decrease in cash and cash equivalents		(1,165,587)		490,716	
Opening cash and cash equivalents	6.14	2,162,045		1,671,329	
Incorporated cash		-		-	
Closing cash and cash equivalents	6.14	996,458		2,162,045	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(thousands of Euros)</i>	Share capital	Share premium reserve	Legal reserve	Retained earnings	Translation reserve	Profit (loss) for the year	Total Shareholders' Equity
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
Allocation of profit from the previous year	-	-	-	3,740,111	-	(3,740,111)	-
Distribution of dividends	-	-	-	-	-	(4,279,591)	(4,279,591)
Acquisition non-controlling interests	-	-	-	703,083	-	-	703,083
Treasury share transactions	(676,249)	(968,763)	-	-	-	-	(1,645,012)
Profit (loss) for the year	-	-	-	-	-	2,586,270	2,586,270
Other components of comprehensive income	-	-	-	(173,974)	(15,115,342)	-	(15,289,316)
Balance as at 31 December 2020	30,258,991	50,229,167	6,617,527	63,682,351	(32,272,705)	2,586,270	121,101,601

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 drawn 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 15 March 2021 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.

COVID-19 disclosure in relation to accounting effects

The Group, also following the recommendations issued by the Italian and European regulators (Consob, ESMA, Iosco), paid particular attention to the accounting effects connected to the external and internal factors deriving from the Covid-19 pandemic.

This attention focused in particular on the process of preparing long-term plans for the purposes of the impairment test procedures to verify the recoverability of goodwill deriving from business combinations and investments in associates and joint ventures, in application of the provisions of IAS 36 "Impairment of assets". This process requires management discretion and the use of estimates by management, particularly complex in the current context of uncertainty caused by the pandemic phenomenon, albeit mitigated by the public utility function of the business and the long-term nature of the contracts in the portfolio.

It should be noted that the estimates and prospective data relating to the aforementioned impairment tests are determined by the Group management on the basis of past experience, in-depth knowledge of company operations and expectations regarding developments in the markets and operating segments in which the Group operates.

There were no critical issues relating to the pandemic phenomenon on the other items of the financial statements and, in particular, on the valuation items regarding the recoverability of receivables, and the identification of any onerous contracts. Similarly, also for the items pertaining to the application of IFRS 16 "Leases" and the assets measured at *fair value*, the Group did not record any significant accounting impacts in 2020.

The Directors' considerations regarding the impact on Company's 2020 results, according to which no material changes to its business model are deemed necessary, have been described in detail in the section "Covid-19 disclosure" included in the Report on Operations, to which reference should be made for further details.

IFRS accounting standards, amendments and interpretations applied as from 1 January 2020

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Company on 1 January 2020:

- 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.
Adoption of this new amendment had no impact on the Company's financial statements.
- 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.
Adoption of this new amendment had no impact on the Company's financial statements.
- On 26 September 2019 the IASB published the amendment entitled "**Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform**". The same 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 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.
Adoption of this new amendment had no impact on the Company's financial statements.

- On 22 October 2018, the IASB published the document "**Definition of a Business (Amendments to IFRS 3)**". The document provides some clarifications with regard to the definition of business for the purposes of the correct application of IFRS 3. In particular, the amendment clarifies that, while a business usually 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.
Adoption of this new amendment had no impact on the Company's financial statements.
- On 28 May 2020, the IASB published an amendment called "**Covid-19 Related Rent Concessions (Amendment to IFRS 16)**". The document provides for lessees the right to account for reductions in fees related to Covid-19 without having to assess, through the analysis of contracts, whether the definition of lease modification of IFRS 16 is respected. Therefore, the lessees who apply this option will be able to account for the effects of the reductions in rents directly in the income statement at the effective date of the reduction.
Adoption of this new amendment had no impact on the Company's 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 2020

At the reference date of these separate 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 28 May 2020, the IASB published an amendment entitled "**Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)**". The amendments make it possible to extend the temporary exemption from the application of IFRS 9 until 1 January 2023 for insurance companies. These amendments will enter into force on 1 January 2021.
Directors do not expect any significant effect on the separate financial statements of the Company upon adoption of this amendment.
- On 27 August 2020, in light of the reform on interbank interest rates such as the IBOR, the IASB published the document "**Interest Rate Benchmark Reform – Phase 2**" which contains amendments to the following standards:
 - IFRS 9 - *Financial Instruments*;
 - IAS 39 - *Financial Instruments: Recognition and Measurement*;
 - IFRS 7 - *Financial Instruments: Disclosures*;

- IFRS 4 - *Insurance Contracts*; and
- IFRS 16 - *Leases*.

All amendments will take effect on 1 January 2021.

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

IFRS accounting standards, amendments and interpretations still not approved 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 23 January 2020, the IASB published an amendment entitled “**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**”. The purpose of the document is to clarify how to classify payables and other short or long-term liabilities. The amendments come into effect on 1 January 2023; early adoption is in any case allowed. Directors do not expect any significant effect on the separate financial statements of the Company upon adoption of this amendment.
- On 14 May 2020, the IASB published the following amendments:
 - **Amendments to IFRS 3 Business Combinations:** the purpose of the amendments is to update the reference in IFRS 3 to the revised Conceptual Framework, without this implying changes to the provisions of IFRS 3.
 - **Amendments to IAS 16 Property, Plant and Equipment:** the purpose of the amendments is not to allow to deduct from the cost of tangible assets the amount received from the sale of assets produced in the test phase of the same assets. These sales revenues and the related costs will therefore be recognized in the income statement.
 - **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:** the amendment clarifies that all costs directly attributable to the contract must be considered in the estimate of the possible cost of a contract. Consequently, the assessment of the possible cost of a contract includes not only incremental costs (such as, for example, the cost of the direct material used in the processing), but also all the costs that the company cannot avoid since it has stipulated the contract (such as, for example, the portion of personnel costs and depreciation of the machinery used to fulfil the contract).
 - **Annual Improvements 2018-2020:** the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.All amendments will enter into force on 1 January 2022. Directors do not expect any significant effect on the separate financial statements of the Company upon adoption of this amendment.

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 Aurum S.p.A., with registered offices in via Rochdale 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.

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, tangible 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 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 the power 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 articles 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 2020	Average exchange rate for 2020	Exchange rate as at 31 December 2019	Average exchange rate for 2019
Brazilian Real (BRL)	6.3735	5.8943	4.5157	4.4134
Turkish Lira (TRY)	9.1131	8.0547	6.6843	6.3578

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 2020, equity investments in other companies are recognised at the cost of purchase or set-up, 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 accruals basis under “Other income”, in proportion to the TOE (tonne of oil equivalent) savings effectively made in the period. The recognition of the same is carried out at the average annual market value unless the year-end market value is significantly lower. The decreases due to sales of white certificates matured during the period or in previous periods are valued at the disposal price. The capital gains and losses deriving from the sales of certificates in periods different to those of maturity are recorded respectively under “Other income” or “Other costs”.

H. Other non-current assets held for sale

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

I. Inventories

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

J. Employee benefits

Post-employment plans

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

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

Remuneration plans under the form of participation in the capital

Under IFRS 2, stock option plans are classified as "share-based payments". For those plans that fall in the "equity-settled" category (where the payment is made using instruments representative of equity), the standard requires the calculation - as of the assignment date - of the fair value of the option rights issued and its recognition as personnel expense to be allocated on a straight-line 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;
- *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 stand alone 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 stand alone 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. 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.

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

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.

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 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 was estimated by 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 2020, represent approximately 60% of its debt, at an average annual rate of around 0.36%. 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 2020	31 December 2019	31 December 2020	31 December 2019
Financial receivables	+67	+71	(67)	(71)
Financial payables	+558	+572	(558)	(572)
Factoring of receivables	+470	+423	(470)	(423)

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 102.

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 2020 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 2020 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	4.80%	0.43%	1.00%	0.17%	2.79%	80.46%	9.26%
Gross trade receivables	33,513	3,300	3,531	4,368	11,695	4,539	60,946
Loss expected as at 31 December 2020	1,610	14	35	7	326	3,652	5,645

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 2020.

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 Nazionale del Lavoro S.p.A., Banca Crédit Agricole Cariparma S.p.A., Banco BPM S.p.A., Unicredit Banca S.p.A., BPER Banca S.p.A. and Banca Monte dei Paschi di Siena 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 2020, 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 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Less than or equal to 3 months	45,476	46,431	66,843	55,885	112,319	102,316
3 to 12 months	29,984	16,306	24,472	28,437	54,455	44,743
1 to 2 years	19,624	20,730	-	-	19,624	20,730
More than 2 years	31,401	41,872	-	-	31,401	41,872
Total	126,485	125,339	91,315	84,322	217,800	209,661

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.

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			28,818

and other companies		
Financial receivables	360	5,303
Other assets		2,818
Current assets		
Trade receivables		55,300
Financial receivables		8,015
Other assets		7,390
Non-current liabilities		
Due to banks and other lenders		50,857
Other financial liabilities		696
Current liabilities		
Due to banks and other lenders		75,190
Trade payables		76,840
Other financial liabilities		3,272
Other payables		15,100

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)	31/12/2020	31/12/2019	Change	% change
Shareholders' equity (B)	121,102	139,026	(17,924)	-13%
Net financial debt ^(a) (A)	117,035	113,312	3,723	3%
Net invested capital (C)	238,137	252,338	(14,201)	-6%
Gearing (A/C)	49.1%	44.9%		

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

^(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, (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 Balance sheet

6.1 Property, plant and equipment

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

(thousands of Euros)	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Fixed assets under constr.	Total
Historical cost	37,419	117,081	29,367	62,155	116,403	4,174	366,599
Accumulated amortisation	(2,212)	(84,483)	(20,380)	(48,676)	(80,179)	-	(235,930)
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
Increases	1,175	3,642	168	3,484	33,203	3,388	45,060
Decreases	-	(46)	-	(32)	(61)	(292)	(431)
Amortisation	(2,978)	(6,542)	(1,463)	(4,541)	(25,902)	-	(41,426)
Impairments (reinstatements)	-	-	-	-	-	-	-
Reclassifications	-	1,570	713	432	126	(2,841)	-
Balance as at 31 December 2020	31,301	32,712	7,586	12,306	46,061	4,501	134,467
Historical cost	39,240	128,863	31,203	66,755	134,049	4,501	404,611
Accumulated amortisation	(7,939)	(96,151)	(23,617)	(54,449)	(87,988)	-	(270,144)
Balance as at 31 December 2020	31,301	32,712	7,586	12,306	46,061	4,501	134,467

Notes on the main changes:

Land and buildings

The increases in the item relate, for Euro 1,123, to the remeasurement of the right of use as at 31 December 2020 of the lease contracts whose duration has changed, in particular to the renewal of the lease contract of the Travagliato plant.

Plant and machinery

The increases in plant and machinery in 2020, equal to Euro 3,642 thousand, mainly concern the north-west area (Euro 1,043 thousand), the purchase of reading portals for the S. Orsola contract (Euro 603 thousand), Castellina di Soragna (Euro 261 thousand).

The item also included reclassifications of Euro 1,570 thousand, relating primarily to the commissioning of plants and machinery in both the north-west area (Euro 1,142 thousand) and the sterilisation plant in Busto Arsizio (Euro 81 thousand).

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.

For the year ended 31 December 2020, the increases in investments in freely transferable assets, for Euro 168 thousand, mainly concern the redevelopment of properties where the leased production sites are located, while the reclassifications (Euro 713 thousand) entirely concern the commissioning of the sterilisation plant in Busto Arsizio.

Industrial and commercial equipment

The changes during the year ended 31 December 2020 present an increase of Euro 3,484 thousand, of which Euro 2,188 thousand for the purchase of surgical instruments and Euro 1,296 thousand for the purchase of industrial equipment.

Other assets

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Linens and mattresses	43,551	35,936
Furniture and fixtures	225	271
Electronic machinery	1,270	1,362
Cars	9	12
Motor vehicles	219	247
Telephone switchboards	30	50
Rights to use motor vehicles	757	817
0 Total Other assets	46,061	38,695

The purchases carried out during the year were related to linen for a total of Euro 32,843 thousand. The latter are necessary for an increasingly efficient management of the warehouse, both for the new contracts acquired during 2020 and for the renewal of existing contracts.

The item increases is shown net of the tax credit for capital goods under Law 160/2019 recognized for purchases of capital goods made in 2020.

The Company sold linen, generating a capital gain of Euro 539 thousand. Furthermore, the value of the linen and mattresses completely amortised, for a total of Euro 21.939 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 2020:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Sterilisation centre investments	1,096	1,239
Laundering facility investments	1,274	890

Investments on contracts	2,131	2,117
Total	4,501	4,246

Increases in investments on contracts during 2020 amounted to Euro 1,838 thousand, while investments in laundering facilities were up by Euro 584 thousand. Both primarily regarded the supply and upgrading of plants and machinery for the washing line. Decreases during the year primarily regarded the reclassification of works at the sterilisation centre of Busto Arsizio for Euro 1,065 thousand.

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

6.2 Intangible assets

This item changed as follows:

(thousands of Euros)	Trademarks, software, patents and intellectual property rights	Customer contracts portfolio	Other intangible assets	Assets under construction and payments on account	Total
Historical cost	4,444	7,028	-	226	11,698
Accumulated amortisation	(4,048)	(4,044)	-	-	(8,092)
Balance as at 1 January 2019	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
Increases	499	-	547	29	1,075
Decreases	-	-	-	-	-
Amortisation	(600)	(332)	(274)	-	(1,206)
Impairments (reinstatements)	-	-	-	-	-
Reclassifications	162	-	-	(162)	-
Balance as at 31 December 2020	1,212	2,239	273	120	3,844
Historical cost	6,160	7,028	547	120	13,855
Accumulated amortisation	(4,948)	(4,789)	(274)	-	(10,011)
Balance as at 31 December 2020	1,212	2,239	273	120	3,844

The increase in intangible assets is essentially due to the accounting of the non-compete agreement stipulated with the previous CEO for a total of Euro 547 thousand. This amount is amortised using the pro rata temporis method based on the duration of the agreement which expires on 7 January 2022.

The increase in the item "Trademarks, Software and Patents and intellectual property rights" refers to investments in software.

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 2019	Increases	Decreases	Impairment	as at 31 December 2020
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 2021-2025 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 1.35% 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 5.79% (5.51% 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 0.88 percentage points or (ii) a 6.35% increase in the WACC or (iii) an 9.30% 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.

It should also be noted that the management has taken into consideration and evaluated in the preparation of the impairment test Consob warning no. 8/20 of 16 July 2020 and no. 1/21 of 16 February 2021 on financial reporting and Covid-19 as well as the recommendations provided by ESMA in the public statement “Implications of the COVID-19 outbreak on the half-yearly financial Reports” of 20 May 2020 and “European common enforcement priorities for 2020 annual financial report” of 28 October 2020.

With reference to 31 December 2020 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 2020	Revaluations(Write-downs)	Increases	Decreases	Change in translation reserve	31 December 2020
S. Martino 2000 S.c.r.l.	6	-	-	-	-	6
Steritek S.p.A.	3,493	314	-	(146)	-	3,661
SRI Empreendimentos e Participacoes Ltda	35,515	917	5,303	-	(11,799)	29,936
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	12,505	56	-	(155)	(3,316)	9,090
Wash Service S.r.l.	4,842	(116)	-	-	-	4,726
Ekolav S.r.l.	1,171	119	-	-	-	1,290
Total	57,532	1,290	5,303	(301)	(15,115)	48,709

The increases recorded during the year mainly concern share capital increases paid in full by the Company of Euro 4,600 thousand in favour of SRI Empreendimentos e Participacoes Ltda.

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 6,454 thousand;
- Ankateks Turizm inşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi: Euro 7,517 thousand;
- Steritek S.p.A.: Euro 2,121 thousand;
- Wash Service S.r.l.: 3,368 thousand;
- Ekolav S.r.l.: 935 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 2021-2025 period.

The terminal value is determined by applying a perpetual growth factor of 1.35% for the Steritek, Wash Service and Ekolav CGUs, 3.25% 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 5.79%, 9.47% for the Brazil CGU and 16.61% 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 2020 is provided below:

Company name	Registered office	Currency	Share capital	% interest % interest 2020	% interest 2019
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	210,828	100.0%	100.0%
Lavsim Higienização Têxtil S.A. ^(*)	São Roque, São Paulo (Brazil)	BRL	22,930	100.0%	100.0%
Maxlav Lavanderia Especializada S.A. ^(*)	Jaguariúna, State of São Paulo (Brazil)	BRL	2,825	100.0%	65.1%
Vida Lavanderias Especializada S.A. ^(*)	Santana de Parnaíba, State of São Paulo (Brazil)	BRL	3,600	100.0%	65.1%
Aqualav Serviços De Higienização Ltda ^(*)	Vila Idalina, Poá, State of São Paulo (Brazil)	BRL	15,400	100.0%	100.0%
Ankateks Turizm Insaat 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%

Wash Service S.r.l.	Castellina di Soragna (Parma, Italy)	EUR	10	90%	90%
Ekolav S.r.l.	Lastra a Signa (Firenze)	EUR	100	100%	100%

^(*) 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	1,822	5,902	-	7,714	6,549	(6,549)	-
Steritek S.p.A.	EUR	2,200	255	2,883	375	563	3,124	(2,675)	449
SRI Empreendimentos e Participações LTDA	BRL	219,534	199,034	27,501	-	7,001	7,365	(3,034)	4,331
Lavsim Higienização Têxtil S.A.	BRL	35,820	58,150	17,377	23,142	16,565	53,263	(52,590)	673
Maxlav Lavanderia Especializada S.A.	BRL	4,975	28,312	15,915	22,656	16,596	52,738	(50,889)	1,849
Vida Lavanderias Especializada S.A.	BRL	3,307	6,938	2,196	1,330	4,498	17,656	(17,231)	425
Aqualav Serviços De Higienização Ltda	BRL	11,225	39,460	17,398	35,386	10,247	37,088	(35,488)	1,600
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi Ve	TRY	25,382	43,858	46,640	11,145	53,971	40,436	(39,890)	546
Ergülteks Temizlik Tekstil Ltd. Sti.	TRY	2,866	9,496	13,932	4,074	16,488	17,950	(17,464)	486
Wash Service S.r.l.	EUR	1,510	3,120	3,830	1,994	3,446	7,870	(7,999)	(129)
Ekolav S.r.l.	EUR	355	3,881	1,995	2,605	2,916	4,325	(4,206)	119

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 2020	as at 31 December 2019
Equity investments in associates, joint ventures	25,803	26,667
Equity investments in other companies	3,015	3,677
Total	28,818	30,344

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 1,060 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. 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 2021-2025 period. The terminal value was determined by applying a perpetual growth factor of 4.04% to the operating cash flow relating to the last year of the plan appropriately normalised. The rate used to discount the cash flows is 10.11% and includes, on a prudent basis, an execution risk of 1.0%, 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).

The increases in this item are mainly due to the share capital increases carried out in favour of the jointly controlled companies Shubhram Hospital Solutions Private Limited for Euro 375 thousand and Finanza e Progetti S.p.A. for Euro 210 thousand.

It should also be noted that, on 1 December 2020, 25% of the company IDSMED Servizi Pte Limited was sold. Limited in favour of the majority shareholders. Against a consideration of 1 SGD, the Company recognized a capital loss of Euro 322 thousand and classified the remaining value, equal to 5% of the shares held, under the item "Other equity investments". In line with the provisions of IFRS 9, the remaining 5% was measured at fair value, comparable to the transactional value with which the parties concluded the sale of 25% of the above shares, i.e. EUR 0.12.

The analyses carried out by management, taking into account the future prospects of these equity investments, the contracts in the portfolio and the nature of the business, did not reveal any further indicators of impairment.

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

(thousands of Euros)	1 January 2020	Increases	Impairments/ Decreases	31 December 2020
Finanza & Progetti S.p.A.	8,320	210	-	8,530
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
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.	1,317	-	-	1,317
Shubhram Hospital Solutions Private Limited	1,330	375	(1,060)	645
Sanitary Cleaning Sh.p.k.	1,300	-	-	1,300
IDSMED Servizi Pte. Limited	386	-	(386)	-
StirApp S.r.l.	551	-	-	551
Total	26,668	585	(1,449)	25,803

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 2020 is provided below:

Company name	Registered office	Currency	Share capital	% interest 2020	% interest 2019
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 (Cuneo) - 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% ⁽¹⁾	30% ⁽¹⁾
SAS Sterilizasyon Servisleri A.S.	Istanbul - Turkey	TRY	13,517	51%	51%
Shubhram Hospital Solutions Private Ltd.	New Delhi - India	INR	350,000	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%	25%

(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	14,988	18,488	7,756	-	11,256	19,318	(20,374)	(1,056)
Saniservice Sh.p.k.	LEK	(42,932)	1,994,871	423,397	1,082,359	1,378,841	1,043,488	(1,236,721)	(193,233)

Shubhram Hospital Solutions Private Limited	INR	(350,814)	744,747	308,447	654,960	749,048	340,377	(563,360)	(222,983)
Finanza & Progetti S.p.A.	EUR	15,191	58,819	17,355	153	60,830	39,149	(35,064)	4,085
Arezzo Servizi S.c.r.l.	EUR	10	325	1,232	135	1,412	2,321	(2,321)	-
PSIS S.r.l.	EUR	7,324	17,410	2,695	1,553	11,228	7,561	(8,197)	(636)
Steril Piemonte S.c.r.l.	EUR	3,945	2,827	1,717	-	599	1,736	(1,736)	-
AMG S.r.l.	EUR	2,665	1,530	2,419	644	640	3,833	(3,644)	189
Iniziativa Produttive Piemontesi S.r.l.	EUR	1,573	481	3,811	337	2,382	3,875	(3,933)	(58)
Brixia S.r.l.	EUR	48	-	4,405	-	4,357	19,040	(19,033)	7
Servizi Sanitari Integrati Marocco S.a.r.l.	MAD	2,014	500	1,597	-	83	468	(34)	434
Piemonte Servizi Sanitari s.c.r.l.	EUR	10	1,433	1,667	-	3,090	1,352	(1,352)	-
Sanitary Cleaning Sh.p.k.	LEK	73,611	18,896	77,408	7,930	14,763	154,772	(132,591)	22,181
StirApp S.r.l.	EUR	122	396	174	296	152	174	(527)	(353)

Equity investments in other companies underwent the following changes:

(thousands of Euros)	1 January 2020	Increases	Impairments/ Decreases	31 December 2020
Asolo Hospital Service S.p.A.	464	-	(398)	66
Prosa S.p.A.	462	-	-	462
PROG.ESTE S.p.A.	1,212	-	-	1,212
Progeni S.p.A.	380	-	(304)	76
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.	-	-	-	-
Other	32	40	-	72
Total	3,677	40	(702)	3,015

The item includes decreases relating to Asolo Hospital Service S.p.A. for Euro 398 thousand and Pro.ge.ni. S.p.A. for Euro 304 thousand, both relating to the partial sale of the shares, with the realisation of capital gains of Euro 930 thousand and Euro 325 thousand, respectively.

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 2020:

(thousands of Euros)	Registered office	Assets	Liabilities	Revenues	Profit/ (Loss)	Interest of equity investment
Asolo Hospital Service S.p.A.	Asolo (Treviso)	106,757	96,939	39,734	1260	1.0%
Prosa S.p.A.	Carpi (Modena)	7,678	1,947	1,586	719	13.20%
Progeni S.p.A.	Milan	262,692	262,356	46,812	886	0.76%
Sesamo S.p.A.	Carpi (Modena)	32,909	23,245	18,611	1,468	12.17%
Prog.este. S.p.A.	Carpi (Modena)	211,118	208,317	37,451	531	10.14%

6.6 Non-current financial receivables

The item in question changed as follows in 2020:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Sesamo S.p.A.	-	353
Psis S.r.l.	158	-
Progeni S.p.A.	-	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.	20	46
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	-	149
Arena Sanità S.p.A.	261	317
IDSMED Servizi Pte	360	-
Skopster DOO Skopje	162	-
Syncon S.p.A.	169	346
Total	5,663	6,726

Financial receivables refer to the interest-bearing loans granted to the companies 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 3.7% 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 31 December 2031, 30 June 2031, 20 August 2032, 31 July 2044 respectively), as well as the loans granted to the company Futura S.r.l. (expiring on 30 June 2040) and to investee companies Saniservice Sh.p.K. and Piemonte Servizi Sanitari S.c.r.l. The loans granted to Arena Sanità S.p.A. and Futura S.r.l. were partly repaid, while the loans to Sesamo S.r.l. and Progeni S.p.A. were fully repaid following repayments in 2020. The loan to the Turkish subsidiary Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve was fully reclassified with a short-term maturity. It should be noted that, following the definition of a guaranteed minimum price related to the right of sale pertaining to Servizi Italia (as well as the right to purchase pertaining to the majority shareholder) in reference to 5% of the shares held in the company IDSMED Servizi Pte, a fair value of Euro 360 thousand was recorded. The exercise of the right of sale, estimated as highly probable, is expected in December 2023.

6.7 Deferred tax assets

This item changed as follows:

(thousands of Euros)	Leasing contracts	Property, plant and equipme nt	Employee benefits	Previous tax losses/"AC E" corporate income tax deduction	Other costs with deferred deductibility	Total
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
Changes recognised in the income statement	102	(291)	(17)	3,332	11	3,154
Changes recognised in other comprehensive income	-	-	37	-	-	37
Deferred taxes as at 31 December 2020	225	618	221	5,160	886	7,110

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 2020	as at 31 December 2019
Substitute tax Italian D.L. 185/2008 subsequent years	2,643	3,354
Receivables for IRES reimbursement request pursuant to Art. 2, par.1-quater Italian Decree Law no. 201/2011	175	175
Total	2,818	3,529

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 2020	as at 31 December 2019
Due from third parties	43,109	51,831
Due from subsidiaries	7,664	6,088
Due from associates and joint ventures	4,351	3,114
Due from parent company	97	119
Receivables from companies under the control of the parent companies	79	8
Total	55,300	61,160

Trade receivables are shown net of bad debt provisions, equal to Euro 5,645 thousand as at 31 December 2020 and Euro 6,227 thousand as at 31 December 2019.

Trade receivables due from third parties

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Due from customers	48,755	58,058
Bad debt provision	(5,645)	(6,227)
Total	43,109	51,831

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 46,346 thousand, in exchange for a consideration equal to Euro 46,248 thousand;
- trade receivables were assigned without recourse to Unicredit Factoring S.p.A. for a total of Euro 47,731 thousand, in exchange for a consideration equal to Euro 47,642 thousand.

Bad debt provisions in 2020 and in 2019 changed as follows:

<i>(thousands of Euros)</i>	
Balance as at 1 January 2019	6,240
Utilisations	(122)
Adjustments	(175)
Provisions	284
Balance as at 31 December 2019	6,227
Utilisations	(815)
Adjustments	(186)
Provisions	419
Balance as at 31 December 2020	5,645

Please note that uses refer primarily to default interest previously written down and collected during the 2020 financial year.

Trade receivables due from subsidiaries

Trade receivables as at 31 December 2020 equal to Euro 7,664 thousand mainly included trade receivables from subsidiaries San Martino 2000 S.c.r.l. for Euro 6,355 thousand, SRI Empreendimentos e Participacoes LTDA for Euro 989 thousand, Ekolav S.r.l. for Euro 114 thousand and Ankateks Turizm Insaat Tekstil Temislene Sanayi Ve for Euro 133 thousand, Wash Services S.r.l. for Euro 38 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 2020 of trade receivables due from associates and jointly controlled companies, equal to Euro 4,351 thousand, consists of trade receivables mainly from the companies Brixia S.r.l. for Euro 417 thousand and Saniservice Sh.p.k. for Euro 2,060 thousand.

Furthermore, there is a credit balance due from the parent company Coopervice Soc.Coop. p.A. for Euro 97 thousand and a balance of Euro 79 thousand from companies under the control of parent companies.

6.11 Current tax receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Current tax receivables	1,903	1,899
Current tax payables	-	-
Total	1,903	1,899

This item predominantly comprises the excess IRES and IRAP credit.

6.12 Current financial receivables

The item in question changed as follows in 2020:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Asolo Hospital Service S.p.A.	251	1,748
P.S.I.S. S.r.l.	3,841	3,843
Ekolav S.r.l.	1,138	1,129
Arezzo Servizi S.c.r.l.	402	403
Steril Piemonte S.c.r.l.	-	-
Iniziative Produttive Piemontesi S.r.l.	90	90
Gesteam S.r.l.	325	312
Saniservice Sh.p.k.	880	983
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	418	380
Other	670	302
Total	8,015	9,190

Financial receivables are for loans granted to the companies indicated above, which are due within the year or repayable on demand. The decrease compared to 31 December 2019 is mainly due to the partial sale of the loan granted to Asolo Hospital Service S.p.A. together with the partial sale of its equity investment.

6.13 Other current assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Due from others	6,010	4,983
Deferred income	1,166	1,124
Guarantee deposits receivable	213	212
Total	7,389	6,319

Guarantee deposits receivable essentially relate to utilities and rentals. The item due from others mainly includes amounts receivable from INPS for welfare support and tax bonus, under Italian Decree Law 66/2014 for Euro 194 thousand and VAT receivables for Euro 4,573 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:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Bank and postal deposits	978	2,131
Cheques	-	3
Cash in hand	18	28
Total	996	2,162

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 2020, the Company purchased 676,249 treasury shares for Euro 1,645 thousand, equal to 2.13% of the share capital with an average purchase price of Euro 2.43 per share. Following these transactions, the Company held 1,550,460 treasury shares equal to 4.87% of the share capital as at 31 December 2020. Their nominal amount as at 31 December 2020, of Euro 4,609 thousand, was classified as a decrease to share capital for their nominal value, equal to Euro 1,550 thousand, and the value exceeding the nominal amount, totalling Euro 3,059 thousand, was recognised as a reduction in the share premium reserve.

There was also a negative effect, referred to the financial year, for Euro 15,115 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 (for Euro 11,799 thousand) and the Turkish Lira (for Euro 3,316 thousand).

The Other reserves increased due to the allocation of the 2019 profit of the Company as per the resolution of the shareholders' meeting held on 28 April 2020, along with the payment of dividends for Euro 4,280 thousand equating to 14 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	30,258	-	-	-
Share premium reserve	50,229	A, B, C	50,229	50,229
Legal reserve	6,617	B	6,617	566
Other reserves	31,411	A, B, C	31,411	30,473
Total share capital and reserves	118,515		100,071	93,480
Profit (loss) for the year	2,586			
Total Shareholders' Equity	121,101			

- (1)
- A: for capital increase
 - B: to hedge losses
 - C: for distribution to shareholders

Other reserves include Retained earnings for Euro 63,682 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 32,273 thousand. Retained earnings include the reserve for equity-accounted investments for Euro 2,731 thousand. Pursuant Art. 2426, Par. 1(4), Italian Civil Code, these cannot be distributed until the realisation. This reserve refers for Euro 1,793 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 10,662 thousand), and for Euro 388 thousand to the reinstatement of the equity investment in Steritek S.p.A. reported therefore as non-distributable portion and for Euro 550 to the revaluation of the equity investment due to the effect of the step up of Ekolav S.r.l.. Due to the distribution of dividends in 2020 by Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve (equal to Euro 155 thousand) and Steritek S.p.A. (equal to Euro 146 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 2020			as at 31 December 2019		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowing	72,607	24,685	97,292	59,715	34,920	94,635
Payables due to other lenders	2,583	26,172	28,755	2,673	27,357	30,030
Total	75,190	50,857	126,047	62,388	62,277	124,665

Bank borrowing

The portion of the payable falling due within 12 months relating to the item Due to banks as at 31 December 2020 presents an increase with respect to 31 December 2019 of Euro 12,892 thousand. This increase was primarily caused by 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 2020 fell with respect to 31 December 2019 by Euro 10,235 thousand. This decrease is related to the reclassification to short-term of the loan instalments due within the subsequent 12 months and to the stipulation of a new unsecured loan with Banca Unicredit S.p.A. for Euro 12,000 thousand (residual borrowing due after 12 months equal to Euro 8,000 thousand) aimed at maintaining a proper balance between short and medium-term debt.

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	< 2.0	< 3.0
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 2020, all covenants had been met.

Amounts due to banks are shown below by maturity:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Maturity less than or equal to 6 months	61,484	50,612
Maturity between 6 and 12 months	11,123	9,103
Maturity between 1 and 5 years	24,685	34,920
More than 5 years	-	-
Total	97,292	94,635

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

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
1 to 2 years	16,927	18,235
Maturity between 2 and 5 years	7,758	16,685
More than 5 years	-	-
Total	24,685	34,920

The average effective interest rates as at 31 December 2020 were as follows:

	as at 31 December 2020	as at 31 December 2019
Advances on invoices	0.36%	0.31%
Bank loan	0.73%	0.77%

Payables due to other lenders

Payables to other lenders are broken down by maturity below:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Maturity less than or equal to 6 months	1,784	1,968
Maturity between 6 and 12 months	799	706
Maturity between 1 and 5 years	9,539	8,751
More than 5 years	16,633	18,605
Total	28,755	30,030

The decrease compared to the prior year is due to the reduction in 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	Goodwill	Equity investments	Total
Deferred tax liabilities as at 1 January 2019	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
Changes recognised in the income statement	-	(8)	52	89	133

<i>(thousands of Euros)</i>	Leasing	Property, plant and equipment	Goodwill	Equity investments	Total
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred tax liabilities as at 31 December 2020	-	290	1,647	89	2,026

6.18 Employee benefits

This item changed as follows:

<i>(thousands of Euros)</i>	2020	2019
Opening balance	9,167	9,823
Incorporations	-	-
Provision	5	(256)
Financial expenses	31	98
Actuarial (gains)/losses	229	199
Transfers (to)/from other provisions (Benefits paid)	(1,049)	(697)
Reclassifications	-	-
Closing balance	8,383	9,167

The item mainly includes the Provision for Employee Severance Indemnity recognised to the employees of the Company and identified as a defined benefit plan. Employee benefits were reclassified under current liabilities for Euro 67 thousand for the portion of the employee severance indemnity accrued as at 31 December 2020 to employees of the Podenzano production site, amounts paid in February following the closure process of the plant.

The item "uses" also includes the indemnity for termination of office accrued by the CEO for Euro 500 thousand as at 31 December 2019; which was released to the income statement in 2020 following the resignation on 7 January 2020.

Financial hypotheses adopted

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

	2020	2019
Technical annual discounting back rate	-0.02%	0.37%
Annual inflation rate	1.00%	1.00%
Annual growth rate of the severance indemnity	2.25%	2.25%

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.

<i>(thousands of Euros)</i>	Discount rate		Inflation rate		Duration	
	+0.50%	-0.50%	+0.25%	-0.25%	+1 year	-1 year
Change in liabilities	-283	+300	+83	-82	+154	-131

6.19 Provisions for risks and charges

The following changes were reported for the item in question:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Opening balance	2,568	-
Provisions	1,387	2,568
Payments/resolutions	(1,453)	-
Other changes	-	-
Closing balance	2,502	2,568

The provision for risks went from Euro 2,568 thousand as at 31 December 2019 to Euro 2,502 thousand as at 31 December 2020. A provision of Euro 458 thousand and a use of Euro 1,611 were recorded, net of financial charges for the period related to the discounting back of estimated losses of Euro 158 thousand, representing the outcome of estimates made on onerous contracts.

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, 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 935 thousand of the amount allocated is envisaged in 2021, consequently reclassified to current liabilities, with full use of the provisions expected within 2025. Provisions of Euro 341 thousand for legal disputes and Euro 588 thousand relating to costs to be incurred for the dismantling, restoration and scrapping of the set of assets referring to the Podenzano plant and the estimated settlement costs referring to employees, due to the planned cessation of activities at the production site. The provision allocated in 2021 is expected to be fully absorbed. In addition to the above, it should be noted that, with regard to what has already been indicated in the paragraph "Information on proceedings in progress", the Company, having carried out the appropriate checks, has decided not to make any provisions in the financial statements for the cases in question.

6.20 Other non-current financial liabilities

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Payables to Area S.r.l.	200	200
Payables to Wash Service S.r.l. shareholders	496	989
Total	696	1,189

The 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:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Due to suppliers	63,950	59,014
Payables to subsidiaries	6,642	1,939
Due to associates and joint ventures	2,303	2,212
Due to parent company	3,853	4,607
Payables to companies under the control of the parent companies	92	137
Total	76,840	67,909

Due to suppliers

The balance as at 31 December 2020 refers entirely to trade payables due within 12 months. The increase is mainly due to more favourable payment extensions granted by suppliers in 2020.

Payables to subsidiaries

The balance as at 31 December 2020 includes trade payables due within 12 months to the subsidiaries San Martino 2000 S.c.r.l. for Euro 4,977 thousand, Ekolav S.r.l. for Euro 1,040, Steritek S.p.A. for Euro 510 thousand and Wash Services S.r.l. for Euro 115 thousand.

Due to associates and joint ventures

The balance as at 31 December 2020 is composed mainly of trade payables due to the companies Steril Piemonte S.c.r.l. for Euro 635 thousand, AMG S.r.l. for Euro 510 thousand, Arezzo Servizi S.c.r.l. for Euro 534 thousand and Piemonte Servizi Sanitari S.c.r.l. for Euro 362 thousand and Iniziative Produttrici Piemontesi S.r.l. for Euro 220 thousand.

Due to parent company

Trade payables due to the parent company Coopservice S.Coop.p.A. amount to Euro 3,853 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 92 thousand to Archimede S.p.A.

6.22 Current tax payables

The balance as at 31 December 2020 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:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Payables to Area S.r.l.	-	300
Payables to Finanza e Progetti S.p.A.	1,770	2,460
Payables to Lavanderia Bolognini M&S S.r.l.	1,000	1,000
Payables to Wash Service S.r.l. shareholders	502	909
Total	3,272	4,669

The change in the item is related in particular to the balance of the payable for the payment of the deferred price to Area S.r.l. for the purchase of the equity investment in Brixia S.r.l., as well as the deferred payment of the purchase of the equity investment in Wash Service S.r.l. to the shareholders, as well as the decrease in the payable to Finanza & Progetti S.p.A. for the share capital increase, which as at 31 December 2020 amounted to Euro 1,770 thousand. The remaining amounts refer to the payable to Lavanderia Bolognini M&S S.r.l. for the purchase of the business unit of Euro 1,000 thousand.

6.24 Other current payables

The table below provides a breakdown of other current liabilities:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Deferred income and accrued expenses	188	141
Payables due to social security and welfare institutions	4,618	4,899
Other payables	10,294	11,497
Total	15,100	16,537

Payables due to social security and welfare institutions

Amounts due to social security and welfare institutions include contributions to INPS/INAIL/INPDAl (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:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Due to employees	7,207	8,676
Employee/professional IRPEF (personal income tax) payable	2,428	2,389
Other payables	659	432
Total	10,294	11,497

6.25 Financial guarantee contracts

The table below provides the details of the guarantees given by the Company as at 31 December 2020 and 31 December 2019:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
-----------------------------	------------------------	------------------------

Guarantees issued by banks and insurance companies for tenders	73,644	73,281
Guarantees issued by banks and insurance companies for lease agreements and utilities	667	667
Guarantees issued by banks and insurance companies in favour of third parties	43,392	43,253
Owned assets held by third parties	49	49
Pledge on Asolo Hospital Service S.p.A. shares given as loan guarantee	66	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	76	380
Pledge on Futura S.r.l. stake given as loan guarantee	89	89
Pledge on shares of Synchron Nuovo S.Gerardo	344	-
Total	119,776	119,632

The guarantees issued and the other commitments refer to:

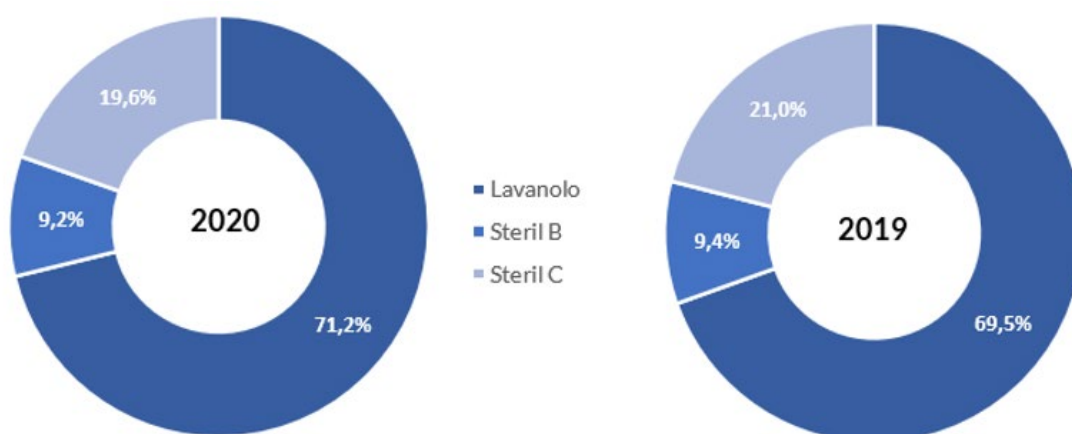
- Guarantees issued by banks and insurance companies for tenders: these were issued on behalf of the company in favour of customers or potential customers for participation in tenders, to guarantee the correct execution of the service.
- Guarantees issued by banks and insurance companies for lease agreements 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, Futura and Synchron Nuovo S. Gerardo 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 2020 and 31 December 2019 showed the following data and changes:

(thousands of Euros)	Year ended as at 31 December	
	2020	2019
Wash-hire	139,219	147,992
Steril B (Linen Sterilisation)	18,027	20,049
Steril C (Surgical Instruments Sterilisation)	38,328	44,770
Sales revenues	195,574	212,811



Revenues from wash-hire services (which in absolute terms represent 71.2% of total revenues) fell from Euro 147,992 thousand in 2019 to Euro 139,219 thousand in 2020 as the result of the drop in the volumes and prices of certain contracts recorded in Northern and Central Italy and the decline in the hotel segment as a result of the Covid-19 pandemic. The overall decrease was 5.9%.

Revenues from linen sterilisation services (steril B) (which account for 9.2% of total revenues) went from Euro 20,049 thousand in 2019 to Euro 18,027 thousand in 2020, with a decrease of 10.1% due to the termination of several contracts in the Friuli and Lombardia regions and the decrease in volumes due to the Covid-19 pandemic. The positive effect of the growth in disposable supplies should be noted on the line.

Revenues from surgical instrument sterilisation services (steril C) (which in absolute terms represent 19.6% of the Group's revenues) fell from Euro 44,770 thousand in 2019 to Euro 38,328 thousand in 2020, with a decrease of 14.4% mainly due to the decrease in surgical interventions related to the coronavirus emergency, positively offset by a gradual recovery in the third quarter of 2020 (+18.1%) and in the fourth quarter (+10.5%) compared to the loss recorded in the first quarter (-11.4%) and in the second quarter of 2020 (-19.2%).

7.2 Other income

Other income went from Euro 5,515 thousand as at 31 December 2019 to Euro 6,129 thousand as at 31 December 2020, as indicated below:

(thousands of Euros)	Year ended as at 31 December	
	2020	2019
Rental income	200	49
Capital gains from asset sale	696	309
Recovery costs pertaining to third parties	1,381	1,816
ATI income	1,561	1,463
Non-recurring income	360	725
Recovery costs and miscellaneous income	1,931	1,153
Sales revenues	6,129	5,515

The item recorded an increase deriving mainly from rental income, as well as the increase in the recovery of costs and sundry income as well as the realization of capital gains deriving from the sale of capital goods.

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 2020 are contained in the aforementioned Register.

In addition to these grants, we note the recognition of operating grants recognized as a result of the benefit of the credit for sanitation and purchase of personal protective equipment (PPE) of Euro 28 thousand, the advertising tax credit of Euro 5 thousand.

7.3 Raw materials and consumables

Consumption of raw materials, equal to Euro 22,728 thousand, increased with respect to the previous year (Euro 21,684 thousand in 2019). The increase in this item is mainly due to the purchase and consumption of disposables and personal protection equipment requested by customers and provided to employees in order to deal with the Covid-19 emergency.

7.4 Costs for services

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2020	2019
External laundering and other industrial services	22,799	21,086
Travel and transport	11,708	11,967
Utilities	9,380	10,433
Administrative costs	2,587	2,087
Consortium and sales costs	11,091	11,491
Personnel expense	1,007	1,955
Maintenance	6,529	6,932
Use of third-party assets	2,208	2,888
Other services	880	1,826
Total	68,189	70,665

The item Costs for services was down by 3.5% with respect to the same period of the previous year; its incidence on turnover was also down, by 1.7 percentage points.

The items that have the greatest impact are costs for third-party services, in particular the higher costs are linked to new customers in the Emilia-Romagna area, as well as external laundries services linked to the Covid-19 emergency.

In general, in 2020 there was a drop in personnel expenses, mainly due to the reduction in travel expenses caused by the Covid-19 emergency.

Costs for other services decreased compare to the previous year, as in 2019 the item included one-off costs relating to restoration of systems and recovery of data following the IT incident at the beginning of 2019.

Note that costs for the use of third-party assets recognised as at 31 December 2020, and 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	
	2020	2019
Costs for directors' fees	556	1,144
Salaries and wages	45,641	49,245
Temporary work	1,145	1,924
Social security charges	15,320	16,205
Employee severance indemnity	3,265	3,344
Other costs	232	257
Total	66,159	72,119

The item Personnel costs decreased from Euro 72,119 thousand as at 31 December 2019 to Euro 66,159 thousand as at 31 December 2020, recording a decrease of Euro 5,960 thousand. The following elements impacted the period:

- the management of personnel costs aimed at dealing with the effects of the contingent epidemic emergency situation, mainly by encouraging the use of holidays, leave and the use of social safety nets granted for the emergency (Wages Protection Fund);
- the release, following his resignation on 7 January 2020, of the end-of-term indemnity set aside in favour of the previous Chief Executive Officer for Euro 500 thousand;
- lower provisions related to the variable remuneration policy for the period.

There was also a decrease of Euro 779 thousand relating to the item Temporary work, which fell from Euro 1,924 thousand as at 31 December 2019 to Euro 1,145 thousand as at 31 December 2020, mainly relating to the Arco di Trento plant. The item wages and salaries also includes the release of the provision for onerous contracts of Euro 709 thousand.

The table below shows the average composition of workforce:

	Average number of employees	
	2020	2019
Executives	12	11
Middle managers	33	30
White-collar staff	172	179
Blue-collar staff	1,725	1,762
Total	1,942	1,982

7.6 Other costs

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2020	2019
Tax-related expense	204	218
Contingent liabilities	62	14
Membership fees	220	212
Gifts to customers and employees	112	133
Other	830	685
Total	1,428	1,262

The item Other costs was down slightly by Euro 166 thousand in absolute terms 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	
	2020	2019
Amortisation of intangible assets	1,206	959
Depreciation of property, plant and equipment	41,426	39,803
Impairment and provisions	321	611
Provision for risks	601	2,568
Total	43,554	43,941

The item Amortization, depreciation and write-downs recorded a decrease compared to the same period of the previous year of € 387 thousand, from € 43,941 thousand as at 31 December 2019 to € 43,554 thousand as at 31 December 2020. It should be noted that part of the effect of the change is mainly due to the revision of the estimated useful life of some of the Company's classes of linen made starting from the annual financial statements as at 31 December 2019, to which reference is made for adequate information on this matter. The item Write-downs and provisions includes allocations of Euro 143 thousand relating to the write-down of assets pertaining to the Podenzano plant following the planned cessation of activities at the production site. In addition, note the provision recorded for onerous contracts in 2020 of Euro 458 thousand (Euro 2,568 thousand in 2019).

7.8 Financial income

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2020	2019
Bank interest income	-	-
Default interest	574	845

Interest income on loans to third-party companies	595	670
Net exchange rate earnings	-	-
Other financial income	519	128
Total	1,689	1,643

Default interest accrues as a result of the delays in payment by some private customers. The decrease in default interest compared to 2019 is mainly due to the improvement in the average days of collection of trade receivables. Interest income on loans to third companies was basically in line with the financial receivables against which it accrues.

Other financial income includes the recognition of the fair value associated with the right of the Company to sell the residual 5% of the shares held in IdsMed Serviziplus PTE LTD as of 1 December 2023.

7.9 Financial expenses

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2020	2019
Interest expense and bank fees	629	768
Interest expense for leasing	1,634	1,687
Interest and expense to other lenders	211	186
Financial expense on employee benefits	31	98
Net exchange rate losses	174	46
Other financial expenses	645	15
Total	3,324	2,800

The increase in the item is mainly due to the recognition of the capital loss of Euro 322 thousand deriving from the sale of a shareholding in IdsMed Serviziplus PTE LTD. 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 2020 from associates and other companies for Euro 903 thousand. More specifically, Euro 816 thousand were collected from Sesamo S.p.A., Euro 54 thousand from the joint venture AMG S.r.l., Euro 32 thousand from Asolo Hospital Service S.p.A. and Euro 2 thousand from other companies. Also worthy of note are the capital gains related to the partial sales of the shares of Asolo Hospital Service S.p.A. (Euro 930 thousand) and Pro.ge.ni. S.p.A. (Euro 325 thousand).

7.11 Income taxes

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2020	2019
Current taxes	750	1,310
Deferred tax liabilities/(assets)	(3,003)	(1,747)
Total	(2,253)	(437)

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

(thousands of Euros)	2020	2019
----------------------	------	------

IRES (company earnings tax) reconciliation		
Profit before tax from Income statement	333	7,583
Theoretical taxes (24%)	80	1,820
Tax effects of the permanent differences:		
on increases	2,090	577
on decreases	(7,882)	(4,026)
foreign taxes	-	10
substitute taxes	750	801
Total effective IRES taxes	(4,962)	(818)
IRAP (regional business tax)	-	381
Total effective taxes	(4,962)	(437)

The 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-depreciation and hyper-amortisation) and the corporate income tax deduction “ACE” which are recoverable from taxable income forecast 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 2020 are presented below:

(thousands of Euros)

31-dic-20

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	Financial expenses	Income from equity investments
Coopservice S.Coop.p.A. (parent company)	66	85	11,271	-	-	5	-	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	2,841	779	3,924	-	-	-	-	-	-
Steritek S.p.A. (subsidiary)	-	69	337	-	-	-	-	-	146
Ankateks Turizm Insaat Tekstil Temizleme Sanayi VE (subsidiary)	-	-	-	-	-	-	34	-	155
SRI Empreendimentos e Participacoes LTDA (subsidiary)	-	-	-	-	-	-	-	-	-
Ekolav S.r.l. (subsidiary)	61	-	2,405	-	79	-	10	-	-
Wash Service S.r.l. (subsidiary)	1	64	285	-	-	-	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-	-	-
Arezzo Servizi S.c.r.l. (joint control)	25	8	1,091	-	-	-	2	-	-
Psis S.r.l. (joint control)	158	117	4	-	14	-	41	-	-
Amg S.r.l. (joint control)	-	72	598	-	-	-	-	-	54
Steril Piemonte S.c.r.l. (joint control)	11	192	868	-	1	-	-	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	102	406	-	-	-	-	-	-
Iniziativa Produttive Piemontesi S.r.l. (associate)	-	113	261	-	-	-	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (joint control)	-	4	-	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (joint control)	-	-	-	-	-	-	-	-	-
Sanitary cleaning Sh.p.k. (joint control)	-	-	-	-	-	-	-	-	-
Saniservice Sh.p.k. (joint control)	157	120	-	-	-	-	611	-	-
Servizi Sanitari Integrati Marocco S.a.r.l. (joint control)	-	-	-	-	-	-	-	-	-
Finanza & Progetti S.p.A. (joint control)	-	49	-	-	-	-	-	-	-
Brixia S.r.l. (associate)	3,428	-	37	-	-	23	-	-	-
IdsMed Serviziplus PTE LTD. (joint control)	-	104	-	-	-	-	-	-	-
Focus S.p.A. (affiliated)	-	-	2,822	-	-	14	-	1,413	-
Archimede S.p.A. (affiliated)	-	-	1	521	-	-	-	-	-
New Fleur S.r.l. (affiliated)	47	220	839	-	-	-	-	-	-
Ospedal Grando S.p.A. (related party)	7,971	44	10	-	-	-	-	-	-
Total	14,766	2,142	25,159	521	94	42	698	1,413	355

(thousands of Euros)

31-dic-20

Statement of financial position	Amount of trade receivables	Amount of trade payables	Amount of financial receivables	Value of rights of use	Amount of financial payables	Amount of other liabilities
Coopservice S.Coop.p.A. (parent company)	97	3,853	-	-	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	6,355	4,977	-	-	10	-
Steritek S.p.A. (subsidiary)	20	510	-	-	-	-
Ankateks Turizm Insaat Tekstil Temizleme Sanayi VE (subsidiary)	-	-	418	-	-	-
SRI Empreendimentos e Participacoes LTDA (subsidiary)	-	-	-	-	-	-
Ekolav S.r.l. (subsidiary)	114	1,040	1,138	-	-	-
Wash Service S.r.l. (subsidiary)	38	115	-	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-
Arezzo Servizi S.c.r.l. (joint control)	7	534	402	-	-	-
Psis S.r.l. (joint control)	187	5	3,841	-	-	-
Amg S.r.l. (joint control)	15	510	-	-	-	-
Steril Piemonte S.c.r.l. (joint control)	147	635	-	-	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	94	362	158	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	112	220	90	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (joint control)	4	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (joint control)	-	-	-	-	-	-
Sanitary cleaning Sh.p.k. (joint control)	-	-	-	-	-	-
Saniservice Sh.p.k. (joint control)	2,060	-	4,880	-	-	-
Servizi Sanitari Integrati Marocco S.a.r.l. (joint control)	-	-	-	-	-	-
Finanza & Progetti S.p.A. (joint control)	281	-	-	-	1,770	-
Brixia S.r.l. (associate)	417	35	-	-	-	-
IdsMed Serviziplus PTE LTD. (joint control)	49	-	-	-	-	-
Focus S.p.A. (affiliated)	62	-	-	22,632	23,738	-
Archimede S.p.A. (affiliated)	-	91	-	-	-	-
New Fleur S.r.l. (affiliated)	267	508	-	-	-	-
Ospedal Grando S.p.A. (related party)	2,311	13	-	-	-	-
Total	12,637	13,408	10,927	22,632	25,518	-

Aside from the figures shown above, as at 31 December 2020, transactions with related parties included directors' fees for Euro 597 thousand and executive personnel expense for Euro 2,131 thousand. As at 31 December 2019, director fees were equal to Euro 1,201 thousand and executive personnel expense for Euro 2,056 thousand.

The main economic and financial relations with related companies in 2020 were the following:

Coopservice S.Coop.p.A.

Revenues from sales and the associated trade receivables as at 31 December 2020 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 2020, 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. San Martino in Genoa University. By contrast, purchase costs and the related trade payables regard the charge-back of costs incurred by the Consortium, which are divided amongst the shareholders on the basis of their shareholdings.

Steritek S.p.A.

As at 31 December 2020, 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 Insaat Tekstil Temizleme Sanayi VE

At 31 December 2020, 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 418 thousand.

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

As at 31 December 2020, 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 AUSL. 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 2020, 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 3.841 thousand to support current investments.

AMG S.r.l.

At the end of 2020, financial transactions were mainly for external laundering services at the ASL of Asti, Casale Monferrato, and the ASL Turin 3, while 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 2020, 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.

Iniziativa Produttive Piemontesi S.r.l.

As at 31 December 2020, revenues from the sale of goods and services to Iniziativa 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 2020, 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 4,880 thousand.

Finanza & Progetti S.p.A.

As at 31 December 2020, the value of other liabilities was related to the future share capital increase subscribed and not yet paid, equal to Euro 1,770 thousand.

Brixia S.r.l.

As at 31 December 2020, 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 (Parma), Montecchio Precalcino (Vicenza), Ariccia (Rome) and Genova Bolzaneto (Genoa) properties. In 2020, the total consideration for leased properties amounted to Euro 2,822 thousand.

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

With reference to the development in Castellina di Soragna (Parma), which includes manufacturing facilities and headquarters, a new lease agreement was concluded in January 2019, of the duration of twelve years renewable for another six.

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.

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 28 April 2020, upon revocation of the authorisation to purchase and dispose of treasury shares resolved on 30 May 2019 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 28 April, 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 28 April 2020 - 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 28 April 2020, purchases 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, paragraph 2, letter b) of Delegated Regulation EU 2016/1052, and in accordance with the principle of equality of treatment of Shareholders and 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 28 April 2020 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 2020, the number of treasury shares in the portfolio amounted in total to 1,550,460 shares, corresponding to 4.87% 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 Consolidated Law on Finance for the 2020 financial year.

12 Payment plans based on financial instruments

As at 31 December 2020, 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.	96,965
Audit service	Deloitte & Touche S.p.A	Subsidiaries	48,839
Audit service	Deloitte & Touche S.p.A. network	Subsidiaries	55,386
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.	30,000
Advisory services	Deloitte & Touche S.p.A. network	Subsidiaries/associates	-
Advisory services	Deloitte & Touche S.p.A. network	Subsidiaries/associates	-
Total			195,690

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 3 February 2021, in line with the redistribution of volumes in order to achieve greater saturation of the production capacity of the sites in the north-west area, production activities at the plant located in Podenzano (PC) ceased.

On 26 February 2021, the Company announced that it had signed the closing relating to the sale to AlSCO Italia S.r.l. of the workwear business unit (the "Business Unit"), a preliminary disclosure to the market at the time of signing on 28 January. 2021. The agreement took effect on 1 March 2021 and provides for:

- the sale by Servizi Italia to AlSCO Italia S.r.l. of the Business Unit that includes in particular the workwear sector customer portfolio, the Barbariga (BS) plant and related property, the contractual relationships with the workwear sector employees and related payables, plant, machinery, equipment and other operating assets relating to the workwear, workwear linen and textiles sector and the Business Unit's commercial goodwill;
- the start of a four-year non-compete agreement between the parties.

The payment of the price, defined on the basis of the valuation of the Business Unit's components and envisaged as a minimum of Euro 9.0 million, was broken down as follows: (i) Euro 7.978 million already collected; (ii) the remainder within 30 days from the closing date.

As at 5 March 2021, the Company had acquired a total of 1,657,760 treasury shares on the market regulated and managed by Borsa Italiana S.p.A., equal to 5.21% 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 2,586,270, as follows:

- Euro 1,406,216 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 301,366 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 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, 15 March 2021

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 Angelo Minotta, in his 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 2020.

It is also hereby stated that the separate financial statements as at 31 December 2020:

- 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
Angelo Minotta

INDEPENDENT AUDITORS' REPORT



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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, 2020, 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, 2020, 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.

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

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Codice Fiscale/Registro delle Imprese Milano n. 03049560166 – R.E.A. Milano n. 172039 | Partita IVA IT 03049560166

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Covid-19 and related effect on the impairment test on Goodwill in Italy area**Description of the key audit matter**

As reported in the paragraph "Covid-19 disclosure" in the Directors' report, the Covid-19 pandemic has had a significant impact on the results of the Company. The change in hospital procedures and activities deriving from the measures adopted by the public authorities to contain and combat the spread of the SARS-CoV-2 virus has generated a reduction in volumes in certain operating segments and a greater demand for equipment (packaged linen) compared to normal service conditions.

As reported by the Directors, the most significant impacts of this situation as at December 31, 2020 concerned: (i) the wash-hire sector, for which the health emergency led to the alteration of the close link at the base of certain contracts having, moreover, essential characteristics, resulting in an economic imbalance, (ii) the sector of surgical instruments sterilization, due to the reduction of scheduled surgical operations aimed at containing hospitalization services during the emergency period and (iii) the wash-hire services for textile products for guests and staff of residential structures, as well as nursing homes, due to the reduction in production volumes, linked to the number of deaths and a temporary slowdown in access.

The Management has developed a forecasting model based on its best estimate of the impact of Covid-19 on the future plans of the Company, which have been used for the purposes of the impairment test on goodwill.

The separate financial statements of Servizi Italia S.p.A. as of December 31, 2020 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, as well as equity investments in subsidiaries in the Italy area valued according to the equity method, which they include implicit goodwill originating at the time of the acquisition for a total of Euro 6,424 thousand. No impairment losses were recorded during the year. The assessment process adopted by Management to identify possible impairment losses involved making certain assumptions regarding, in particular, the estimate cash flows of the CGUs, the appropriate discount rate (WACC) and the long-term growth rate (g-rate). These assumptions, reflected in the long-term plans for the Servizi Italia CGU and its Italian subsidiaries, were influenced, furthermore, by future expectations, market conditions and the evolution of the Covid-19 pandemic, which constitute an element of uncertainty in the estimate.

In view of the significance of the goodwill, also implicit, 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 market in which the Company and its Italian subsidiaries operate, we considered the impairment test on goodwill, also implicit, to be a key audit matter of the audit of the separate financial statements of Servizi Italia S.p.A. as of December 31, 2020.

The explanatory notes in the paragraphs “3 D Goodwill”, “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 adopted by Management; the note 6.3 and 6.4 present information about the goodwill, also implicit, 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 of our network:

- understanding the process carried out by the Company and its Italian subsidiaries to manage the Covid-19 emergency situation, also following any measures issued by the Authorities according to Covid-19 emergency;
- skeptical reading the meeting of Board of Directors;
- examination of the approach taken by Management to determine the value in use of the CGUs, 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, also through external data, made in order to preparation of business plans, with specific reference to the assessments made in relation to the effects of the pandemic crisis, the impacts on medium and long-term revenue contracts, as well as the expectations of the resumption of ordinary operating conditions through discussion with the Management and obtaining information deemed useful in the circumstances; our procedures have included the examination of forecast cash flows deriving from business plans considering historical performances;

- 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 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 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 Company about the effects of Covid-19 and the impairment tests 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, 2020, 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, 2020 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, 2020 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 29, 2021

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

BOARD OF STATUTORY AUDITORS' REPORT

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)

Dear Shareholders,

The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting of Servizi Italia S.p.A. (hereinafter the "Company" or "Servizi Italia") of 28 April 2020 and will end its term of office with the Meeting approving financial statements as at 31 December 2022.

Pursuant to article 153, paragraph 1, of Legislative Decree no. 58 of 24 February 1998 (hereinafter "TUF"), the Board of Statutory Auditors informs to have carried out – during the year ended 31 December 2020 – all the surveillance and control activities according to the regulations in force, with particular attention to Civil Code, articles 148 and subsequent of the TUF, the Legislative Decree no. 39 of 27 January 2010 and Legislative Decree n. 254 of 2016, also taking into account the indications contained in CONSOB communications concerning corporate controls and the activities of the Board of Statutory Auditors, the indications contained in the Code of Conduct for Listed Companies and the principles of conduct recommended by the Italian National Council of Accountants.

This Report is submitted to Company's Shareholders in view of the Meeting convened on first call on 20 April 2021 and – if necessary – on second call on 21 April 2021 for approving the Financial Statements as at 31 December 2020 (as well as in relation to the additional issues mentioned in the call, to which reference should be made).

That said, the activities carried out by the Board of Statutory Auditors during 2020 and up to the date of this Report are detailed below, also with reference to the requirements set out in Consob Communication no. DEM/1025564 of 6 April 2001 and subsequent amendments.

1. Transactions with significant financial, economic and equity impact

The most significant economic, financial and equity transactions and events that took place during fiscal year 2020 were the following:

- a) *Acquisition of minority interests in Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.*

On 15 April 2020 the minority shareholders of the Brazilian companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderia Especializada S. A, already indirectly controlled by Servizi Italia S.p.A. through the company SRI Empreendimentos e Participacoes LTDA, holding 65.1% of their share capital, exercised their put option aimed at selling the shares they held equal to 34.9% of the share capital of these two companies, for a total consideration of Real 19,994 thousand (Euro 3,501 thousand at the exchange rate

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of 15 April 2020). As a result of this transaction, Servizi Italia S.p.A., through SRI Empreendimentos e Participacoes LTDA, became the owner of the entire share capital of these two companies.

The Board of Statutory Auditors believes that these transactions are in the best interests of the Company and the Group as they are aimed at expanding Company's core business.

b) Reorganization of productive sites

In October 2020 the Company started a process of reorganization of the production sites in the north-west of Italy. The actions taken were aimed at mitigating the negative structural effects deriving from a market context influenced by the phenomenon of the awarding of contracts with low-cost bids and the criticality that the Covid-19 pandemic has brought about in the healthcare sector of industrial laundries. The actions led to the cessation of laundry activities at the Podenzano plant (which took place in the first quarter of 2021) with relevant redistribution of volumes in order to achieve greater saturation of the production capacity of the sites in the aforementioned area. To this end, the Human Resources Department of the Company started a dialogue with national and local trade unions, Company's union representatives and workers involved, with the aim of reaching shared organizational solutions that allow to mitigate the social impacts of the operations described above, also by resorting to the regulatory instruments currently in force.

The Board of Statutory Auditors believes that these transactions are in the best interests of the Company and the Group as they are aimed at improving Company's profitability.

c) Covid-19 epidemiological emergency

The main services provided by the Company were included among the economic activities considered "essential" by the regulations issued in relation to the Covid-19 epidemiological emergency. However, the economic activities carried out by the Company were affected in 2020 by the spread of this pandemic.

In particular, the pandemic, in fiscal year 2020, had different impacts depending on sector and geography on the economic results of the Servizi Italia Group, whose consolidated revenues amounted to Euro 240.2 million, down by approximately 8.3% compared to fiscal year 2019.

In this regard, the following should be noted in particular:

- since the start of the Coronavirus emergency, the hospital wash-hire sector recorded an increase in the reconditioning of certain categories of hospital textiles, with particular regard to the reconditioning of healthcare workers' uniforms, as well as a greater demand for equipment compared to what was agreed in the various user centres;
- surgical instrument sterilisation services recorded a decrease in production activities, which is considered temporary. In this emergency situation, hospitals have generally adopted a strategy of


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reducing the number of surgical operations scheduled in the operating theatres, confirming only urgent services without providing access to intensive care;

- the wash-hire services of textile products for guests and personnel of residential structures and nursing homes recorded a reduction in production volumes, linked to the number of deaths of elderly guests in residential structures and to a temporary slowdown in access to hospitality in the same residential structures;
- wash-hire services for the hotel and catering sector recorded a contraction in sales volumes between March and May 2020, marking a sharp recovery in the summer months and a subsequent contraction for the winter season, which is still underway.

In this regard, the Directors and Management have carried out risk & project management and project control activities in order to: (i) avoid the spread of infection and protect the health and safety of staff and the environment, in compliance with regulatory requirements, workplace safety protocols and internal operating procedures, with recourse to remote working for staff and management, incentives to take paid vacations and leave, and an increase in the supply of personal protective equipment and the instruments needed to control access; (ii) to guarantee business continuity; (iii) to mitigate as far as possible the negative impact on economic results deriving from a downturn in demand for certain types of services; (iv) to have an up-to-date map of risks, their impact and mitigation actions in the various areas of the company's organization.

The Board of Statutory Auditors has received from the Directors and the Management, with due frequency, information on activities and on the most significant economic, financial and equity transactions made by the Company and its subsidiaries. The Directors related about these transactions in their Report on Operations, to which reference should be made, also with regard to transactions characteristics and their economic effects.

The Board of Statutory Auditors has acquired adequate information on these transactions, which made reasonably believe that the said transactions complied with the law, the Articles of Association and principles of proper administration and that they were not imprudent, risky or in conflict with the resolutions passed by the General Meeting of Shareholders or in any case such as to compromise the integrity of the Company's assets.

With reference to the health emergency caused by Covid-19, the Board of Statutory Auditors has examined what has been presented by the Directors in the Management Report mainly concerning the activation of the necessary "business continuity" safeguards and the strict compliance with the health protocols aimed at preserving the health and safety of employees and collaborators, the macroeconomic scenarios and the actions implemented to react to the situation.


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Transactions with Directors' interests or with other related parties have been subject to the transparency procedures provided for by current legislation.

The Directors have also reported about significant events after the end of the year in the Explanatory Notes and in the Management Report.

2. Atypical and/or unusual transactions with third parties, intercompany or related parties

The Board of Statutory Auditors has neither found nor received indications from the Board of Directors, the Independent Auditors or the internal control functions concerning the existence of atypical and/or unusual transactions, as defined by Consob Communication DEM/6064293 of 28 July 2006, carried out with third parties, related parties or within the Group.

In the notes to the financial statements, the Directors have given an account of the ordinary transactions carried out during the period with Group companies and related parties, to which reference should be made, also with regard to the characteristics of the transactions and their economic effects.

Their examination did not reveal any critical issues concerning their adequacy, congruity and compliance with Company's interests.

The Board of Statutory Auditors has verified the effective implementation and functioning of the Procedure for Transactions with Related Parties adopted by the Company, including the periodic reporting by the Board of Directors in case of execution of such transactions.

3. Comments and proposals on remarks and requests for information contained in the Independent Auditors' report

On 29 March 2021, the independent auditors Deloitte & Touche S.p.A. issued its reports in accordance with Article 14 of Legislative Decree no. 39 of 27 January 2010 and Article 10 of Regulation (EU) no. 537 of 16 April 2014, in which they certify that, in their opinion:

- *the separate financial statements and the consolidated financial statements of Servizi Italia S.p.A. provide a true and fair representation of the equity and financial position of the Company and the Group as at 31 December 2020, the economic result and the cash flows for the year ended on that date, in compliance with the International Financial Reporting Standards adopted by the European Union as well as the measures issued in implementation of art. 9 of Legislative Decree no. 38/05;*
- *the Management Report on Operations and some specific information contained in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements and the consolidated financial statements of the Company and the Group as at 31 December 2020 and have been drafted in compliance with the law;*


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- on 29 March 2021, the auditing firm Deloitte & Touche S.p.A. also issued its additional report pursuant to Article 11 of EU Regulation 537/2014, in which, among other things, it is confirmed that, as part of the verifications carried out on the IT systems, no significant deficiencies emerged concerning the internal control system.

On 29 March 2021, the independent auditors Deloitte & Touche S.p.A. also issued their additional report pursuant to art. 11 of EU Regulation 537/2014, in which, among other things, it is confirmed that, on the basis of the procedures carried out, no deficiencies emerged in the internal control for financial reporting and/or in the accounting system.

The auditors' reports highlight the key aspects of the audit, to which reference should be made.

4. Complaints pursuant to art. 2408 of the Italian Civil Code and submission of reports. Initiatives undertaken by the Board of Statutory Auditors and related outcomes.

In 2020, neither complaints pursuant to art. 2408 of the Italian Civil Code, nor complaints made by third parties were received.

In this regard, it should be noted that the Company has adopted a "whistleblowing" procedure, which provides for the implementation of information channels suitable to guarantee receipt, analysis and processing of reports on unlawful behaviours, whether committed or omitted, which constitute or might constitute a violation, or inducement to violate (even if presumed to be) laws and regulations, the values and principles enshrined in the Organization, Management and Control Model, the Servizi Italia Group's Code of Ethics, the principles of internal control, corporate policies and regulations, forwarded by employees, members of corporate bodies or third parties, even in confidential or anonymous form.

It should also be noted that during the year:

- there have been no ascertained incidents of corruption within the Servizi Italia Group in which employees have been dismissed or have been subject to measures and for which contracts with commercial 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 updates of ongoing episodes detected in previous years, these are still being investigated and for further details reference should be made to the separate Financial Statements of Servizi Italia S.p.A. and the Consolidated Financial Statements as at 31 December 2020, section "information on ongoing proceedings";
- three reports were recorded, which, after appropriate investigation by the Supervisory Body in accordance with the Organizational Model and the procedures adopted by the Company, were dismissed as unfounded or irrelevant for the purposes of Legislative Decree no. 231/01.

5. Auditing activities and related costs

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The Board of Statutory Auditors was informed of the recording of the following fees paid to Deloitte & Touche S.p.A. and its network of agencies/subsidiaries concerning services pertaining to 2020:

Type of service	Provider	Redipient	Fees
Audit service	Deloitte & Touche S.p.A	Servizi Italia S.p.A.	96,965
Audit service	Deloitte & Touche S.p.A	Subsidiaries	48,839
Audit service	Deloitte & Touche S.p.A. network	Subsidiaries	55,386
Other Assurance services	Deloitte & Touche S.p.A	Servizi Italia S.p.A.	4,500
Limited revision DNF	Deloitte & Touche S.p.A	Servizi Italia S.p.A.	30,000
Total			195,690

The assignment of the above-mentioned offices was previously approved by the previous Board of Statutory Auditors (in office until 28 April 2020, date of approval of the financial statements as at 31 December 2019).

In particular, the Board of Statutory Auditors was informed by both the Independent Auditors and the Financial Reporting Manager that Deloitte & Touche S.p.A. accrued fees for services other than the legal audit of the financial statements for an amount equal to Euro 34,500 (related to fees for certification services and for the limited audit of the non-financial consolidated statement), which were previously approved by the previous Board of Statutory Auditors.

Pursuant to the provisions of art. 6, paragraph 2, letter a) of EU Regulation no. 537/2014, the Board of Statutory Auditors received a certification from Deloitte & Touche S.p.A. that, throughout 2020 and taking into account the activities carried out, no situation was found that could compromise its independence.

6. Auditing activities and related costs

The previous Board of Statutory Auditors (in office until 28 April 2020) examined and positively assessed the 2020 Audit Plan prepared by the Head of Internal Audit and approved by the Board of Directors.

Following its appointment and until the date of this Report, the Board of Statutory Auditors has:

- examined and positively assessed the 2021 Audit Plan prepared by the Head of Internal Audit and approved by the Board of Directors;
- verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of the Directors.

With regard to the activities carried out with reference to Servizi Italia S.p.A. financial statements and the Group's consolidated financial statements as at 31 December 2020, reference should be made to the "Final assessment of the supervisory activities carried out and proposed to the Shareholders' Meeting".

7. Attendance to corporate bodies meeting

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2020 was characterized by a situation of profound uncertainty in relation to the origin and evolution of COVID-19 pandemic. The indications and governmental measures issued starting from March 2020 and for the entire financial year, in declaring a state of emergency, imposed particularly stringent measures to limit the spread of the pandemic on the national territory, such as situations of total or partial lockdown and stringent measures of "social distancing".

In this context, the Company's activities were not interrupted and, where possible, continued to be carried out "remotely" for office staff.

Since its appointment, even the activities of the Board of Statutory Auditors have been conducted in this way, via the acquisition of data and information in electronic format and holding meetings via video/audio conference.

Taking into account Company's degree of reliability and timeliness in ensuring a proper conduct of the meetings and an adequate information flow transmission system, the Board of Statutory Auditors believes that the adoption of these methods did not diminish or affect the degree of reliability of the information received and the effectiveness of its activities.

During 2020, the Board of Statutory Auditors, following its appointment, has attended – at least through its Chairman – to all the meetings of the Executive Committee, for a total of 9 meetings, to all Board of Directors meetings, for a total of 10 meetings, during which it was informed about the activities carried out and the most significant transactions made by the Company and its subsidiaries. In particular, in this context, the Board of Statutory Auditors has received information from the General Manager on principal transactions carried out.

Moreover, the Board has held 7 meetings since its appointment, 3 of which have been held jointly with the Control and Risk Committee, during which information was also exchanged with the Independent Auditors, in order to make sure that no imprudent, risky transaction was carried out, in potential conflict of interest, in breach of the law or the Articles of Association or the resolutions passed by the Shareholders' Meeting, or such as to compromise the integrity of the Company's assets.

The Board of Statutory Auditors, at least with its Chairman, has also attended 6 meetings of the Control and Risk Committee, also in its capacity as Committee for Related Party Transactions, and 4 meetings of the Appointments and Remuneration Committee, acquiring knowledge of the work carried out by them during the year.

In the course of 2021 until today, the Board of Statutory Auditors has participated, at least through its Chairman, to all Executive Committee meetings, for a total of 3 meetings, to all Board of Directors meetings, for a total of 3 meetings, and at least with the presence of its Chairman, to 3 meetings of the Control and Risk Committee, also in its function as Committee for Transactions with Related Parties, and has held 4 collective meetings, of which 2 joint meetings with the Control and Risk Committee.

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8. Observations on compliance with the principles of proper administration

Following the supervisory activity carried out, the Board of Statutory Auditors has no observations to make about the compliance with principles of proper administration and it verified that the Directors are aware of risks and effects of the transactions carried out.

In particular, the Board of Statutory Auditors checked that management decisions were taken in the interest of the Company, that they were compatible with the Company's resources and assets and that they were adequately supported by information, analysis and verification processes, also using advisory activities of committees and external consultants, when deemed necessary.

9. Observations on the adequacy of the organisational structure

With reference to Company's organizational structure, it should first be noted that, following the resignation submitted by the CEO Enea Righi, the Board of Directors of 7 January 2020 resolved to set up an Executive Committee comprising three Directors (Roberto Olivi, Ilaria Eugeni and Michele Magagna) and granted additional powers to the Chief Operating Officer, Andrea Gozzi. On 30 July 2020, the Board of Directors then resolved, after revoking the powers previously granted to the same, to appoint Andrea Gozzi as General Manager of the Company and to grant him specific powers.

The Board of Statutory Auditors has constantly collected information on the organisational structure of the Company and its changes, also by meeting some of the heads of the various departments of the Company.

In the light of the outcome of these meetings, the Board of Statutory Auditors believes that the Company's organisational structure, procedures, competencies and responsibilities are sufficiently adequate in relation to the size of the company and the type of activity carried out, also taking into account the ongoing implementation of third-level internal controls on site in foreign subsidiaries.

The Board of Statutory Auditors also verified the adequacy of the organizational structure of Servizi Italia S.p.A. and its strategically important subsidiaries, with particular reference to the internal control and risk management system. It should be noted that, in the foreign subsidiaries, activities are underway to implement third level internal controls on site.

10. Adequacy of the Internal Control and Risk Management System

The Board of Statutory Auditors has supervised the adequacy of the Internal Control and Risk Management System of Servizi Italia S.p.A. and its strategically important subsidiaries, by means of:

- a. regular collection of information from the Director in charge of the Internal Control and Risk Management System, the Financial Reporting Manager, the Head of Internal Audit, the Director of Organization and Systems, the Head of Corporate Services and other head functions involved


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from time to time, on the activities carried out, the mapping of risks relating to the activities in progress, the verification programs and the implementation projects of the internal control system;

- b. regular participation, in addition to the meetings of the Board of Directors and the Executive Committee, to the work of the Control and Risk Committee set up pursuant to the Corporate Governance Code for Listed Companies;
- c. analysis of the outline of the foreign companies of the Servizi Italia Group and exchange of information with the company representatives (and a director of some of the most important subsidiaries) concerning the organisational structure and any critical company issues;
- d. examination of the reports issued by the Head of Internal Audit, concerning: verifications carried out in different company areas on the functioning of Company and Group's Internal Control and Risk Management System; examination of Internal Auditor's annual report about the activities he carried out; Internal Auditor's positive assessment about the suitability of Internal Control and Risk Management System of the Company and its strategically important subsidiaries with respect to business characteristics and risk profile assumed. In this regard, the Board of Statutory Auditors deems the organisational, administrative and accounting structure as well as the Internal Control and Risk Management System of Servizi Italia SpA and its strategically important subsidiaries to be sufficiently adequate, also taking into account the ongoing implementation of third-level internal controls on site in foreign subsidiaries.

In addition to that, the Board of Statutory Auditors has:

- verified that the Company has an Organization, Management and Control Model that complies with the principles contained in Legislative Decree 231/01 and the guidelines developed by the Trade Associations, most recently updated by the Board of Directors on 18 December 2020;
- verified that the Company, following its approval by the Board of Directors on 30 July 2020, has adopted an Anti-Corruption Policy and Guidelines, in order to obtain the UNI ISO 37001 certification;
- verified that the Company has an Anti-trust Code of Conduct, following its approval by the Board of Directors on 7 August 2020;
- examined the periodic reports of the Supervisory Body provided for by Legislative Decree no. 231/2001, which summarises the activities carried out by said body, and met its members;
- met, in the absence of corporate supervisory bodies, a director of some of the main foreign subsidiaries for the purpose of exchanging information on, among other things, compliance with the directives issued by the Parent Company, the characteristics of the internal audit system and



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the corporate organisation of the subsidiaries (in which the activities under way to improve the current configuration of on-site internal controls were highlighted in particular).

In conclusion, during the above-mentioned activity, the Board of Statutory Auditors:

- a) did not identify any critical situation or facts that might suggest that the Internal Control and Risk Management System of Servizi Italia S.p.A. is inadequate in relation to 2020;
- b) acknowledged the information provided by the Chairman of the Supervisory Body and the above-mentioned reports, from which it emerges that, during 2020, no censurable fact or violation of the Model has emerged; the Board of Statutory Auditors, to the extent of its competence, deems that the above-mentioned Model is suitable to prevent the crimes envisaged by the legislation in question and that it has been correctly adopted;
- c) acknowledged the positive assessment expressed by the Board of Directors with regard to the adequacy and the effective functioning of the Internal Control and Risk Management System for the year 2020, taking into account the ongoing activities aimed at implementing the current configuration of the on-site internal controls in the foreign subsidiaries.

11. Adequacy and reliability of the administrative-accounting system

The Board of Statutory Auditors, to the extent of its responsibility, oversaw the adequacy of the administrative-accounting system and its reliability in correctly representing operating events, as well as the activities carried out, under the coordination of the Financial Reporting Manager, for the purposes of compliance with Law 262/05 "Provisions for the protection of savings and the regulation of financial markets" and subsequent amendments and additions, by means of:

- a) acquiring information from the Financial Reporting Manager and from the heads of other corporate departments, also as part of the participation in the works of the Control and Risk Committee;
- b) the acquisition of information on the procedures adopted and instructions issued by Servizi Italia S.p.A. for the preparation of the Group's Annual Financial Report as at 31 December 2020 and the Group's Half-Yearly Financial Report as at 30 June 2020;
- c) the acquisition of information about the existence of the conditions required by art. 15 of the Market Regulation adopted by Consob Resolution no. 20249 of 28 December 2017, with regard to subsidiaries with significant relevance established and regulated by the law of countries not belonging to the European Union, also ascertaining the non-existence of circumstances entailing the inability to comply with the provisions of said regulation, to be eventually reported to Consob and the market management company pursuant to art. 15 paragraph 1 letter c) point ii);

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- d) examination of the Certifications pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and art. 154-bis of the Consolidated Law on Finance of the Financial Reporting Manager;
- e) meetings with the Independent Auditors and analysis of the results of their work;
- f) the examination of corporate documents.

The Board of Statutory Auditors also noted that, following the favourable opinion issued by the Control and Risk Committee, in accordance with the recommendations issued by the European Securities and Markets Authority ("ESMA") on 21 January 2013, the joint Bank of Italy/Consob/Isvap document no. 4 of 3 March 2010 and with Consob Communication no. 3907 of 19 January 2015, the Board of Directors' meeting of 4 March 2021, independently and in advance of the time of approval of the financial statements, approved the impairment test procedures applied by the Company in the preparation of the separated and consolidated financial statements for the year ended 31 December 2020.

During the performance of the activity described above, the Board of Statutory Auditors did not identify any critical situation or fact that could lead to believe that the administrative-accounting system of Servizi Italia S.p.A. is inadequate and/or unreliable with regard to the year 2020.

12. Adequacy of instructions given to subsidiaries

We highlight that the Company regulates, by means of specific procedures, the information flows from it to the subsidiaries, especially with regard to major transactions.


The Board of Statutory Auditors believes that the instructions given by the Company to its subsidiaries pursuant to art. 114, paragraph 2 of the Consolidated Law on Finance are adequate in order to comply with the disclosure requirements set out by law.

13. Any significant aspect of the meetings with the Independent Auditors

The Board of Statutory Auditors, for performing the auditing activities related to the Annual Financial Report as at 31 December 2020, met the Independent Auditors:

- for sharing information regarding the audits carried out by the latter pursuant to Legislative Decree no. 39/2010 and art. 150, paragraph 3 of the Consolidated Law on Finance, on the regularity of Company's accounts as well as the correct recording of management events in the accounting records. No critical issue or anomaly emerged from these meetings;
- for the examination and assessment of the preparation process - including the assessment of the correct use of accounting standards and their uniformity - of the Group's Half-Yearly Financial Report as at 30 June 2020 and the Group's Annual Financial Report as at 31 December 2020, as well as the results of audit and assessment activities carried out on these documents.

In particular, the Board of Statutory Auditors has:


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- analysed the work carried out by the independent auditors, and in particular, the methodological framework, the audit approach used for the various significant areas of the financial statements and the planning of the audit work;
- shared with the independent auditors the issues related to corporate risks, thus being able to appreciate the adequacy of the response planned by the auditor with the structural and risk profiles of the Company and the Group.

The Board of Statutory Auditors, in addition to what has already been reported in paragraph 3, has also:

- a) received, pursuant to art. 11 paragraph 2 of EU Regulation no. 537/2014, the additional report of the independent auditors, also illustrating the key issues that emerged during the legal audit and any significant deficiencies detected in the internal control system in relation to the financial reporting process, in which no significant deficiencies were detected;
- b) acknowledged the declaration regarding the independence of Deloitte & Touche S.p.A., pursuant to Article 6 of Regulation (EU) no. 537/2014, attached to the additional report, from which no situations emerge that could compromise its independence;
- c) discussed, pursuant to the provisions of Article 6 paragraph 2 letter b) of EU Regulation No. 537/2014, with the independent auditors the risks relating to their independence as well as the measures adopted by the independent auditors to limit such risks.


14. Adherence of the Governance Committee to the Corporate Governance Code for Listed Companies

The Board of Statutory Auditors has verified that the Company adheres to the Corporate Governance Code for Listed Companies approved in March 2006 and most recently amended in July 2018 (hereinafter the "Code"). The Company is also implementing compliance with the new provisions contained in the new Corporate Governance Code effective as of 1 January 2021.

It has therefore supervised, pursuant to article 149, paragraph 1, letter c-bis) of the Consolidated Law on Finance, the procedures for the concrete implementation of the corporate governance rules set out in the Code, with particular regard to:

- the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members;
- the Company's corporate governance structure.

In particular, the Board of Statutory Auditors examined (i) the Remuneration Policy for the year 2020, verifying its consistency with the criteria set out in art. 6 of the Corporate Governance Code, as well as (ii) the text of the "Report on Remuneration Policy and compensation paid" approved by the Board of Directors in the meeting of 15 March 2021, verifying the presence in it of the information required by art. 123 ter of the Consolidated Law on Finance and art. 84 quater of Consob Regulation 11971/1999.


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The Board of Statutory Auditors also acknowledges that the Board of Directors has examined the recommendations of the Corporate Governance Committee contained in the letter of 22 December 2020 addressed by the Committee's Chairman, Patrizia Grieco, to the Chairmen of the Boards of Directors of Italian listed companies and, for information, to the related Managing Directors and Chairmen of the supervisory bodies, in order to take the necessary decisions.

The Board of Statutory Auditors supervised the activities carried out by the Control and Risk Committee, also in its capacity as Committee for Related Party Transactions, and by the Appointments and Remuneration Committee, by attending their meetings.

In addition to the above, the Board of Statutory Auditors:

- assessed the compliance of its composition with the legal provisions concerning gender quotas, as well as its adequacy with regard to policies concerning diversity of professional background;
- assessed and confirmed the correctness and effectiveness of its functioning, also taking into account the professionalism, expertise and experience of its members, the compliance with the regulatory provisions concerning the accumulation of offices held by the Auditors, the availability of time to carry out their duties, as well as the functionality and quality of the information flows with the Board of Directors, the Control and Risk Committee, the Independent Auditors and the other control functions;
- carried out, with a positive outcome, the periodic assessment of compliance with the independence criteria with regard to each of its members, as required by the Corporate Governance Code. The outcome of these checks is provided in the Annual Report on Corporate Governance and Ownership Structures prepared for the year 2020;
- examined the text of the Report on Corporate Governance and Ownership Structure approved by the Board of Directors during the meeting held on 15 March 2021, verifying the presence in it of the information required by art. 123-bis of the Consolidated Law on Finance and its compliance with the scheme prepared by Borsa Italiana S.p.A.

15. Consolidated Non-Financial Statement

The Board of Statutory Auditors monitored compliance with the provisions of Legislative Decree no. 254 of 30 December 2016 and Consob Regulation no. 20267 of 18 January 2018 regarding the Consolidated Non-Financial Statement (Italian acronym "DNF") prepared by the Company.

The Board of Statutory Auditors finds that the Company, in its capacity as Parent Company, has prepared the Consolidated Non-Financial Statement in accordance with the requirements of Articles 3 and 4 of Legislative Decree no. 254/2016 and the "*Global Reporting Initiative Sustainability Reporting Standards*"



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(so-called "GRI Standards") defined by GRI - Global Reporting Initiative, as described in the "Methodological Note" paragraph of the DNF.

The Board of Statutory Auditors monitored compliance with the provisions established by Legislative Decree no. 254 of 2016, ascertaining that the DNF enables the understanding of the Group's activity, its performance, its results and the impacts produced, and that the DNF reports on environmental, social and governance issues (integrity and business ethics), taking into account the activities and characteristics of the company, in accordance with the provisions of Article 3 of Legislative Decree no. 254 of 2016.

The Board of Statutory Auditors also verified the approval by the Board of Directors on 15 March 2021 of the aforementioned Consolidated Non-Financial Statement and the issuance on 29 March 2021 by the independent auditors of the specific DNF Report certifying the compliance of the information provided in this document with Articles 3 and 4 of Legislative Decree 254/2016 and the GRI standards.

Final assessment of the supervisory activities carried out and proposal to the Shareholders' Meeting

Having taken into account the above-mentioned aspects and having stated that, during the year under review, the Board of Statutory Auditors has:

- supervised compliance with the law and the Articles of Association, compliance with the principles of proper administration and, in particular, the adequacy of the organisational, administrative and accounting structure adopted by the Company and its actual functioning;
- supervised the observance of disclosure obligations concerning inside information;
- supervised the functioning and effectiveness of the internal control system and the administrative-accounting system, in order to assess their suitability to corporate needs, as well as their reliability to represent management events;
- supervised compliance with the provisions of law concerning the procedure for the preparation, control, approval and publication of the Company's separate financial statements and the procedure for the preparation, control and publication of the Group's consolidated financial statements and management reports for the year 2020, also by means of direct checks and information obtained from the Independent Auditors, and also ascertained the adequacy of the impairment process in terms of method;
- verified that, in compliance with EC Regulation no. 1606/2002 and Legislative Decree no. 38/2005, the separate financial statements of Servizi Italia S.p.A. and the consolidated financial statements of the Group as at 31 December 2020 were prepared in accordance with the IAS/IFRS international


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accounting standards endorsed by the European Commission, as supplemented by the related interpretations issued by the International Accounting Standard Board (IASB);

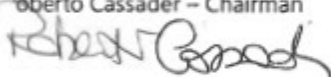
- supervised compliance with the procedure for preparing and presenting the Financial Statements to the Shareholders' Meeting;
- supervised - pursuant to art. 19, paragraph 1 of Legislative Decree no. 39/2010 - the financial reporting process, the effectiveness of the internal audit, internal control and risk management systems;
- supervised compliance with the provisions established by Legislative Decree 254/2016 and Consob Regulation no. 20267/2018 with regard to the Consolidated Non-Financial Statement.

All this forwarded, the Board of Statutory Auditors declares that, during the supervisory activity, as described above, no censurable facts, omissions or irregularities emerged that would require reporting to the competent bodies.

In view of the above, the Board of Statutory Auditors invites you to approve the Financial Statements as at 31 December 2020 submitted by the Board of Directors together with the Management Report and the proposal to the Shareholders' Meeting formulated therein.

Castellina di Soragna (PR) – Italy, 29 March 2021

The Board of Statutory Auditors

Roberto Cassader – Chairman


Gianfranco Milanese – Permanent Member



Benedetta Pinna – Permanent Member



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Consolidated Financial Statements

as at 31 December 2020



**Servizi
Italia**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(thousands of Euros)</i>	Note	31 December 2020	of which with related parties (Note 8)	31 December 2019	of which with related parties (Note 8)
ASSETS					
Non-current assets					
Property, plant and equipment	6.1	168,821	22,632	175,575	24,307
Intangible assets	6.2	5,238	-	5,901	-
Goodwill	6.3	65,639	-	71,025	-
Equity-accounted investments	6.4	24,582	-	25,372	-
Equity investments in other companies	6.5	3,018	-	3,677	-
Financial receivables	6.6	5,663	4,158	6,577	4,000
Deferred tax assets	6.7	8,091	-	4,960	-
Other assets	6.8	4,342	-	5,821	-
Total non-current assets		285,394		298,908	
Current assets					
Inventories	6.9	7,996	-	6,882	-
Trade receivables	6.10	62,974	7,100	72,126	8,403
Current tax receivables	6.11	2,019	-	2,085	-
Financial receivables	6.12	6,521	5,273	8,310	5,936
Other assets	6.13	9,752	-	9,604	-
Cash and cash equivalents	6.14	4,441	-	7,141	-
Total current assets		93,703		106,148	
TOTAL ASSETS		379,097		405,056	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Group shareholders' equity					
Share capital	6.15	30,259	-	30,935	-
Other reserves and retained earnings	6.15	83,331	-	94,728	-
Profit (loss) for the year		2,761	-	8,990	-
Total shareholders' equity attributable to shareholders of the parent company		116,351		134,653	
Total shareholders' equity attributable to non-controlling interests		2,235		3,604	
TOTAL SHAREHOLDERS' EQUITY	6.15	118,586		138,257	
LIABILITIES					
Non-current liabilities					
Due to banks and other lenders	6.16	56,262	22,242	68,558	22,379
Deferred tax liabilities	6.17	2,500	-	2,408	-
Employee benefits	6.18	9,582	-	10,321	-
Provisions for risks and charges	6.19	4,804	-	4,429	-
Other financial liabilities	6.20	2,905	-	3,877	-
Total non-current liabilities		76,053		89,593	
Current liabilities					
Due to banks and other lenders	6.16	84,307	1,605	74,301	1,105
Trade payables	6.21	76,934	6,776	72,364	8,203
Current tax payables	6.22	124	-	191	-
Employee benefits	6.18	67	-	-	-
Other financial liabilities	6.23	3,353	1,770	9,269	2,460
Provisions for risks and charges	6.19	1,523	-	1,453	-
Other payables	6.24	18,150	-	19,628	-
Total current liabilities		184,458		177,206	
TOTAL LIABILITIES		260,511		266,799	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		379,097		405,056	

CONSOLIDATED INCOME STATEMENT

(thousands of Euros)	Note	31 December 2020	of which with related parties (Note 8)	31 December 2019	of which with related parties (Note 8)
Sales revenues	7.1	240,160	12,705	262,403	15,208
Other income	7.2	5,467	1,126	5,140	887
Raw materials and consumables	7.3	(27,607)	(164)	(27,137)	(117)
Costs for services	7.4	(75,974)	(15,283)	(80,639)	(18,975)
Personnel expense	7.5	(81,627)	(586)	(89,539)	(939)
Other costs	7.6	(2,481)	(42)	(1,841)	(35)
Depreciation/amortisation, impairment and provisions	7.7	(54,065)	-	(54,538)	-
Operating profit		3,873		13,849	
Financial income	7.8	2,292	672	2,213	488
Financial expenses	7.9	(5,409)	(1,413)	(7,264)	(1,450)
Income/(expense) from equity investments	7.10	2,105		698	
Share of profit/loss of equity-accounted investments	6.4	(1,663)		480	
Profit before tax		1,198		9,976	
Current and deferred taxes	7.11	1,756		(462)	
Profit (loss) for the year		2,954		9,514	
of which: portion attributable to shareholders of the parent		2,761		8,990	
Attributable to non-controlling interests		193		524	
Basic earnings per share (in Euros)	7.12	0.09		0.29	
Diluted earnings per share (in Euros)	7.12	0.09		0.29	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euros)	Note	31 December 2020	31 December 2019
Profit (loss) for the year		2,954	9,514
<i>Other comprehensive income that will not be reclassified to the Income Statement</i>			
Actuarial gains (losses) on defined benefit plans	6.18	(229)	(262)
Income taxes on other comprehensive income	6.7 6.17	55	63
<i>Other comprehensive income that may be reclassified to the Income Statement</i>			
Gains (losses) from translation of foreign financial statements		(15,565)	(2,030)
Portion of comprehensive income of the investments measured using the equity method	6.4	(377)	(882)
Income taxes on other comprehensive income			
Total other comprehensive income after taxes		(16,116)	(3,111)
Total comprehensive income for the period		(13,162)	6,403
of which: portion attributable to shareholders of the parent		(13,081)	6,001
Attributable to non-controlling interests		(81)	402

CONSOLIDATED CASH FLOW STATEMENT

<i>(thousands of Euros)</i>	Note	31 December 2020	of which with related parties (Note 8)	31 December 2019	of which with related parties (Note 8)
<i>Cash flow generated (absorbed) by operations</i>					
Profit (loss) before tax		1,198	-	9,976	-
Payment of current taxes		(557)	-	(1,544)	-
Amortisation	7.7	53,013	-	51,349	-
Impairment and provisions	7.7	1,051	-	3,189	-
Gains/losses on equity investments	6.4 7.10	(441)	-	(1,177)	-
Gains/losses on disposal	7.2 7.6	(719)	-	(482)	-
Interest income and expense accrued	7.8 7.9	3,117	-	5,051	-
Interest income collected	7.8	890	-	919	-
Interest expense paid	7.9	(2,432)	-	(3,096)	-
Interest paid on liabilities for leasing		(2,163)	(1,413)	(2,234)	(1,450)
Provisions for employee benefits	6.18	(221)	-	(63)	-
		52,736		61,888	
(Increase)/decrease in inventories	6.9	(1,597)	-	(667)	-
(Increase)/decrease in trade receivables	6.10	1,760	1,303	2,793	(806)
Increase/(decrease) in trade payables	6.22	9,110	(1,427)	(1,574)	(1,998)
Increase/(decrease) in other assets and liabilities		(7,654)	(900)	(1,182)	-
Settlement of employee benefits	6.18	(669)	-	(809)	-
Cash flow generated (absorbed) by operations		53,686		60,449	
<i>Net cash flow generated (absorbed) from investment activities in:</i>					
Intangible assets	6.2	(911)	-	(1,527)	-
Property, plant and equipment	6.1	(54,252)	-	(52,144)	-
Dividends received	7.10	903	-	230	-
Acquisitions	3.3	(418)	-	(1,940)	-
Equity investments	6.4 6.5	1,960	-	(2,133)	-
Net cash flow generated (absorbed) by investment activities		(52,718)		(57,514)	
<i>Cash flow generated (absorbed) from financing activities in:</i>					
Financial receivables	6.6 6.12	2,947	505	908	69
Dividends paid	6.15	(4,738)	-	(5,152)	-
Net (purchase)/sales of treasury shares	6.15	(1,645)	-	(1,555)	-
Share capital increase	6.15	-	-	515	-
Other changes in equity	6.15	-	-	-	-
Current due to banks and other lenders	6.16	16,222	-	8,040	-
Non-current due to banks and other lenders	6.16	(11,066)	-	(2,358)	-
Reimbursement of liabilities for leasing		(3,601)	(1,408)	(3,088)	(1,292)
Cash flow generated (absorbed) from financing activities		(1,881)		(2,690)	
(Increase)/decrease in cash and cash equivalents		(913)		245	
Opening cash and cash equivalents	6.15	7,141		7,003	
Effect of exchange rate fluctuations		1,787		107	
Closing cash and cash equivalents	6.15	4,441		7,141	

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>(thousands of Euros)</i>	Share capital	Share premium reserve	Legal reserve	Retained earnings	Translation reserve	Profit (loss) for the year	Reserve and profit (loss) of non-controlling interests	Total Shareholders' Equity
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
Allocation of profit from the previous year	-	-	-	4,710	-	(4,710)	-	-
Distribution of dividends	-	-	-	-	-	(4,280)	(585)	(4,865)
Acquisition non-controlling interests	-	-	-	703	-	-	(703)	-
Treasury share transactions	(676)	(969)	-	-	-	-	-	(1,645)
Profit (loss) for the period	-	-	-	-	-	2,761	193	2,954
Other components of comprehensive income	-	-	-	(551)	(15,290)	-	(274)	(16,115)
Balance as at 31 December 2020	30,259	50,229	6,618	59,066	(32,582)	2,761	2,235	118,586

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 15 March 2021 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.

COVID-19 disclosure in relation to accounting effects

The Group, also following the recommendations issued by the Italian and European regulators (Consob, ESMA, Iosco), paid particular attention to the accounting effects connected to the external and internal factors deriving from the Covid-19 pandemic.

This attention focused in particular on the process of preparing long-term plans for the purposes of the impairment test procedures to verify the recoverability of goodwill deriving from business combinations and investments in associates and joint ventures, in application of the provisions of IAS 36 "Impairment of assets". This process requires management discretion and the use of estimates by management, particularly complex in the current context of uncertainty caused by the pandemic phenomenon, albeit mitigated by the public utility function of the business and the long-term nature of the contracts in the portfolio.

It should be noted that the estimates and prospective data relating to the aforementioned impairment tests are determined by the Group management on the basis of past experience, in-depth knowledge of company operations and expectations regarding developments in the markets and operating segments in which the Group operates.

There were no critical issues relating to the pandemic phenomenon on the other items of the financial statements and, in particular, on the valuation items regarding the recoverability of receivables, and the identification of any onerous contracts. Similarly, also for the items pertaining to the application of IFRS 16 "Leases" and the assets measured at fair value, the Group did not record any significant accounting impacts in 2020.

IFRS accounting standards, amendments and interpretations applied as from 1 January 2020

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Group starting on 1 January 2020:

- 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 adoption of this amendment did not impact the financial statements of the Group.
- 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.
The adoption of this amendment did not impact the financial statements of the Group.
- On 26 September 2019 the IASB published the amendment entitled "**Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform**". The same 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 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 adoption of this amendment did not impact the financial statements of the Group.
- On 22 October 2018, the IASB published the document "**Definition of a Business (Amendments to IFRS 3)**". The documents provides some clarifications with regard to the definition of business for the purposes of the correct application of IFRS 3. In particular, the

amendment clarifies that, while a business usually 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.

The adoption of this amendment did not impact the financial statements of the Group.

- On 28 May 2020, the IASB published an amendment called “**Covid-19 Related Rent Concessions (Amendment to IFRS 16)**”. The document provides for lessees the right to account for reductions in fees related to Covid-19 without having to assess, through the analysis of contracts, whether the definition of lease modification of IFRS 16 is respected. Therefore, the lessees who apply this option will be able to account for the effects of the reductions in rents directly in the income statement at the effective date of the reduction. The adoption of this amendment did not impact the 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 2020

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's financial statements.

- On 28 May 2020, the IASB published an amendment entitled “**Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)**”. The amendments make it possible to extend the temporary exemption from the application of IFRS 9 until 1 January 2023 for insurance companies. These amendments will enter into force on 1 January 2021. Directors do not expect any significant effect on the separate financial statements of the Group when this amendment is adopted.
- On 27 August 2020, in light of the reform on interbank interest rates such as the IBOR, the IASB published the document “**Interest Rate Benchmark Reform – Phase 2**” which contains amendments to the following standards:
 - IFRS 9 - *Financial Instruments*;
 - IAS 39 - *Financial Instruments: Recognition and Measurement*;
 - IFRS 7 - *Financial Instruments: Disclosures*;
 - IFRS 4 - *Insurance Contracts*; and
 - IFRS 16 - *Leases*.

All amendments will take effect on 1 January 2021.

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

IFRS accounting standards, amendments and interpretations still not approved 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 23 January 2020, the IASB published an amendment entitled “**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**”. The purpose of the document is to clarify how to classify payables and other short or long-term liabilities. The amendments come into effect on 1 January 2023; early adoption is in any case allowed. Directors do not expect any significant effect on the consolidated financial statements of the Group when this amendment is adopted.

- On 14 May 2020, the IASB published the following amendments:
 - **Amendments to IFRS 3 Business Combinations:** the purpose of the amendments is to update the reference in IFRS 3 to the revised Conceptual Framework, without this implying changes to the provisions of IFRS 3.
 - **Amendments to IAS 16 Property, Plant and Equipment:** the purpose of the amendments is not to allow to deduct from the cost of tangible assets the amount received from the sale of assets produced in the test phase of the same assets. These sales revenues and the related costs will therefore be recognized in the income statement.
 - **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:** the amendment clarifies that all costs directly attributable to the contract must be considered in the estimate of the possible cost of a contract. Consequently, the assessment of the possible cost of a contract includes not only incremental costs (such as, for example, the cost of the direct material used in the processing), but also all the costs that the company cannot avoid since it has stipulated the contract (such as, for example, the portion of personnel costs and depreciation of the machinery used to fulfil the contract).
 - **Annual Improvements 2018-2020:** the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All amendments will enter into force on 1 January 2022. Directors do not expect any significant effect on the consolidated financial statements of the Group when this amendment is adopted.

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 rights on the subsidiary is based on: (i) of the voting rights, also potential, held by the Group and by virtue of which the Group can exercise the majority of the votes exercisable during the company’s ordinary shareholders’ meeting; (ii) of the content of any agreements between shareholders or the existence of particular article of association clauses, which assign the Group the power to govern the company; (iii) of the control by the Group of a number of votes sufficient to exercise the de facto control of the company’s ordinary shareholders’ meeting.

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

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

Investments in associates and joint ventures are measured using the equity method. On the basis of the equity method, the equity investment is recognised in the statement of financial position at purchase

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

The financial statements consolidated line-by-line were prepared as at 31 December 2020 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 2020	Average exchange rate for 2020	Exchange rate as at 31 December 2019	Average exchange rate for 2019
Brazilian Real (BRL)	6.3735	5.8943	4.5157	4.4134
Turkish Lira (TRY)	9.1131	8.0547	6.6843	6.3578
Albanian Lek (LEK)	123.7	123.7906	122.0500	123.0180
Indian Rupee (INR)	89.6605	84.6392	80.1870	78.8361
Moroccan Dhiram (MAD)	10.919	10.8235	10.7810	10.7658
Singapore Dollar (SGD)	1.5698	1.6029	1.5111	1.5273

3.2 Scope of Consolidation

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

(thousands)	Name of the Company	Currency	Share capital as at 31 December 2020	Percent interest as at 31 December 2020	Percent interest as at 31 December 2019	
	San Martino 2000 S.c.r.l.	Genoa	EUR	10	60.0%	60.0%
	Steritek S.p.A.	Malagnino (Cremona)	EUR	134	70.0%	70.0%
	Ankateks Turizm İnşaat Tekstil Temizleme Sanayi 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 Participações LTDA	São Paulo (Brazil)	BRL	210,828	100.0%	100.0%
	Lavsim Higienização Têxtil S.A. ^(*)	São Roque, State of São Paulo (Brazil)	BRL	22,930	100.0%	100.0%
	Maxlav Lavanderia Especializada S.A. ^(*)	Jaguariúna, State of São Paulo (Brazil)	BRL	2,825	100.0%	65.1%
	Vida Lavanderias Especializada S.A. ^(*)	Santana de Parnaíba, State of São Paulo (Brazil)	BRL	3,600	100.0%	65.1%
	Aqualav Serviços De Higienização Ltda ^(*)	Vila Idalina, Poá, State of São Paulo (Brazil)	BRL	15,400	100.0%	100.0%
	Wash Service S.r.l.	Castellina di Soragna (Parma) - Italy	EUR	10,000	90%	90%
	Ekolav S.r.l.	Lastra a Signa (Florence) - Italy	EUR	100,000	100%	100%

(*) Held through SRI Empreendimentos e Participações Ltda

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

On 25 March 2020, the Junta Comercial do Estado Do Amazonas approved the extinction process, with retroactive effect to 20 February 2020, of the company SIA Lavanderia SA 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.

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

(thousands)	Name of the Company	Currency	Share capital as at 31 December 2020	Percent interest as at 31 December 2020	Percent interest as at 31 December 2019
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 (Cuneo) - 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% ^(*)
SAS Sterilizasyon Servisleri A. Ş.	Istanbul - Turkey	TRY	13,517	51%	51%
Shubhram Hospital Solutions Private Ltd.	New Delhi - India	INR	350,000	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%	25%

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

3.3 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.

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 2020, equity investments in other companies are recognised at the cost of purchase or set-up, 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 accruals basis under “Other income”, in proportion to the TOE (tonne of oil equivalent) savings effectively made in the period. The recognition of the same is carried out at the average annual market value unless the year-end market value is significantly lower. The decreases due to sales of white certificates matured during the period or in previous periods are valued at the disposal price. The capital gains and losses deriving from the sales of certificates in periods different to those of maturity are recorded respectively under “Other income” or “Other costs”.

H. Other non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are valued at the lower of their previous book value and fair value net of sales costs. Non-current assets (and groups of assets being disposed) are classified as held for sale when their book value is expected to be recovered through a sale transaction rather than through their use in the company's operations. This condition is only met when the sale is considered highly probable and the asset (or group of assets) is available for immediate sale in its current conditions. The first condition exists when Management has made a commitment to the

sale; this should take place within twelve months from the date of classification under this item. From the date in which these assets are classified in the category of non-current assets held for sale, the corresponding depreciation is suspended.

I. Inventories

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

J. Employee benefits

Post-employment plans

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

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

Remuneration plans under the form of participation in the capital

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

Other long-term benefits

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

K. Provisions for risks and charges

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

time is significant, the liability is discounted back; the effect of this discounting back is recorded under financial expense.

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 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;
- *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 stand alone 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 stand alone 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 was estimated by 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 2020, represent approximately 60% of its debt, at an average annual rate of around 0.48%. 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).

<i>(thousands of Euros)</i>	0.5% rate increase		0.5% rate decrease	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial receivables	+60	+65	(60)	(65)
Financial payables	+605	+619	(605)	(619)
Factoring of receivables	+470	+423	(470)	(423)

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 95.

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 of 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 2020 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 2020 is presented below:

<i>(thousands of Euros)</i>	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	4.33%	0.39%	0.90%	0.15%	2.52%	82.64%	8.43%
Gross trade receivables	38,163	3,758	4,021	4,974	13,317	4,539	68,772
Loss expected as at 31 December 2020	1,653	15	36	8	335	3,751	5,798

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 2020. 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 Nazionale del Lavoro S.p.A., Banca Crédit Agricole Cariparma S.p.A., Banco BPM S.p.A., Unicredit Banca S.p.A., BPER Banca S.p.A. and Banca Monte dei Paschi di Siena 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 2020, 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 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Less than or equal to 3 months	51,642	51,849	68,306	59,740	119,948	111,589
3 to 12 months	36,312	32,516	25,805	32,110	62,117	64,626
1 to 2 years	24,004	23,927	-	-	24,004	23,927
More than 2 years	35,283	48,886	-	-	35,283	48,886
Total	147,241	157,178	94,111	91,850	241,352	249,028

Exchange rate risk

The investments in Brazil, Turkey, India, Albania and Morocco 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 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 2020	31 December 2019	31 December 2020	31 December 2019
Brazilian Real	3,326	4,041	(2,721)	(3,306)
Turkish Lira	333	473	(272)	(387)
Total relative to consolidated shareholders' equity	3,659	4,514	(2,993)	(3,693)

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	3,018		
Financial receivables			5,303
Other assets			4,342
Current assets			
Trade receivables			62,974
Financial receivables			6,521
Other assets			9,752
Non-current liabilities			
Due to banks and other lenders			56,262
Other financial liabilities	2,209		696
Current liabilities			
Due to banks and other lenders			84,307
Trade payables			76,934
Other financial liabilities			3,353
Other payables			18,150

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)	31/12/2020	31/12/2019	Change	% change
Shareholders' equity (B)	118,586	138,257	-19,671	-14.2%
Net financial debt ^(a) (A)	129,607	127,408	2,199	1.7%
Net invested capital (C)	248,193	265,665	-17,472	-6.6%
Gearing (A/C)	52.2%	48.0%		

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

^(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 2020			
	Wash-hire	Steril B (Linen Sterilisation)	Steril C (Surgical Instruments Sterilisation)	Total	
Revenues from sales and services	181,038	18,027	41,095	240,160	
Other income	3,105	262	2,100	5,467	
Raw materials and materials	(17,330)	(6,509)	(3,769)	(27,608)	
Costs for services	(59,248)	(3,717)	(13,009)	(75,974)	
Personnel expense	(60,478)	(5,406)	(15,743)	(81,627)	
Other costs	(2,146)	(91)	(245)	(2,482)	
EBITDA^(a)	44,941	2,567	10,430	57,938	
Depreciation, amortisation and impairment	(45,856)	(2,447)	(5,762)	(54,065)	
Operating profit (EBIT)	(915)	120	4,668	3,873	
Financial income and expense and income and expense from equity investments in other companies				(2,675)	
Profit before tax				1,198	
Taxes				1,756	
Profit (loss) for the year				2,954	
Of which portion attributable to shareholders of the parent				2,761	
Of which portion attributable to non-controlling interests				193	

^(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 2019			
	Wash-hire	Steril B (Linen Sterilisation)	Steril C (Surgical Instruments Sterilisation)	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.

Revenues from **wash-hire services** (which in absolute terms represent 75.4% of the Group's revenues) dropped from Euro 194,839 thousand in 2019 to Euro 181,038 thousand in 2020, supported by the excellent organic growth of the Brazil and Turkey areas, however, offset by a negative change in exchange rates and a drop in volumes and prices of certain contracts recorded in the Italian area, which led to an overall decrease of 7.1%. In terms of margins, the wash-hire EBITDA was 24.8% compared to 25.9% in the previous year, and EBIT decreased from 2.1% to -0.5%. The contraction in the margin was affected by the effects of the drop in turnover relating to the segment in Italy, already described in the section on operating performance, as well as the economic effects similar to the Covid-19 emergency, which led to a reduction in margins against a change of production mix, relating to reconditioned linen requested by customers. This unpredictable and sudden change led to a considerable increase in the consumption of packaged linen and mattresses, typically activities with lower productivity and high labour use, and recorded a decrease in consumption relating to flat linen, characterized, on the contrary, by a standardised and therefore more efficient production process. The immediate effects of the change, connected to the need to continue to provide a public utility and, therefore, essential service, have limited the possibility of containing production costs.

Revenues from **linen sterilisation services (steril B)** (which account for 7.5% of the Group's total revenues) went from Euro 20,049 thousand in 2019 to Euro 18,027 thousand, with a decrease of 10.1% due to the termination of several contracts in the Friuli and Lombardy regions and the decrease in volumes due to the Covid-19 pandemic. The positive effect of the growth in disposable supplies should be noted on the line. In terms of margins, the linen sterilisation business recorded a decline in the EBITDA margin from 17.7% to 14.2%, as well as in the EBIT margin at 0.7% compared to 6.7% as at 31 December 2019. 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 foreign countries and the drop in turnover as a result of pandemic crisis.

Revenues from **surgical instrument sterilisation services (steril C)** (which in absolute terms represent 17.1% of the Group's revenues) fell from Euro 47,515 thousand in 2019 to Euro 41,095 thousand in 2020, with a decrease of 13.5% mainly due to the decrease in surgical interventions related to the coronavirus emergency, positively offset by a gradual recovery in the third quarter of 2020 (+18.1%) and in the fourth quarter (+10.5%) compared to the loss recorded in the first quarter (-11.4%) and in the second quarter of 2020 (-19.2%). The surgical instrument sterilisation segment is the segment with the highest margins in terms both of EBITDA (25.4%) and of EBIT (11.4%). The EBIT margin for the year ended 31 December 2020 decreased by 44.2% in absolute value compared to the previous year (losing

6.2 percentage points in terms of incidence on turnover) mainly due to the decrease in turnover recorded on the line related to the decrease in surgical interventions following the coronavirus emergency and the non-proportional reduction in production costs related to the non-absorption of fixed costs.

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

<i>(thousands of Euros)</i>		31 December 2020		
	Wash-hire	Steril B (Linen Sterilisation)	Steril C (Surgical Instruments Sterilisation)	Total
Total revenues from sales and services	181,038	18,027	41,095	240,160
Investments in property, plant and equipment and intangible assets	48,521	2,830	3,684	55,035
Depreciation of property, plant and equipment and amortisation of intangible assets	44,814	2,447	5,752	53,013
Net book value of property, plant and equipment and intangible assets	146,973	4,353	22,722	174,059

<i>(thousands of Euros)</i>		31 December 2019		
	Wash-hire	Steril B (Linen Sterilisation)	Steril C (Surgical Instruments Sterilisation)	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

As things stand, the disclosure regarding the book value of the segment assets and liabilities is deemed insignificant.

6 Balance sheet

6.1 Property, plant and equipment

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

(thousands of Euros)	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Fixed assets under constr.	Total
Historical cost	40,131	135,653	32,235	63,735	139,715	9,136	420,605
Accumulated amortisation	(2,326)	(90,837)	(21,587)	(49,529)	(92,568)	-	(256,847)
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
Historical cost	43,235	154,575	34,333	66,743	152,808	5,713	457,407
Accumulated amortisation	(5,774)	(99,740)	(23,955)	(52,262)	(100,101)	-	(281,832)
Balance as at 31 December 2020	37,461	54,835	10,378	14,481	52,707	5,713	175,575
Translation differences	(809)	(5,033)	(506)	(244)	(3,134)	(465)	(10,191)
Increases	1,217	4,598	328	3,926	40,322	5,444	55,835
Decreases	(124)	(61)	-	(35)	(511)	(292)	(1,023)
Amortisation	(3,380)	(8,501)	(1,803)	(5,037)	(32,654)	-	(51,375)
Impairments (reinstatements)	-	-	-	-	-	-	-
Reclassifications	-	2,347	804	432	244	(3,827)	-
Balance as at 31 December 2020	34,365	48,185	9,201	13,523	56,974	6,573	168,821

The item Translation difference refers to the variations in exchange rates for Brazilian companies (Lavsím Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A., SRI Empreendimentos e Participações Ltda. and Aqualav Serviços De Higienização Ltda) and Turkish ones (Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi e Ergülteks Temizlik Tekstil Ltd. Sti.).

Notes on the main changes:

Land and buildings

The item Land and buildings shows an increase of Euro 1,217 thousand, of which Euro 1,164 thousand from adjustment of the rights of use due to indexation of rents and to the stipulation of new agreements.

Plant and machinery

Increases under the item Plant and machinery in 2020 amount to Euro 4,598 thousand and mainly regard investments in plants located throughout Italy for Euro 4,041 thousand, in the plants in Brazil for Euro 277 thousand and in the plants in Turkey for Euro 280 thousand.

The item also includes reclassifications for plants that began operating during the year, for Euro 2,347 thousand, of which Euro 1,570 thousand relating to the Parent Company, Euro 590 thousand to Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi and Euro 187 thousands to Brazilian companies.

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 178 thousand in Italy and Euro 150 thousand in Brazil.

Industrial and commercial equipment

Investments recognised under Industrial and commercial equipment in 2020, equal to Euro 3,926 thousand, regard the purchase of equipment for use by the Italian (Euro 3,585 thousand) and Brazilian (Euro 306 thousand) production sites, and adaptation of the rights of use due to the change in rents (Euro 35 thousand).

Other assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Linens and mattresses	52,411	46,645
Furniture and fixtures	246	480
Electronic machinery	1,660	1,861
Cars	18	43
Motor vehicles	334	694
Telephone switchboards	37	56
Other	734	216
Rights of use for cars and motor vehicles	1,534	2,712
Total	56,974	52,707

As at 31 December 2020, the balance of the item Other assets was equal to Euro 56,974 thousand.

The investments made during the year mainly derive from purchases of linen and mattresses, which totalled Euro 38,213 thousand, of which Euro 4,461 thousand in Brazil and Euro 33,753 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 2020. During the year, there were increases for Euro 5,444 thousand and completed investments for Euro 3,827 thousand.

The item is broken down as follows as at 31 December 2020:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Sterilisation centre investments	1,096	1,239
Laundering facility investments	1,312	890
Investments on contracts	2,131	2,117
Investments at production sites in Brazil	2,001	728
Investments at production sites in Turkey	33	739
Total	6,573	5,713

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 2020 regard the purchase of surgical instruments (Euro 557 thousand) and the construction or refurbishment of sterilisation centres for surgical instruments (Euro 539 thousand).

Investments in Brazil recorded an increase of Euro 1,273 thousand during the year and mainly relate to investments in the construction of the sterilization centre located in São Paulo.

In the reclassifications of Fixed assets in progress, decreases of Euro 3,827 thousand are reported mainly relating to:

- for Euro 1,064 thousand for the start-up of the Busto Arsizio sterilisation plant by the Parent Company;
- for Euro 590 thousand, to the commissioning of a new washing plant of the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi;
- for Euro 192 thousand, to the Brazilian company Maxlav Lavanderia Especializada SA for investments mainly in plant and machinery. There is no property, plant and equipment under guarantee in favour of third parties.

6.2 Intangible assets

This item changed as follows:

<i>(thousands of Euros)</i>	Trademarks, software, patents and intellectual property rights	Customer contracts portfolio	Other intangible assets	Assets under construction and payments on account	Total
Historical cost	5,133	7,466	634	233	13,466
Accumulated amortisation	(4,421)	(4,236)	-	-	(8,657)
Balance as at 1 January 2019	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
Translation differences	(68)	-	(138)	(3)	(209)
Increases	602	-	547	35	1,184

Decreases	-	-	-	-	-
Amortisation	(779)	(490)	(369)	-	(1,638)
Impairments (reinstatements)	-	-	-	-	-
Reclassifications	173	-	-	(173)	-
Balance as at 31 December 2020	1,484	3,090	539	125	5,238
Historical cost	7,173	8,368	989	125	16,678
Accumulated amortisation	(5,689)	(5,278)	(450)	-	(11,417)
Balance as at 31 December 2020	1,484	3,090	539	125	5,238

The item Trademarks, Software, Patents and Intellectual Property Rights represents software purchases for Euro 602 thousand (of which Euro 499 thousand for Servizi Italia S.p.A.).

The increase in intangible assets is essentially due to the accounting of the non-compete agreement stipulated with the previous CEO for a total of Euro 547 thousand. This amount is amortised using the pro rata temporis method based on the duration of the agreement which expires on 7 January 2022.

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 2019	Increases/ (Decreases)	Translation differences	as at 31 December 2020
CGU Italy	51,668	-	-	51,668
CGU Turkey	10,248	-	(2,731)	7,517
CGU Brazil	9,109	-	(2,655)	6,454
Total	71,025	-	(5,386)	65,639

The change in the period is attributable to exchange differences from the translation into Euros of goodwill arising from 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 basic hypotheses of the plans used reflect past experience, the information gathered at the time of acquisition on the Brazilian/Turkish markets and are consistent with the available external sources of information. 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 2021-2025 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 1.35% for the Italy CGU, 3.25% 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 5.79% (5.51% in the

previous year), 9.47% for the Brazil CGU (9.45% in the previous year) and 16.61% for the Turkey CGU (18.22% in the previous year). These rates reflect the current valuations of the market with reference to the current value of money and the specific risks associated with the activities. The discount rates have been estimated, after taxes, on a consistent basis with the cash flows considered, by means of the determination of the weighted average cost of the capital (WACC).

A sensitivity analysis was carried out 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 0.88 percentage points or (ii) a WACC of 6.18 percentage points or (iii) an annual reduction in the reference EBIT of 9.30%, all the while maintaining the other assumptions of the plan unchanged.
- For the Steritek CGU: (i) a growth rate for the terminal values of 19.46 percentage points or (ii) a WACC of 16.36 percentage points or (iii) an annual reduction in the reference EBIT of 51.55%, all the while maintaining the other assumptions of the plan unchanged.
- For the Wash Service CGU: (i) a growth rate for the terminal values of 2.33 percentage points or (ii) a WACC of 8.48 percentage points or (iii) an annual reduction in the reference EBIT of 40.37%, all the while maintaining the other assumptions of the plan unchanged.
- For the Ekolav CGU: (i) a growth rate for the terminal values of 3.36 percentage points or (ii) a WACC of 8.96 percentage points or (iii) an annual reduction in the reference EBIT of 43.35%, all the while maintaining the other assumptions of the 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 3.35 percentage points or (ii) a WACC of 13.66 percentage points or (iii) a 44.20% 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 6.77 percentage points or (ii) a WACC of 19.71 percentage points or (iii) a 37.21% annual reduction of the reference EBIT, keeping the other assumptions of the plan unchanged.

It should also be noted that the management has taken into consideration and evaluated in the preparation of the impairment test Consob warning notice no. 8/20 of 16 July 2020 and no. 1/21 of 16 February 2021 on financial reporting and Covid-19 as well as the recommendations provided by ESMA in the public statement "Implications of the COVID-19 outbreak on the half-yearly financial Reports" of 20 May 2020 and "European common enforcement priorities for 2020 annual financial report" of 28 October 2020.

With reference to 31 December 2020 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 2020	Increases/ Decreases	Reclassifications	OCI changes	Revaluations/ Impairment	Translation differences	31 December 2020
Saniservice Sh.p.k.	423	-	-	-	(521)	(6)	(104)
Finanza & Progetti S.p.A.	9,328	210	-	(377)	865	-	10,026
Brixia S.r.l.	2,737	-	-	-	(119)	-	2,618
Arezzo Servizi S.c.r.l.	5	-	-	-	-	-	5
Consorzio Se.Sa.Tre. S.c.r.l. in liquidation	4	(4)	-	-	-	-	-
PSIS S.r.l.	3,980	-	-	-	(318)	-	3,662
Steril Piemonte S.c.r.l.	1,973	-	-	-	-	-	1,973
AMG S.r.l.	2,339	(54)	-	-	94	-	2,379
Iniziativa Produttive Piemontesi S.r.l.	1,085	-	-	-	(22)	-	1,063
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	-	-	-	3
Servizi Sanitari Integrati Marocco S.a.r.l.	120	-	-	-	20	(2)	138
SAS Sterilizasyon Servisleri A.Ş.	1,293	-	-	-	(122)	(332)	839
Shubhram Hospital Solutions Private Limited	(1,201)	375	-	-	(1,359)	190	(1,995)
Sanitary cleaning Sh.p.k.	1,391	-	-	-	71	(18)	1,444
Idsmmed Servizi Pte. Limited	171	-	-	-	(165)	(6)	-
StirApp S.r.l.	520	-	-	-	(88)	-	432
Total	24,171	527	-	(377)	(1,664)	(174)	22,483
of which recognised among provisions for risk and charges	(1,201)	375	423	-	(1,880)	184	(2,099)
of which recognised among equity-accounted investments	25,372	152	(423)	(377)	216	(358)	24,582

The revaluations and write-downs include the portions of profits and losses recorded by the investees in the financial year.

The main changes relating to the item Equity investments carried at equity concern the increases in capital increases carried out in favor of the jointly controlled companies Shubhram Hospital Solutions Private Limited for Euro 375 thousand and Finanza e Progetti S.p.A. for Euro 210 thousand.

It should also be noted that, on 1 December 2020, 25% of the company IDSMED Servizi Pte Limited was sold. Limited in favour of the majority shareholders. Against a consideration of 1 SGD, the Parent Company adjusted the carrying amounts of the investment according to the equity method and classified the remaining value, equal to 5% of the shares held, under the item "Other equity investments". In line with the provisions of IFRS 9, the remaining 5% was measured at fair value, comparable to the transactional value with which the parties concluded the sale of 25% of the above shares, i.e. EUR 0.12.

It should be noted that the negative results recorded in the period by Saniservice Sh.pk for Euro 521 thousand and Shubhram Hospital Solutions Private Limited for Euro 1,359 thousand, are mainly attributable to the depreciation recorded in 2020 of the Lek and Rupee respectively against the Euro, as well as a temporary slowdown in operating activities compared to the same period of the previous year, due to the consequences of the Covid-19 pandemic crisis.

The item OCI changes, equal to negative Euro 377 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 analyses carried out by management, taking into account the future prospects of these equity investments, the contracts in the portfolio and the nature of the business, did not reveal any indicators of impairment.

The total values of the current and non-current assets, current and non-current liabilities, revenues, costs and profit/loss of the equity investments carried at equity are shown below:

(thousands of Euros)	Currency	Shareholders' equity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Costs	Profit/(Loss)
SAS Sterilizasyon Servisleri A.Ş.	TRY	14,988	18,488	7,756	-	11,256	19,318	(20,374)	(1,056)
Saniservice Sh.p.k.	LEK	(42,932)	1,994,871	423,397	1,082,359	1,378,841	1,043,488	(1,236,721)	(193,233)
Shubhram Hospital Solutions Private Limited	INR	(350,814)	744,747	308,447	654,960	749,048	340,377	(563,360)	(222,983)
Finanza & Progetti S.p.A.	EUR	15,191	58,819	17,355	153	60,830	39,149	(35,064)	4,085
Arezzo Servizi S.c.r.l.	EUR	10	325	1,232	135	1,412	2,321	(2,321)	-
PSIS S.r.l.	EUR	7,324	17,410	2,695	1,553	11,228	7,561	(8,197)	(636)
Steril Piemonte S.c.r.l.	EUR	3,945	2,827	1,717	-	599	1,736	(1,736)	-
AMG S.r.l.	EUR	2,665	1,530	2,419	644	640	3,833	(3,644)	189
Iniziative Produttive Piemontesi S.r.l.	EUR	1,573	481	3,811	337	2,382	3,875	(3,933)	(58)
Brixia S.r.l.	EUR	48	-	4,405	-	4,357	19,040	(19,033)	7
Servizi Sanitari Integrati Marocco S.a.r.l.	MAD	2,014	500	1,597	-	83	468	(34)	434
Piemonte Servizi Sanitari s.c.r.l.	EUR	10	1,433	1,667	-	3,090	1,352	(1,352)	-
Sanitary Cleaning Sh.p.k.	LEK	73,611	18,896	77,408	7,930	14,763	154,772	(132,591)	22,181
StirApp S.r.l.	EUR	122	396	174	296	152	174	(527)	(353)

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 2020 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	968	7,338	-	3,653	26	-	-
Shubhram Hospital Solutions Private Limited	INR	12,529	645,886	654,961	135,483	935	32,923	(10,448)
Saniservice Sh.p.k.	LEK	139,517	393,656	1,082,359	318,125	-	134,675	-
Servizi Sanitari Integrati Marocco S.a.r.l.	MAD	1,342	-	-	-	-	6	-
Finanza & Progetti S.p.A.	EUR	4,066	33,164	-	12	6	1,180	1,402
Arezzo Servizi S.c.r.l.	EUR	1	-	-	354	-	11	2
PSIS S.r.l.	EUR	51	8,178	-	1,554	2	105	(173)
Sanitary Cleaning Sh.p.k.	LEK	12,726	-	7,930	4,434	1	1,040	3,940
Steril Piemonte S.c.r.l.	EUR	92	-	-	595	-	-	-
AMG S.r.l.	EUR	787	-	-	512	-	1	67

6.5 Equity investments in other companies

The item changed as follows in 2020:

(thousands of Euros)	31-Dec-2019	Increases	Impairments/Decreases	31-Dec-2020
Asolo Hospital Service S.p.A.	464	-	(398)	66
Prosa S.p.A.	462	-	-	462
PROG.ESTE S.p.A.	1,212	-	-	1,212
Progeni S.p.A.	380	-	(304)	76
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.	-	-	-	-
Other	32	43	-	75
Total	3,677	43	(702)	3,018

The item includes decreases relating to Asolo Hospital Service S.p.A. for Euro 398 thousand and Pro.ge.ni. S.p.A. for Euro 304 thousand, both relating to the partial sale of the shares, with the realisation of capital gains of Euro 930 thousand and Euro 325 thousand, respectively.

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 2020:

(thousands of Euros)	Registered office	Assets	Liabilities	Revenues	Profit/ (Loss)	Interest of equity investment
Asolo Hospital Service S.p.A.	Asolo (Treviso)	106,757	96,939	39,734	1260	1.00%
Prosa S.p.A.	Carpi (Modena)	7,678	1,947	1,586	719	13.20%
Progeni S.p.A.	Milan	262,692	262,356	46,812	886	0.76%
Sesamo S.p.A.	Carpi (Modena)	32,909	23,245	18,611	1,468	12.17%
Prog.este. S.p.A.	Carpi (Modena)	211,118	208,317	37,451	531	10.14%

6.6 Non-current financial receivables

The item in question changed as follows in 2020:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Psis S.r.l.	158	-
Sesamo S.p.A.	-	353
Progeni S.p.A.	-	982
Prog.Este S.p.A.	531	531
Saniservice Sh.p.K.	4,000	4,000
Summano Sanità S.p.A.	2	2
IDSMED Servizi Pte	360	-
Skopster DOO Skopje	162	-
Futura S.r.l.	20	46
Arena Sanità S.p.A.	261	317
Syncon S.p.A.	169	346
Total	5,663	6,577

Financial receivables refer to the interest-bearing loans granted to the companies 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 3.7% 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 31 December 2031, 30 June 2031, 20 August 2032, 31 July 2044 respectively), as well as the loans granted to the company Futura S.r.l. (expiring on 30 June 2040) and to investee companies Saniservice Sh.p.K. and Piemonte Servizi Sanitari S.c.r.l. The loans

granted to Arena Sanità S.p.A. and Futura S.r.l. were partly repaid, while the loans to Sesamo S.r.l. and Progeni S.p.A. were fully repaid following repayments in 2020. The loan to the Turkish subsidiary Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve was fully reclassified with a short-term maturity. It should be noted that, following the definition of a guaranteed minimum price related to the right of sale pertaining to Servizi Italia (as well as the right to purchase pertaining to the majority shareholder) in reference to 5% of the shares held in the company IDSMED Servizi Pte, a fair value of Euro 360 thousand was recorded. The exercise of the right of sale, estimated as highly probable, is expected in December 2023.

6.7 Deferred tax assets

This item changed as follows:

(thousands of Euros)	Share capital increase costs	Leasing 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 2019	-		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
Changes recognised in the income statement	(5)	148	(288)	54	3,346	184	3,439
Changes recognised in other comprehensive income	-	(22)	-	(17)	-	(269)	(308)
Deferred taxes as at 31 December 2020	10	327	626	219	6,144	765	8,091

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 2021-2025 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 2020	as at 31 December 2019
Substitute tax Italian Decree Law 185/2008 subsequent years	2,642	3,354
Receivables for IRES reimbursement request pursuant to Art. 2 par1-quater Italian Decree Law no. 201	175	175
Credito Aqualav in escrow account	1,258	1,776
Other non-current assets	267	516
Total	4,342	5,821

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 Brazilian Real.

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:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Due from third parties	57,501	68,033
Due from associates and joint ventures	5,295	3,926
Due from parent company	98	122
Receivables from companies under the control of the parent companies	80	45
Total	62,974	72,126

Trade receivables due from third parties

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Due from customers	63,299	74,322
Bad debt provision	(5,798)	(6,289)
Total	57,501	68,033

During the year, the Servizi Italia Group carried out some transactions involving the disposal of the receivables described below:

- trade receivables were assigned without recourse to Credem Factor S.p.A. for a total of Euro 46,346 thousand, in exchange for a consideration equal to Euro 46,248 thousand;
- trade receivables were assigned without recourse to Unicredit Factoring S.p.A. for a total of Euro 47,731 thousand, in exchange for a consideration equal to Euro 47,642 thousand.

The bad debt provision changed as follows in 2019 and 2020:

<i>(thousands of Euros)</i>	
Balance as at 1 January 2019	6,292
Utilisations	(122)
Adjustments	(176)
Provisions	295
Balance as at 31 December 2019	6,289
Utilisations	(816)
Adjustments	(186)
Provisions	511
Balance as at 31 December 2020	5,798

Trade receivables due from associates, joint ventures and parent company

The balance as at 31 December 2020 of trade receivables due from associates and jointly controlled companies, equal to Euro 5,295 thousand, consists of trade receivables mainly from the companies Brixia S.r.l. for Euro 417 thousand and Saniservice Sh.p.k. for Euro 2,124 thousand.

Furthermore, there is a credit balance due from the parent company Coopservice Soc.Coop. p.A. for Euro 98 thousand and a balance of Euro 79 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 2020	as at 31 December 2019
Tax receivables	2,019	2,221
Tax payables	-	(136)
Total	2,019	2,085

This item mainly includes the amount exceeding the receivables for advances on the current taxes of 2020, net of related tax payables.

6.12 Current financial receivables

The item in question changed as follows in 2020:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Asolo Hospital Service S.p.A.	251	1,748
P.S.I.S. S.r.l.	3,841	3,843
Ekolav S.r.l.	-	-
Arezzo Servizi S.c.r.l.	402	403
Steril Piemonte S.c.r.l.	-	-
Iniziativa Produttive Piemontesi S.r.l.	90	90
Gesteam S.r.l.	325	312
Saniservice Sh.p.k.	880	983
Ankor	-	495
Other	732	436
Total	6,521	8,310

Financial receivables are for loans granted to the companies indicated above, which are due within the year or repayable on demand. The decrease compared to 31 December 2019 is mainly due to the repayment of the loan granted to Asolo Hospital Service S.p.A. and to the payment of the portion of the share capital increase by the minority shareholders of the company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi for Euro 495 thousand.

6.13 Other current assets

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Due from others	8,056	7,921
Deferred income	1,478	1,398
Guarantee deposits receivable	214	227
Accrued income	4	58
Total	9,752	9,604

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 523 thousand, the VAT receivable for Euro 4,674 thousand (Euro 4,275 thousand as at 31 December 2019) and, for the remaining part, mainly by advances and receivables from social security and welfare institutions, all collectable within the year. The item Prepayments relates to 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 2020	as at 31 December 2019
Bank and postal deposits	4,419	7,097
Cheques	-	4
Cash in hand	22	40
Total	4,441	7,141

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 2020, the Parent Company purchased 676,249 treasury shares for Euro 1,645 thousand, equal to 2.13% of the share capital with an average purchase price of Euro 2.43 per share. Following these transactions, the Parent Company held 1,550,460 treasury shares equal to 4.87% of the share capital as at 31 December 2020. Their nominal amount as at 31 December 2020, of Euro 4,609 thousand, was classified as a decrease to share capital for their nominal value, equal to Euro 1,550 thousand, and the value exceeding the nominal amount, totalling Euro 3,059 thousand, was recognised as a reduction in the share premium reserve.

The Other reserves increased due to the allocation of the 2019 profit of the Company as per the resolution of the shareholders' meeting held on 28 April 2020, along with the payment of dividends for Euro 4,280 thousand equating to 14 Euro cents per share.

There was also a negative effect on Group shareholders' equity equal to Euro 15.290 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.

Following the identification of a differential between the market capitalization and the shareholders' equity of the Group as at 31 December 2020, taking note of the same as an impairment indicator, the management considered it reasonable to carry out, as recommended by the best valuation practices, a level II impairment test.

The Level II impairment test determined an Enterprise Value that shows the complete recoverability of the assets of the Servizi Italia Group.

6.16 Due to banks and other lenders

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2020			as at 31 December 2019		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowing	80,563	26,574	107,137	69,994	35,593	105,587
Payables due to other lenders	3,744	29,688	33,432	4,307	32,965	37,272
Total	84,307	56,262	140,569	74,301	68,558	142,859

Bank borrowing

The portion of the payable falling due within 12 months relating to the item Due to banks as at 31 December 2020 presents an increase with respect to 31 December 2019 of Euro 10,572 thousand as a result of greater recourse to self-financing credit lines.

The portion of the payable falling due beyond 12 months related to the item Due to banks as at 31 December 2020 fell with respect to 31 December 2019 by Euro 9,019 thousand. This decrease is related to the reclassification to short-term of the loan instalments due within the subsequent 12 months and to the stipulation of a new unsecured loan with Banca Unicredit S.p.A. for Euro 12,000 thousand (residual borrowing due after 12 months equal to Euro 8,000 thousand) aimed at maintaining a proper balance between short and medium-term debt.

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	< 2.0	< 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 2020, all covenants had been met.

The portion of debt with a maturity of over 12 months also includes the medium-term debt of the Turkish subsidiaries for Euro 1,005 thousand.

Amounts due to banks are shown below by maturity:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Maturity less than or equal to 6 months	64,580	54,573
Maturity between 6 and 12 months	15,986	15,422
Maturity between 1 and 5 years	26,574	35,568
More than 5 years	-	24
Total	107,140	105,587

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

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
1 to 2 years	18,018	18,625
Maturity between 2 and 5 years	8,556	16,943
More than 5 years	-	25
Total	26,574	35,593

The average effective interest rates as at 31 December 2020 were as follows:

	as at 31 December 2020	as at 31 December 2019
Advances on invoices	0.47%	0.43%
Bank loan	2.69%	2.90%

Payables due to other lenders

Payables to other lenders as at 31 December 2020, for the current portion, mainly include payables relating to foreign operations for a total of Euro 297 thousand and the effects of the adoption of IFRS 16 for Euro 3,441 thousand.

The non-current portion of the balance as at 31 December 2020 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 186 thousand and to the effects linked to adoption of IFRS 16 for Euro 29,502 thousand.

Payables to other lenders are broken down by maturity below:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Maturity less than or equal to 6 months	2,316	2,713
Maturity between 6 and 12 months	1,425	1,594
Maturity between 1 and 5 years	11,546	12,356
More than 5 years	18,142	20,609
Total	33,429	37,272

The decrease compared to the prior year is mainly due to the reduction 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 2020	as at 31 December 2019
1 to 2 years	3,326	3,858
Maturity between 2 and 5 years	8,220	8,498
More than 5 years	18,142	20,609
Total	29,688	32,965

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

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Floating rate	1	19
Fixed rate	485	826
<i>Incremental Borrowing Rate</i>	32,943	36,258
Total	33,429	37,103

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 and intangible assets	Equity investments	Goodwill	Other	Total
Deferred tax liabilities as at 1 January 2019	8	489		1,494	23	2,014
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)		-	-	(14)
Deferred tax liabilities as at 31 December 2019	-	789	-	1,594	25	2,408
Changes recognised in the income statement	-	(3)	89	-	51	137
Changes recognised in other comprehensive income	-	(45)		-	-	(45)
Deferred tax liabilities as at 31 December 2020	-	741	89	1,594	76	2,500

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)	2020	2019
Initial balance as at 1 January	10,321	10,179
Translation differences	(42)	-

Provision	331	591
Financial expenses	31	98
Actuarial (gains)/losses	229	199
Transfers (to)/from other provisions	-	-
(Benefits paid)	(1,221)	(746)
(Reclassifications)	-	-
Final balance as at 31 December	9,649	10,321

The item includes the Provision for Employee Severance Indemnity recognised to the employees of Italian group companies and identified as a defined benefit plan. Employee benefits were reclassified under current liabilities for Euro 67 thousand for the portion of the employee severance indemnity accrued as at 31 December 2020 to employees of the Podenzano production site, amounts paid in February following the closure process of the plant.

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

Financial hypotheses adopted

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

	2020	2019
Technical annual discounting back rate	-0.02%	0.37%
Annual inflation rate	1.00%	1.00%
Annual growth rate of the severance indemnity	2.25%	2.25%

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.

<i>(thousands of Euros)</i>	Discount rate		Inflation rate		Duration	
	+0.50%	-0.50%	+0.25%	-0.25%	+1 year	-1 year
Change in liabilities	-283	+300	+83	-82	+154	-131

6.19 Provisions for risks and charges

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Opening balance	5,882	2,651
Provisions	3,250	3,286
Payments/resolutions	(1,986)	(8)
Translation differences	(818)	(47)
Closing balance	6,327	5,882

The provision for risks went from Euro 5,882 thousand as at 31 December 2019 to Euro 6,327 thousand as at 31 December 2020. A provision of Euro 3,250 thousand was recorded, a use of Euro 1,986 thousand and translation differences of Euro 818 thousand.

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, 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 935 thousand of the amount allocated is envisaged in 2021, consequently reclassified to current liabilities, with full use of the provisions expected within 2025.

Provisions of Euro 341 thousand for legal disputes and Euro 588 thousand relating to costs to be incurred for the dismantling, restoration and scrapping of the set of assets referring to the Podenzano plant and the estimated settlement costs referring to employees, due to the planned cessation of activities at the production site. The provision allocated in 2021 is expected to be fully absorbed.

The item also includes the provision for coverage of losses on equity investments for Euro 2,100 thousand, which refers to the valuation through equity method of the investment in Shubhram Hospital

Solutions Private Limited and Saniservice Sh. p.k., 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 partners for the development of business in the Indian and Albanian markets.

In addition to the above, it should be noted that, with regard to what is already indicated in the paragraph "Information on proceedings in progress", the Group, having carried out the appropriate checks, has decided not to make any provisions in the financial statements for the cases in question.

6.20 Other non-current financial liabilities

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Payables to Area S.r.l.	200	200
Payables to Wash Service S.r.l. shareholders	496	989
Payable for Steritek S.p.A. put option	1,828	1,814
Payable for Wash Service S.r.l. put option	381	874
Other payables	-	-
Total	2,905	3,877

The change in the item is related in particular to the classification under other current financial liabilities of the fourth instalment of the price to the minority shareholders of Wash Service S.r.l., to be paid by February 2021. In addition, it should be noted that the payable related to the put/call option on the residual 10% of the share capital of the company Wash Service S.r.l. went from Euro 874 thousand as at 31 December 2019 to Euro 381 thousand as at 31 December 2020, following the remeasurement of the same in proportion of expected future performance, recording financial income of Euro 506 thousand in the income statement. The right can be exercised in 2024.

6.21 Trade payables

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 December 2020	as at 31 December 2019
Advances	-	15
Due to suppliers	70,676	65,375
Due to associates and joint ventures	2,303	2,212
Due to parent company	3,863	4,625
Payables to companies under the control of the parent companies	92	137
Total	76,934	72,364

Due to suppliers

The balance as at 31 December 2020 refers entirely to trade payables due within 12 months. The increase is mainly due to more favourable payment extensions granted by suppliers in 2020.

Due to associates and joint ventures

The balance as at 31 December 2020 is composed mainly of trade payables due to the companies Steril Piemonte S.c.r.l. for Euro 635 thousand, AMG S.r.l. for Euro 510 thousand, Arezzo Servizi S.c.r.l. for Euro 534 thousand and Piemonte Servizi Sanitari S.c.r.l. for Euro 362 thousand and Iniziative Produttrici Piemontesi S.r.l. for Euro 220.

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 92 thousand to Archimede S.p.A.

6.22 Current tax payables

The item is broken down as follows:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Tax receivables	(604)	(756)
Tax payables	728	947
Total	124	191

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 2020	as at 31 December 2019
Payable to Area S.r.l.	-	300
Payable to Finanza e Progetti S.p.A.	1,770	2,460
Deferred price Aqualav Serviços De Higienização Ltda	81	191
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	1,000
Payables to Wash Service S.r.l. shareholders	502	909
Total	3,353	9,269

The change in the item is mainly related to the payment of Euro 3,501 thousand (Real 19,994 thousand) against the exercise of the put option, carried out on 15 April 2020 by the minority shareholders of the Brazilian companies Maxlav Lavanderia Especializada SA and Vida Lavanderia Especializada SA respectively, which allowed the Parent Company to finalize the acquisition of the shares held by them, equal to 34.9% of the share capital of the two companies. Therefore, Servizi Italia, through the company SRI Empreendimentos and Participacoes LTDA, holds 100% of the share capital of both companies. 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 502 thousand, which will be paid in February 2021. 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 2020	as at 31 December 2019
Accrued liabilities	246	135
Deferred income	43	55
Payables due to social security and welfare institutions	5,303	5,647
Other payables	12,558	13,791
Total	18,150	19,628

Payables due to social security and welfare institutions

Amounts due to social security and welfare institutions include contributions to INPS/INAIL/INPDAl (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 2020	as at 31 December 2019
Due to employees	8,494	10,247
Employee/professional IRPEF (personal income tax) payable	2,648	2,546
Other payables	1,416	998
Total	12,558	13,791

6.25 Net financial debt

The Group's net financial debt as at 31 December 2019 and as at 31 December 2020 is shown below:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Cash and cash equivalents in hand	22	44
Cash at bank	4,419	7,097
Cash and cash equivalents	4,441	7,141
Current financial receivables	6,521	8,310
Current due to banks and other lenders	(84,307)	(74,301)
<i>of which Financial liabilities under IFRS 16</i>	(3,441)	(3,707)
Current net financial debt	(77,786)	(65,991)
Non-current due to banks and other lenders	(56,262)	(68,558)
<i>of which Financial liabilities under IFRS 16</i>	(29,502)	(32,552)
Non-current net financial debt	(56,262)	(68,558)
Net financial debt	(129,607)	(127,408)

The decrease in Cash and cash equivalents of Euro 2,700 thousand compared to 31 December 2019 is due to their use for investments.

Financial receivables as at 31 December 2020 decreased by Euro 1,789 thousand compared to 31 December 2019 mainly due to the partial repayment of the loan granted to Asolo Hospital Service S.p.A. and the payment of the portion of the share capital increase by the minority shareholders of the Ankateks Turizm İnşaat Tekstil Temizleme Sanayiye Ticaret Ltd Şirketi for Euro 495 thousand.

It should be noted that current due to banks and other lenders increased by Euro 10,006 thousand as a result of greater use of self-liquidating lines. Payables to banks and other non-current lenders decreased by Euro 12,296 thousand, as a result of the short-term reclassification of the loan instalments falling due within the next 12 months and the signing of a new unsecured loan with Banca Unicredit S.p.A. for a value of Euro 12,000 thousand aimed at maintaining a correct balance between short and medium-term debt.

The change in net financial debt, which went from Euro 127,408 thousand as at 31 December 2019 to Euro 129,607 thousand as at 31 December 2020, includes, among other things, the payment of dividends for Euro 4,280 thousand as well as the disbursement relating to the acquisition of minority interests in the Brazilian companies Maxlav Lavanderia Especializada SA and Vida Lavanderia Especializada SA for around Euro 3,501 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 2020	of which with related parties	as at 31 December 2019	of which with related parties
A. Cash	22	-	43	-
B. Other cash equivalents	4,419	-	7,097	-
C. Securities held for trading		-		-
D. Cash and cash equivalents (A)+(B)+(C)	4,441	-	7,140	
E. Current financial receivables	6,521	5,273	8,310	5,936
F. Current bank borrowings	(52,305)	-	(41,291)	-
G. Current portion of non-current borrowings	(32,002)	-	(33,010)	-
of which Financial liabilities under IFRS 16	(3,441)	(1,496)	(3,707)	(1,105)
H. Other current financial payables	(3,353)	(1,770)	(9,269)	(2,460)
I. Current financial debt (F)+(G)+(H)	(87,660)	-	(83,570)	
J. Current net financial debt (I)-(E)-(D)	(76,698)	-	(68,120)	
K. Non-current bank borrowings	(56,262)	-	(68,558)	-
of which Financial liabilities under IFRS 16	(29,502)	(22,242)	(32,552)	(23,749)
L. Bonds issued		-	-	-
M. Other non-current payables	(2,905)	-	(3,876)	-
N. Non-current financial debt (K)+(L)+(M)	(59,167)	-	(72,434)	
O. Net financial debt (J)+(N)	(135,865)	-	(140,554)	

6.26 Financial guarantee contracts

The table below provides the details of the guarantees given by the Group as at 31 December 2020 and 31 December 2019:

(thousands of Euros)	as at 31 December 2020	as at 31 December 2019
Guarantees issued by banks and insurance companies for tenders	73,673	73,353
Guarantees issued by banks and insurance companies for lease agreements and utilities	667	704
Guarantees issued by banks and insurance companies in favour of third parties	45,918	41,529
Owned assets held by third parties	73	76
Third party assets held at our facilities	-	-
Pledge on Asolo Hospital Service S.p.A. shares given as loan guarantee	66	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	76	380
Pledge on Synchron shares given as loan guarantee	343	-
Pledge on Futura S.r.l. stake given as loan guarantee	89	89
Total	122,354	118,044

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.

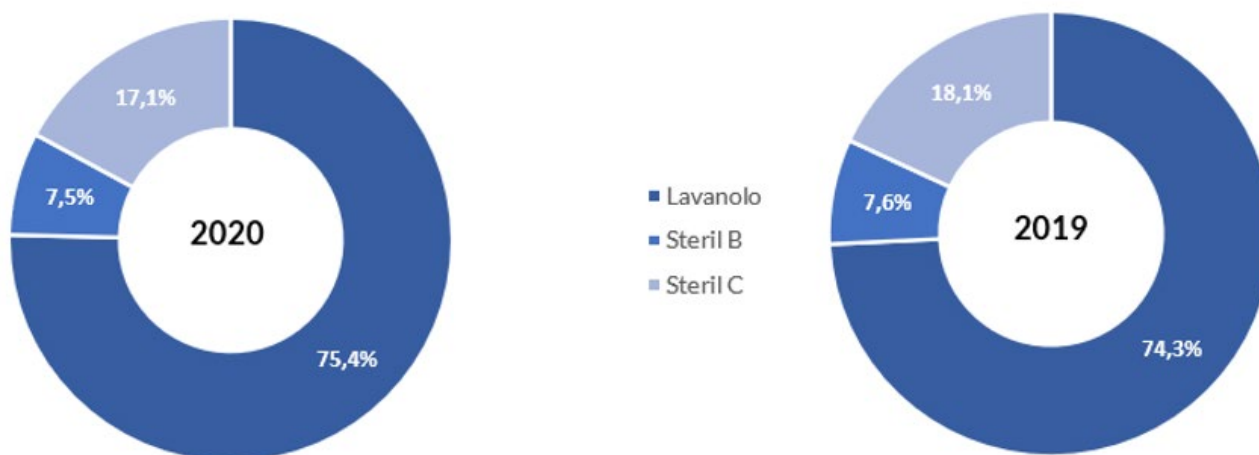
- Pledge on shares/units of Asolo Hospital Service, Sesamo, Progeni, Prog.Este and Futura to back the loans granted to project companies: this pledge was granted to the banks providing the project financing on the shares representing the Group's interest in the special purpose entity.

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	
	2020	2019
Wash-hire	181,038	194,839
Steril B (Linen Sterilisation)	18,027	20,049
Steril C (Surgical Instruments Sterilisation)	41,095	47,515
Sales revenues	240,160	262,403



Revenue and services by geographical area are broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2020	2019
Italy	207,341	222,614
Brazil	25,761	31,923
Turkey	7,058	7,866
Sales revenues	240,160	262,403

Revenues from wash-hire services (which in absolute terms represent 75.4% of the Group's revenues) dropped from Euro 194,839 thousand in 2019 to Euro 181,038 thousand in 2020, supported by the excellent organic growth of the Brazil and Turkey areas, however, offset by a negative change in exchange rates and a drop in volumes and prices of certain contracts recorded in the Italian area, which led to an overall decrease of 7.1%.

Revenues from linen sterilisation services (steril B) (which account for 7.5% of the Group's total revenues) went from Euro 20,049 thousand in 2019 to Euro 18,027 thousand, with a decrease of 10.1% due to the termination of several contracts in the Friuli and Lombardy regions and the decrease in volumes due to the Covid-19 pandemic. The positive effect of the growth in disposable supplies should be noted on the line.

Revenues from surgical instrument sterilisation services (steril C) (which in absolute terms represent 17.1% of the Group's revenues) fell from Euro 47,515 thousand in 2019 to Euro 41,095 thousand in 2020, with a decrease of 13.5% mainly due to the decrease in surgical interventions related to the coronavirus emergency, positively offset by a gradual recovery in the third quarter of 2020 (+18.1%)

and in the fourth quarter (+10.5%) compared to the loss recorded in the first quarter (-11.4%) and in the second quarter of 2020 (-19.2%).

7.2 Other income

Other income went from Euro 5,140 thousand as at 31 December 2019 to Euro 5,467 thousand as at 31 December 2020. The balance is mainly affected by the increase in rental income and the recovery of costs and sundry income from third parties of 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 Group in 2020 are contained in the aforementioned Register.

It should be noted that the contributions benefited by the companies include the recognition of the receivable for sanitation and purchase of personal protective equipment (PPE).

7.3 Raw materials and consumables

Consumption of raw materials, equal to Euro 27,607 thousand, slightly increased with respect to the previous year (Euro 27,137 thousand in 2019). The increase refers mainly to washing products, chemical products, packaging, spare parts, attributable in part to Ekolav S.r.l. and Wash Service S.r.l., not fully included in the scope of consolidation for 2019, as well as disposables and personal protective equipment (PPE) relating to new customers and purchases of personal protective equipment (PPE) dictated by the Covid-19 emergency.

7.4 Costs for services

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2020	2019
External laundering and other industrial services	25,939	25,391
Travel and transport	13,650	14,562
Utilities	12,300	13,613
Administrative costs	3,348	2,594
Consortium and sales costs	7,240	8,012
Personnel expense	2,167	3,348
Maintenance	7,740	8,146
Use of third-party assets	2,419	2,941
Other services	1,171	2,032
Total	75,974	80,639

The item Costs for services decreased by Euro 4,665 thousand compared with the previous year, while the relative incidence on revenues increased by 0.9%. At constant exchange rates, there would be a 0.3 percentage point lower impact on revenues.

Travel and transport decreased by Euro 912 thousand with respect to 31 December 2019. The decrease is mainly due to the decrease in travel due to the Covid-19 epidemiological emergency.

The costs for utilities decreased by Euro 1,313 thousand against 31 December 2019. This item is also affected by the decline in utilities due to the Covid-19 epidemiological emergency.

It is noted that the item Costs for services as at 31 December 2019 also included one-off costs relating to resetting of systems and data recovery 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 2020, 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	
	2020	2019
Costs for directors' fees	1,163	1,857
Salaries and wages	56,484	61,715
Temporary work	1,374	2,290
Social security charges	18,788	19,866
Employee severance indemnity	3,573	3,503
Other costs	245	308
Total	81,627	89,539

The item Personnel costs decreased from Euro 89,539 thousand as at 31 December 2019 to Euro 81,627 thousand as at 31 December 2020, recording a decrease of Euro 7,912 thousand. The following elements impacted the period:

- the management of personnel costs aimed at dealing with the effects of the contingent epidemic emergency situation, mainly by encouraging the use of holidays, leave and the use of social safety nets granted for the emergency (Wages Protection Fund);
- the release, following his resignation on 7 January 2020, of the end-of-term indemnity set aside in favour of the previous Chief Executive Officer for € 500 thousand;
- lower provisions related to the variable remuneration policy for the period.

There was also a decrease of Euro 916 thousand relating to the item Temporary work, which fell from Euro 2,290 thousand as at 31 December 2019 to Euro 1,374 thousand as at 31 December 2020, mainly relating to the Arco di Trento plant. The item wages and salaries also includes the release of the provision for onerous contracts of Euro 709 thousand

The table below shows the average composition of workforce:

	Average number of employees	
	2020	2019
Executives	17	18
Middle managers	48	43
White-collar staff	280	289
Blue-collar staff	3,311	3,346
Total	3,656	3,696

7.6 Other costs

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2020	2019
Tax-related expense	255	344
Contingent liabilities	73	111

Membership fees	225	213
Gifts to customers and employees	120	137
Other	1,809	1,036
Total	2,482	1,841

7.7 Depreciation/amortisation, impairment and provisions

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2020	2019
Amortisation of intangible assets	1,638	1,367
Depreciation of property, plant and equipment	51,375	49,981
Impairment and provisions	1,052	3190
Total	54,065	54,538

The item Amortization, depreciation and write-downs recorded a decrease compared to the same period of the previous year of Euro 473 thousand, from Euro 54,538 thousand as at 31 December 2019 to Euro 54,065 thousand as at 31 December 2020. It should be noted that part of the effect of the change is mainly due to the revision of the estimated useful life of some of the Parent Company's classes of linen (packed, mattresses and linen for the hospitality sector) made starting from the annual financial statements as at 31 December 2019, to which reference is made for adequate information on this matter. The item Write-downs and provisions includes allocations of Euro 143 thousand relating to the write-down of assets pertaining to the Podenzano plant following the planned cessation of activities at the production site. In addition, note the provision recorded for onerous contracts in 2020 of Euro 458 thousand (Euro 2,568 thousand in 2019).

7.8 Financial income

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2020	2019
Bank interest income	75	335
Default interest	574	845
Interest income on loans to third-party companies	552	670
Other financial income	1,091	363
Total	2,292	2,213

Default interest accrues as a result of the delays in payment by some private customers. The decrease in default interest compared to 2019 is mainly due to the improvement in the average days of collection of trade receivables. Interest income on loans to third companies was basically in line with the financial receivables against which it accrues. The item other financial income is mainly recognized upon recognition of the revaluation of the equity instrument in IdsMed Ltd.

7.9 Financial expenses

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2020	2019
Interest expense and bank commission	1,748	1,905
Interest expense for leasing	2,163	2,288
Interest and expense to other lenders	211	248
Financial expense on employee benefits	31	98
Net exchange rate losses	645	137

Other financial expenses	611	2,588
Total	5,409	7,264

The item Financial expenses recorded a decrease compared to the same period of the previous year of Euro 1,855 thousand, from Euro 7,264 thousand as at 31 December 2019 to Euro 5,409 thousand as at 31 December 2020. The item Interest expense and bank commissions recorded a reduction of Euro 157 thousand as a result of a greater use of self-liquidating lines compared to the same period of the previous year and a lower weight of foreign financial charges due to the depreciation of local currencies compared to the Euro. The increase in the item Foreign exchange losses is essentially related to the depreciation of the Real and the Turkish Lira against the Euro recorded in the Brazil area for Euro 399 thousand, in the Italy area for Euro 170 thousand and in the Turkey area for Euro 73 thousand. Also note that in the 2019 financial year financial charges were recognised for the period of Euro 1,808 thousand referring to the adjustment of fair value of 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 by 15 April 2020.

7.10 Income and expense from equity investments

The item includes dividends collected in 2020 from associates and other companies for Euro 849 thousand. In detail, Euro 816 thousand was collected from Sesamo S.p.A., Euro 32 thousand from Asolo Hospital Service S.p.A. and Euro 2 thousand from other companies. Also worthy of note are the capital gains related to the partial sales of the shares of Asolo Hospital Service S.p.A. (Euro 930 thousand) and Pro.ge.ni. S.p.A. (325 thousand).

7.11 Income taxes

The item is broken down as follows:

(thousands of Euros)	Year ended as at 31 December	
	2020	2019
Current taxes	1,471	2,269
Deferred tax assets/(liabilities)	(3,227)	(1,807)
Total	(1,756)	462

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	
	2020	2019
IRES (company earnings tax) reconciliation		
Profit before tax from Income statement	1,198	9,976
Theoretical taxes (24%)	288	2,394
Tax effects of the permanent differences:		
on increases	2,281	651
on decreases	(8,208)	(3,658)
substitute taxes	750	801
differential on foreign taxes	(44)	(1,006)
Total effective IRES taxes	(4,933)	(818)
IRAP (regional business tax)	45	471
Total effective taxes	(4,889)	(347)

The current taxes were basically zero in Italy due to the recognition of prepaid tax assets on the tax losses deriving from the effects of the deductions on the investments in capital goods (known as “super-depreciation and hyper-depreciation”) and the “ACE” facility.

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	
	2020	2019
Profit/loss attributable to shareholders of the parent company	2,761	8,990
Average number of shares	30,481	31,215
Basic earnings per share	0.09	0.29

(thousands of Euros)	Year ended as at 31 December	
	2020	2019
Profit/loss for the year attributable to the Group:	2,761	8,990
Average number of shares outstanding	30,481	31,215
Number of shares with dilutive effect	-	-
Average number of shares used to calculate diluted EPS	30,481	31,215
Diluted earnings per share	0.09	0.29

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 2020 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 2020:

(thousands of Euros)

31 December 2020

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	Financial expenses
Coopservice S.Coop.p.A. (parent company)	68	85	11,298	-	-	5	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-	-
Arezzo Servizi S.c.r.l. (joint control)	25	8	1,091	-	-	-	2	-
Psis S.r.l. (joint control)	226	117	4	-	14	-	41	-
Amg S.r.l. (joint control)	-	72	598	-	-	-	-	-
Steril Piemonte S.c.r.l. (joint control)	17	192	868	-	1	-	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	102	406	-	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	23	113	261	-	-	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (joint control)	-	4	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (joint control)	-	-	-	-	-	-	-	-
Sanitary cleaning Sh.p.k. (joint control)	-	-	-	-	-	-	-	-
Saniservice Sh.p.k. (joint control)	187	120	-	-	-	-	611	-
Servizi Sanitari Integrati Marocco S.a.r.l. (joint control)	-	-	-	-	-	-	-	-
Finanza & Progetti S.p.A. (joint control)	-	49	-	-	-	-	-	-
Brixia S.r.l. (associate)	3,428	-	37	-	-	23	-	-
Focus S.p.A. (affiliated)	-	-	-	-	-	14	-	1,413
Archimede S.p.A. (affiliated)	-	-	1	521	-	-	-	-
New Fleur S.r.l. (affiliated)	47	220	839	-	-	-	-	-
Ospedal Grando S.p.A. (related party)	7,971	44	10	-	-	-	-	-
Akan & Ankateks JV (associate)	686	-	-	64	-	-	-	-
Akan (related party)	9	-	34	1	-	-	-	-
Nimetsu & Ankateks JV (associate)	-	-	-	-	-	-	-	-
Atala (related party)	18	-	-	-	-	-	-	-
Ankor (related party)	-	-	-	-	-	-	-	-
Ozdortler (related party)	-	-	-	-	-	-	-	-
Oguzalp Ergul (related party)	-	-	-	-	-	-	18	-
Feleknaz Demir (related party)	-	-	-	-	-	-	-	-
Volkan Akan (related party)	-	-	-	-	-	-	-	-
Fevzi Cenk Kiliç (related party)	-	-	-	-	-	-	-	-
Total	12,705	1,126	15,447	586	15	42	672	1,413

<i>(thousands of Euros)</i>	31 December 2020					
<i>Statement of financial position</i>	Amount of trade receivables	Amount of trade payables	Amount of financial receivables	Value of rights of use	Amount of financial payables	Amount of other liabilities
Coopservice S.Coop.p.A. (parent company)	98	3,863	-	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-
Arezzo Servizi S.c.r.l. (joint control)	7	534	402	-	-	-
Psis S.r.l. (joint control)	219	5	3,841	-	-	-
Amg S.r.l. (joint control)	15	510	-	-	-	-
Steril Piemonte S.c.r.l. (joint control)	147	635	-	-	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	94	362	158	-	-	-
Iniziativa Produttive Piemontesi S.r.l. (associate)	119	220	90	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (joint control)	4	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (joint control)	-	-	-	-	-	-
Sanitary cleaning Sh.p.k. (joint control)	-	-	-	-	-	-
Saniservice Sh.p.k. (joint control)	2,124	-	4,880	-	-	-
Servizi Sanitari Integrati Marocco S.a.r.l. (joint control)	-	-	-	-	-	-
Finanza & Progetti S.p.A. (joint control)	281	-	-	-	1,770	-
Brixia S.r.l. (associate)	417	35	-	-	-	-
Focus S.p.A. (affiliated)	-	-	-	22,632	23,738	-
Archimede S.p.A. (affiliated)	-	91	-	-	-	-
New Fleur S.r.l. (affiliated)	267	508	-	-	-	-
Ospedal Grando S.p.A. (related party)	2,311	13	-	-	-	-
Akan & Ankateks JV (associate)	944	-	-	-	-	-
Akan (related party)	-	-	-	-	-	-
Nimetsu & Ankateks JV (associate)	-	-	-	-	-	-
Atala (related party)	53	-	-	-	-	-
Ankor (related party)	-	-	-	-	109	-
Ozdortler (related party)	-	-	-	-	-	-
Oguzalp Ergul (related party)	-	-	60	-	-	-
Feleknaz Demir (related party)	-	-	-	-	-	-
Volkan Akan (related party)	-	-	-	-	-	-
Fevzi Cenk Kiliç (related party)	-	-	-	-	-	-
Total	7,100	6,776	9,431	22,632	25,617	-

Aside from the figures shown above, as at 31 December 2020, transactions with related parties included directors' fees for Euro 1,169 thousand and executive personnel expense for Euro 2,447 thousand. As at 31 December 2019, director fees were equal to Euro 1,795 thousand and executive personnel expense for Euro 2,530 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 2020 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 2020, 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 2020, 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 3.841 thousand to support current investments.

AMG S.r.l.

At the end of 2020, financial transactions were mainly for external laundering services at the ASL of Asti, Casale Monferrato, and the ASL Turin 3, while 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 2020, 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 AL of the Piedmont Region.

Iniziativa Produttive Piemontesi S.r.l.

As at 31 December 2020, revenues from the sale of goods and services to Iniziativa 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 2020, 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 4,880 thousand loan granted to the associate.

Finanza & Progetti S.p.A.

As at 31 December 2020, 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 1,770 thousand.

Brixia S.r.l.

As at 31 December 2020, 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 2020, 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 (Parma), Montecchio Precalcino (Vicenza), Ariccia (Rome) and Genova Bolzaneto (Genoa) properties. In 2020, the total consideration for leased properties amounted to Euro 2,822 thousand.

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

With reference to the development in Castellina di Soragna (Parma), which includes manufacturing facilities and headquarters, a new lease agreement was concluded in January 2019, of the duration of twelve years renewable for another six.

Akan & Ankateks JV

Company 49% owned by Ankateks Turizm infaat 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 60 thousand loan granted to the company.

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 28 April 2020, upon revocation of the authorisation to purchase and dispose of treasury shares resolved on 30 May 2019 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 28 April, 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 28 April 2020 - 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 28 April 2020, purchases 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, paragraph 2, letter b) of Delegated Regulation EU 2016/1052, and in accordance with the principle of equality of treatment of Shareholders and 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 28 April 2020 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 2020, the number of treasury shares in the portfolio amounted in total to 1,550,460 shares, corresponding to 4.87% 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 Consolidated Law on Finance for the 2020 financial year.

12 Payment plans based on financial instruments

As at 31 December 2020, 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 3 February 2021, in line with the redistribution of volumes in order to achieve greater saturation of the production capacity of the sites in the north-west area, production activities at the plant located in Podenzano (PC) ceased.

On 26 February 2021, the Company announced that it had signed the closing relating to the sale to AlSCO Italia S.r.l. of the workwear business unit (the "Business Unit"), a preliminary disclosure to the market at the time of signing on 28 January 2021. The agreement took effect on 1 March 2021 and provides for:

- the sale by Servizi Italia to AlSCO Italia S.r.l. of the Business Unit that includes in particular the workwear sector customer portfolio, the Barbariga (BS) plant and related property, the contractual relationships with the workwear sector employees and related payables, plant, machinery, equipment and other operating assets relating to the workwear, workwear linen and textiles sector and the Business Unit's commercial goodwill;
- the start of a four-year non-compete agreement between the parties.

The payment of the price, defined on the basis of the valuation of the Business Unit's components and envisaged as a minimum of Euro 9.0 million, was broken down as follows: (i) Euro 7.978 million already collected; (ii) the remainder within 30 days from the closing date.

As at 5 March 2021, the Company had acquired a total of 1,657,760 treasury shares on the market regulated and managed by Borsa Italiana S.p.A., equal to 5.21% 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, 15 March 2021

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 Angelo Minotta, in his 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 2020.

It is also hereby stated that the consolidated financial statements as at 31 December 2020:

- 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 Company and all the companies included in the scope of consolidation.

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
Angelo Minotta

INDEPENDENT AUDITORS' REPORT



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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, 2020, 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, 2020, 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.

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

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Covid-19 and related effect on the impairment test on Goodwill in Italy area

Description of the key audit matter

As reported in the paragraph “Covid-19 disclosure” in the Directors’ report, the Covid-19 pandemic has had a significant impact on the results of the Group, with particular relevance to the cash generating units (CGU) of the Italy area.

The change in hospital procedures and activities deriving from the measures adopted by the public authorities to contain and combat the spread of the SARS-CoV-2 virus has generated a reduction in volumes in certain operating segments and a greater demand for equipment (packaged linen) compared to normal service conditions.

As reported by the Directors, the most significant impacts of this situation as at December 31, 2020 concerned: (i) the wash-hire sector, for which the health emergency led to the alteration of the close link at the base of certain contracts having, moreover, essential characteristics, resulting in an economic imbalance, (ii) the sector of surgical instruments sterilization, due to the reduction of scheduled surgical operations aimed at containing hospitalization services during the emergency period and (iii) the wash-hire services for textile products for guests and staff of residential structures, as well as nursing homes, due to the reduction in production volumes, linked to the number of deaths and a temporary slowdown in access.

The Management has developed a forecasting model based on its best estimate of the impact of Covid-19 on the future plans of the Company, which have been used for the purposes of the impairment test on goodwill.

The consolidated financial statements of the Servizi Italia Group as of December 31, 2020 report goodwill related to Italy area of Euro 51,668 thousand of which Euro 45,244 thousand relating to the Servizi Italia cash-generating unit (CGU), Euro 2,121 thousand related to CGU Steritek, Euro 3,368 thousand related to CGU Wash Service and Euro 935 thousand related to CGU Ekolav arising in the previous years. No impairment losses were recorded during the year.

The explanatory notes to the consolidated financial statements “3.3 D Goodwill”, “3.3 E Impairment test” and “3.3 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, market conditions and the evolution of pandemic Covid-19, which constitute an element of uncertainty in the estimate.

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 of Italy area to be a key audit matter of the consolidated financial statements of the Servizi Italia Group as of December 31, 2020.

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 of our network:

- understanding the process carried out by the companies of the Italy area to manage the Covid-19 emergency situation, also following any measures issued by the Authorities according to Covid-19 emergency;
- skeptical reading the meeting of Board of Directors;
- 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, also through external data, made in order to preparation of business plans, with specific reference to the assessments made in relation to the effects of the pandemic crisis, the impacts on medium and long-term revenue contracts, as well as the expectations of the resumption of ordinary operating conditions through discussion with the Management and obtaining information deemed useful in the circumstances; our procedures have included the examination of forecast cash flows deriving from business plans considering historical performances;
- 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 effects of Covid-19 and the impairment tests 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, 2020, 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, 2020 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, 2020 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 29, 2021